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中國國際海運集裝箱(集團)股份有限公司

CHINA INTERNATIONAL MARINE CONTAINERS (GROUP) CO., LTD.

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2039)

ANNOUNCEMENT REGARDING THE PROVISIONS FOR IMPAIRMENT IN 2023

This announcement is published by China International Marine Containers (Group) Co., Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) in Mainland China pursuant to the provisions of the Shenzhen Stock Exchange’s Self-discipline Supervision Guide for Listed Companies No. 1 – Business Handling and is made simultaneously in Hong Kong pursuant to Rules 13.09(2)(a) and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Listing Rules**”) and the Inside Information Provisions (as defined under the Hong Kong Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong).

I. SUMMARY OF PROVISIONS FOR IMPAIRMENT

To reflect the financial condition and operations of the Company as of the end of 2023 in an objective and fair manner and under the principle of prudence, the Company made impairment testing on the assets of consolidated companies in accordance with relevant requirements under the PRC Accounting Standards for Business Enterprises and the Shenzhen Stock Exchange’s Self-discipline Supervision Guide for Listed Companies No. 1 – Business Handling. According to the results of impairment testing, the Group made an audited total provision of RMB954,202,000 for the impairment (the “**Impairment Provision**”) for the year 2023 (also known as the “**Reporting Period**”). Taking into account the reversal of the impairment provision of RMB264,753,000, the effect of the Impairment Provision on the consolidated statement of profit or loss for 2023 is a decrease of RMB689,449,000 in the total profit of the Group.

II. BASIS OF PROVISION FOR IMPAIRMENT AND DETAILS OF THE PROVISION

In 2023, in accordance with the relevant provisions and requirements under the PRC Accounting Standards for Business Enterprises and relevant accounting management rules of the Company, the Group carried out impairment testing on various assets and handled the accounting matters of the provision amounts for impairment, and made a provision of RMB954,202,000 for impairment for the year which is proposed to be included in the reporting period from 1 January 2023 to 31 December 2023, with details set out as follows:

Unit: RMB thousand

	31 December 2022	Increase for the year	Decrease for the year			Translation difference of foreign currency statements	31 December 2023
			Reversal	Charge-off/ Write-off	Transferred from fixed assets/ (Construction in progress transferred out)		
Bad debt provision for notes receivable	1,443	1,500	(398)	-	-	160	2,705
Bad debt provision for receivables financing	775	233	(284)	-	-	-	724
Bad debt provision for accounts receivables	990,615	342,993	(154,607)	(24,435)	-	16,949	1,171,515
Bad debt provision for other receivables	323,829	50,214	(77,233)	(1,427)	-	-	295,383
Bad debt provision for long-term receivables and non-current assets due within one year	4,992	1,871	(1,154)	(884)	-	-	4,825
Subtotal	1,321,654	396,811	(233,676)	(26,746)	-	17,109	1,475,152
Bad debt provision for prepayments	31,392	173,810	-	-	-	1,306	206,508
Provision for impairment of inventory and cost of contract performance	1,415,567	272,345	(31,077)	(671,989)	-	43,000	1,027,846
Provision for impairment of contract assets	80,503	3,418	-	(119)	-	-	83,802
Provision for impairment of long-term equity investments	221,976	1,063	-	-	-	657	223,696
Provision for impairment of fixed assets	8,010,856	16,633	-	(7,657)	883,316	148,384	9,051,532
Provision for impairment of construction in progress	2,462,503	-	-	-	(883,316)	39,317	1,618,504
Provision for impairment of intangible assets	230,388	-	-	-	-	4,302	234,690
Provision for impairment of goodwill	436,908	73,757	-	-	-	34,071	544,736
Provision for impairment of assets held for sale	110,560	16,365	-	-	-	6,112	133,037
Subtotal	13,000,653	557,391	(31,077)	(679,765)	-	277,149	13,124,351
	<u>14,322,307</u>	<u>954,202</u>	<u>(264,753)</u>	<u>(706,511)</u>	<u>-</u>	<u>294,258</u>	<u>14,599,503</u>

The basis of and reasons for provision for impairment of major asset items in the Impairment Provision are as follows:

(I) Provision for impairment of financial instruments

1. Basis of provision:

The Group has adopted Accounting Standard for Business Enterprises No. 22 and therefore it makes provision for impairment of financial assets on the basis of the expected credit losses.

2. Reasons for and details of provision:

For the Reporting Period, the total amount of provision for impairment of the financial instruments of the Group was RMB396,811,000, mainly including:

- (1) bad debt provision for notes receivable of RMB1,500,000;
- (2) bad provision for receivables financing of RMB233,000;
- (3) bad debt provision for accounts receivables of RMB342,993,000;
- (4) bad debt provision for other receivables of RMB50,214,000;
- (5) bad debt provision for long-term receivables (including non-current assets due within one year) of RMB1,871,000.

(II) Bad debt provision for prepayments

1. Basis of provision:

The Group makes bad debt provision for prepayments when the recoverable amount of prepayments is less than its carrying amount.

2. Reasons for and details of provision:

For the Reporting Period, the total amount of bad debt provision for prepayments of the Group was RMB173,810,000.

(III) Provision for impairment of inventory and contract performance cost

1. *Basis of provision:*

The Group regularly estimates the realizable net value of its inventory and recognizes impairment losses for inventory when the cost of the inventory is higher than its realizable net value at an amount equivalent to the difference.

2. *Reasons for and details of provision:*

For the Reporting Period, the total amount of inventory impairment loss provision and contract performance cost impairment loss provision was RMB272,345,000, mainly representing the impairment loss provisions the Group made for some price-dropping, slow-moving and obsolete raw materials, construction-in-progress and finished goods.

(IV) Provision for impairment of contract assets

1. *Basis of provision:*

The Group makes bad debt provision for contract assets based on expected credit loss.

2. *Reasons for and details of provision:*

For the Reporting Period, the Group made provisions for impairment of contract assets of RMB3,418,000 on the basis of the expected credit loss.

(V) Provision for impairment of long-term assets

1. *Basis of provision*

For fixed assets, construction-in-progress, right-of-use assets, intangible assets with finite useful lives and long-term equity investments in subsidiaries, joint ventures and associates, if there are any indications of impairment as at the balance sheet date, the Group will conduct impairment testing. If the outcome of impairment testing shows that the recoverable amount of an asset is lower than its carrying amount, an impairment loss provision would be made at an amount equivalent to the difference and included in impairment loss. The recoverable amount of an asset represents the higher of the net of the fair value of the asset less disposal costs and the present value of the expected future cash flows of the asset. The impairment loss allowance of an asset is measured and recognized on an asset-by-asset basis, and if the recoverable amount of an individual asset is difficult to assess, the recoverable amount is determined for the cash-generating unit to which such asset belongs. A cash-generating unit is the smallest group of assets that independently generates cash inflows.

Goodwill presented separately in the financial statements is tested for impairment at least annually, regardless of whether there are any indications of impairment. For the purpose of impairment testing, the carrying amount of goodwill is allocated to the cash-generating unit or group of cash-generating units which are expected to benefit from the synergies of the business combination. If the outcome of testing indicates that the recoverable amount of the cash-generating unit or group of cash-generating units to which the goodwill has been allocated is lower than its carrying amount, an impairment loss will be recognized correspondingly. The amount of impairment loss will first be used to reduce the carrying amount of goodwill allocated to such cash-generating unit or group of cash-generating units and then to reduce the carrying amount of each other asset pro rata on the basis of the carrying amount of each other asset in the cash-generating unit or group of cash-generating units other than goodwill.

Non-current assets (except for financial assets, investment properties measured at fair value and deferred tax assets) that meet the recognition criteria for assets held for sale are recognised at the amount equal to the lower of the fair value less costs to sell and the carrying amount. Any excess of the original carrying amount over the fair value less costs to sell is recognised as asset impairment losses.

2. Reasons for and details of provision

- (1) For the Reporting Period, the total amount of provision for impairment of long-term equity investments of the Group was RMB1,063,000, mainly representing the provision for impairment made by the Group for its equity interests in an associate, namely Guizhou Yinke Environmental Resources Co., Ltd.* (貴州銀科環境資源有限公司);
- (2) For the Reporting Period, the total amount of provision for impairment of the Group's fixed assets of machinery and equipment was RMB16,633,000;
- (3) For the Reporting Period, the total amount of provision for impairment of the Group's goodwill was RMB73,757,000;
- (4) For the Reporting Period, the total amount of provision for impairment of the Group's assets held for sale was RMB16,365,000, and the assets were the offshore engineering special equipment of H1293 for which an irrevocable transfer agreement.

* For identification purpose only

III. IMPACT OF THE IMPAIRMENT PROVISION ON THE FINANCIAL CONDITION OF THE GROUP

In 2023, the Group made provisions for asset impairment of RMB954,202,000 in total which, after considering the reversal of a provision for asset impairment of RMB264,753,000, will result in a decrease in the Group's total profit of RMB689,449,000 recognized in the consolidated statement of profit and loss for 2023.

This announcement is available on the website of the Company at <http://www.cimc.com> and the website of the Hong Kong Stock Exchange at <http://www.hkexnews.hk>.

By order of the Board
China International Marine Containers (Group) Co., Ltd.
WU Sanqiang
Joint Company Secretary

Hong Kong, 27 March 2024

As at the date of this announcement, the Board comprises Mr. MAI Boliang (Chairman) as an executive Director; Mr. ZHU Zhiqiang (Vice-chairman), Mr. HU Xianfu (Vice-chairman), Mr. SUN Huirong, Mr. DENG Weidong and Ms. ZHAO Feng as non-executive Directors; and Ms. LUI FUNG Mei Yee, Mabel, Mr. ZHANG Guanghua and Mr. YANG Xiong as independent non-executive Directors.