中遠海運控股股份有限公司

COSCO SHIPPING Holdings Co., Ltd.

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

(Stock Code: 1919)

2016 ANNUAL REPORT

Important notice

The board of directors (the "Board"), the supervisory committee (the "Supervisory Committee"), the directors (the "Directors"), the supervisors (the "Supervisors") and senior management of COSCO SHIPPING Holdings Co., Ltd. (the "Company" or "COSCO SHIPPING Holdings", together with its subsidiaries, the "Group") declare that there are no false information, misleading statements or material omissions in this annual report, and collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the information contained herein.

All Directors attended the Board meeting held on 30 March 2017.

Ruihua Certified Public Accountants, LLP. and PricewaterhouseCoopers have issued standard and unqualified auditor's reports for the Company.

The authorised person of the Company, Mr. Wan Min (Chairman), Mr. Xu Zunwu (executive Director and general manager), Mr. Deng Huangjun (person-in-charge of accounting) and Mr. Xu Hongwei (head of the accounting deparement), declare that they confirm the truthfulness, accuracy and completeness of the financial reports in this report.

Proposals for profit distribution and reserves capitalization during the reporting period as considered by the Board:

Pursuant to the audited financial statements of the Company for the year 2016, which were prepared in accordance with Hong Kong Financial Reporting Standards, the loss attributable to equity holders of the Company for 2016 was RMB9,906 million.

After due consideration, the Board recommended that no profit should be distributed for 2016.

The proposal will be submitted to the 2016 annual general meeting for consideration.

Is there any occupancy of non-operating funds by controlling shareholders or its related parties?

No.

Are there any guarantees provided to a third-party in violation of stipulated procedures?

No.

Forward-looking statements

None of the forward-looking statements including future plan in this annual report constitutes a commitment by the Company to the investors. Investors are advised to be aware of the investment risks.

Material risk warning

Investors are advised to read the "Potential risk" of "Management Discussion and Analysis" as set out in this annual report carefully.

Contents

Company's Basic Information

I. Company's Information

Legal Chinese name	中遠海運控股股份有限公司
Legal Chinese stock short name	中遠海控
English name	COSCO SHIPPING Holdings Co., Ltd.
English stock short name	COSCO SHIP HOLD
Legal representative	WAN Min

II. Contact Persons and Methods

	Secretary to Board of Directors	**Representative of securities affairs**
Name	GUO Huawei	XIAO Junguang, ZHANG Yueming
Contact address	8/F, No. 658 Dong Da Ming Road, Shanghai City, the People's Republic of China (the "PRC")	8/F, No. 658 Dong Da Ming Road, Shanghai City, the PRC
Telephone	(8621) 60298619	(8621) 60298619
Facsimile	(8621) 60298618	(8621) 60298618
E-mail	guohuawei@chinacosco.com	xiaojunguang@chinacosco.com zhangyueming@chinacosco.com

III. Basic Profile

Registered address	2nd Floor, 12 Yuanhang Business Centre, Central Boulevard and East Seven Road Junction, Tianjin Port Free Trade Zone, Tianjin, the PRC
Postal code	300461
Place of business	8/F, No. 658 Dong Da Ming Road, Shanghai, the PRC
Postal code	200080
Company's website	www.chinacosco.com
Company's email	investor@chinacosco.com

Company's Basic Information

Ⅳ. Information Disclosure and Inspection

Designated newspapers for disclosure of the Company's information	Shanghai Securities News, China Securities Journal, Securities Times, Securities Daily
Website designated by the CSRC for publishing the annual report	www.sse.com.cn
Place for inspection of annual report	8th Floor, No. 658 Dong Da Ming Road, Shanghai, the PRC

V. Information on the Company's Shares

Shares of the Company

Type of share	**Place of listing**	**Stock short name**	**Stock code**	**Stock short name before change**
A Shares	Shanghai Stock Exchange	COSCO SHIP HOLD	601919	China COSCO
H Shares	The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**")	COSCO SHIP HOLD	01919	China COSCO

Company's Basic Information

Ⅵ. Other Information

Domestic auditor engaged by the Company	Ruihua Certified Public Accountants, LLP.
	5-11/F,West Tower of China Overseas Property Plaza, Building 7, No. 8,Yongdingmen Xibinhe Road, Dongcheng District, Beijing, the PRC
	Su Chun Sheng and Zhang Min
International auditor engaged by the Company	PricewaterhouseCoopers
	22nd Floor, Prince's Building, Central, Hong Kong
	Mang Kwong Fung, Frederick
Other information	Place of business in Hong Kong 49/F, COSCO Tower, 183 Queen's Road Central, Hong Kong
	Major bankers Bank of China, Agricultural Bank of China, China Merchants Bank, etc
	Legal advisers as to Hong Kong law Paul Hastings 21/F-22/F, Bank of China Tower, 1 Garden Road, Hong Kong
	Legal advisers as to PRC law Commerce and Finance Law Offices 6th Floor, NCI Tower, A12 Jianguomenwai Avenue, Beijing, the PRC
	Domestic A share registrar and transfer office China Securities Depository and Clearing Corporation Limited, Shanghai Branch Address: 36th Floor, China Insurance Building,166 Lujiazui Road East, Pudong New District, Shanghai, the PRC
	Hong Kong H share registrar and transfer office Computershare Hong Kong Investor Services Limited Address: 17 M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Chairman’s Statement

Wan Min
Chairman

Dear shareholders,

First of all, on behalf of the Board and management of COSCO SHIPPING Holdings Co., Ltd. (“**COSCO SHIPING Holdings**”), I would like to express my sincere gratitude to all our shareholders and customers around the world for their continuous attention and support to COSCO SHIPPING Holdings. Meanwhile, I would also like to thank all of our staff, onshore and offshore, for their dedication, hard work and devoted efforts over the years for the business development of COSCO SHIPPING Holdings.

In 2016, with slow growth in global container shipping demand and oversupply of shipping capacity, the imbalance in supply and demand of the international shipping market persisted and the industry commonly bore loss pressure. The China Containerized Freight Index (the “CCFI”) dropped to a historical low of 632 points in the first half of 2016. As a result of the weak market, during the reporting period, the growth of revenue of the Group was lower than the growth of the container shipping volume, and the increase in revenue was less than the increase in costs. In addition, affected by non-recurring profit and loss factors during the period, the Group recorded loss after tax of RMB5.963 billion from continuing operations, loss of RMB3.139 billion from discontinued operations and loss attributable to equity holders of the Company of RMB9.906 billion. On a quarter-on-quarter basis, during the reporting period, the performance improved quarterly. Without taking into account the net loss incurred by demolition of vessels, the Group realized earnings before interests and tax (EBIT) of RMB0.724 billion in the fourth quarter of 2016. The result of reform and restructuring plus the effect of the market shipping prices bottoming out started to show.

Chairman's Statement

Under the dual pressure of weak market and reform and restructuring, COSCO SHIPPING Holdings rose to challenges with the support from all shareholders and all circles of the society. Adhering to the general requirement of "quick and deep reform", the Group made full efforts in putting forward business consolidation, continuously deepening the reform of internal systems and mechanisms, and continuously maintaining the advantages of scale and the synergy effect.

In respect of "quick reform", since 1 March 2016, COSCO SHIPPING Lines Co., Ltd. (formerly known as COSCO Container Lines Co., Ltd.) ("**COSCO SHIPPING Lines**") (a subsidiary of the Company) had efficiently completed the domestic network restructuring within 2 months, realizing joint working among all nine ports (九大口岸) and approximately 400 outlets and that among all overseas companies at the end of October. In May 2016, the Group started systems replacement at pilot points, and completed the replacement of all shipping routes and containers 5 months later. Through the comprehensive consolidation of shipping routes, organization structure, management teams, information system, container management, equity transactions of overseas companies, COSCO SHIPPING Lines was the first to realize the most challenging restructuring of the liner business at the end of 2016. As at the end of the Reporting Period, COSCO SHIPPING Lines had risen to the forth greatest container shipping company in the world with 312 self-operating vessels and shipping capacity of 1,648,800 TEUs, representing a year-on-year increase of 85.9% in its shipping capacity.

COSCO SHIPPING Ports Limited ("**COSCO SHIPPING Ports**") (a subsidiary of the Company) completed relevant transactions under the restructuring in the first quarter of 2016. In June, COSCO SHIPPING Ports established the brand-new development strategy in the main direction to speed up the global layout of terminals, achieve synergy effect, and strengthen the control over and the management of ports and terminals. In August, COSCO SHIPPING Ports announced the brand-new development concept of "The Port For All". After restructuring, COSCO SHIPPING Ports operates 158 container terminals in 30 ports around the world, with annual capacity of 97,250 thousands TEUs. According to the review and the relevant data calculation of outlook report on global container operators in 2016 by Drewry, in terms of the total shipping capacity, COSCO SHIPPING Ports accounted for approximately 13% of the global market share, ranking top of the world.

In respect of "deep reform", with business restructuring, COSCO SHIPPING Lines further strengthened the revenue management and cost control. Since the restructuring in March 2016, with reliance on the advantages of scale, it optimized crew arrangement and allocation of fleets and shipping route network resources and further enhanced the standard of customer services and innovation, ensuring the set objective of "no loss in customers, cargo, and market share". Meanwhile, it achieved synergy effect and further reduced costs and expenses through the optimization of shipping route resources, procurement from supplier, and container management with a year-on-year decrease in cost per TEU of 6.4%, further enhancing the competition edge. In April 2016, COSCO SHIPPING Lines entered into a memorandum of understanding with CMA CGM, Evergreen and Orient Overseas in connection with the establishment the "OCEAN Alliance". The alliance will officially begin operation in April 2017.

COSCO SHIPPING Ports set the layout along the "One Belt and One Road", actively transformed its development model, and increased investment in the development of overseas emerging markets, such as Southeast Asia, Middle East and Europe, as well as regional markets, striving to switch the layout from within China to the globe. COSCO SHIPPING Ports entered into an agreement with PSA Corporation Limited in March 2016 in relation to the joint investment in large-sized container terminals in Singapore through a joint venture; entered into an equity transfer agreement with the ECT Company of the Hutchison Port Holding Limited in May in relation to the EUROMAX Container Terminal Project in Rotterdam; entered into a concession agreement with Abu Dhabi Ports (阿布紮比港務局) in September to operate Port Khalifa Phase II Container Terminal as a joint venture; and entered into an equity transfer agreement in October in relation to the acquisition of 40% equity interest in the Vado Terminals in Italy.

Looking forward to 2017, the downturn in the growth of the world economy will continue and trade protectionism will tend to rise. Therefore, factors of uncertainty increased. The development of China is in the key stage in which challenges need to be overcome, and yet, showing further signs of steady growth and good momentum. The economic development has solid support. Focusing on the container shipping industry, there are some positive signals on the demand side. The official operation of the new alliance will play a positive role in improving the quality of customer service and customer experience, but the pressure on inventory supply and the delivery of new vessels remain. Overall, it is expected that the business environment of container shipping market in 2017 as a whole will be better than 2016 but pressure and uncertainties will remain.

Chairman's Statement

In 2017, COSCO SHIPPING Holdings will continue to integrate actively with the global industrial restructuring process maintain its strategic strengths, continue to deepen its reform, continue to achieve synergy effect, and strive to enhance the Company's operational efficiency, cost control, counter cyclical fluctuation and global standards.

In respect of container shipping business, the Company will continue to capture strategic opportunities, such as the "One Belt and One Road" and "Yangtze River Economic Belt", increase the investment in the emerging markets and regional markets to improve the global layout, and enhance customer services. Firstly, it will establish a global network layout and an alliance operation system that adapt with the shipping capacity so as to achieve the OCEAN Alliance's service advantages in the eastern and western major routes and provide new momentum for global trading. Secondly, it will insist on being customer-oriented, demand-oriented, reliant on global resources in providing customers with customized services in order to meet their diverse demands. Thirdly, it will strengthen cost control and explore in depth the potential synergy of the optimization of shipping route network layout, container management, and supplier procurement. Fourthly, it will strengthen the capabilities in comprehensive transportation solutions and the seamless articulation with highways and railways so as to further enrich and improve the service model and provide customers with more choices and convenience. Fifthly, it will continuously improve the application standard of digitalization, consolidate and expand the advantages of direct operation and brand influence of Epanasia platform (泛亞電商平台).

In respect of ports operation, adhering to the new development strategy, the Group will comprehensively increase the competitiveness of the terminal business from three main directions: the first is to put forward the globalized terminal layout; the second is to achieve the synergy effect with COSCO SHIPPING's container fleets and the OCEAN Alliance; the third is to strengthen the control over and management of ports and terminals. Through the effective implementation of the strategy, the asset quality of terminals will be enhanced and management efficiency will be further optimized, so as to offer shipping companies and shipping alliances value-adding services of higher quality and wider coverage, continuously promote the sustainable development of the main business, and comprehensively increase profitability.

In the first two months of 2017, benefiting from the firmly recovering market and the result of reform and restructuring, the overall operation conditions of COSCO SHIPPING Holdings retained positive momentum: in the container shipping business, unit income increased by 10.6% and cargo volume surged by 70.1% compared to the same period in 2016; in the container terminal business, the total throughput increased by 6.4% compared to the same period in 2016; the Company realized earnings before interests and tax (EBIT) of approximately RMB490 million (estimated based on current management accounts of the Company which have not been audited or reviewed, and which shall be subject to the actual earnings in the audited financial information).

This business restructuring has brought to COSCO SHIPPING Holdings brand-new strategic opportunities, which serve as a milestone of profound meaning for the future development of COSCO SHIPPING Holdings. In the coming year, COSCO SHIPPING Holdings will be willing to joint hands with cooperation partners of various areas and overcome all kinds of challenges in jointly shaping and maintaining a new environment of win-win co-existence for the shipping industry. Through continuously enhancing its own operation standard and governance, the Company strives to realize values for customers and create returns for shareholders.

Wan Min

30 March 2017

Summary of Accounting Data

Results for the year ended 31 December 2016 (the "Reporting Period") prepared under the Hong Kong Financial Reporting Standards

	For the year ended 31 December 2016 RMB'000	For the year ended 31 December 2015 RMB'000 (Restated)	Change in Amount
Revenues from continuing operations	**69,833,164**	55,148,297	14,684,867
(Loss)/profit before income tax from continuing operations	**(5,456,070)**	1,742,096	(7,198,166)
(Loss)/profit attributable to equity holders of the Company	**(9,906,003)**	469,302	(10,375,305)
Basic and diluted (loss)/earnings per share (RMB)	**(0.97)**	0.05	(1.02)
Final dividend per share (RMB)	**—**	—	—
Final dividend payout ratio	**—**	—	—
Total assets	**119,652,733**	160,493,498	(40,840,765)
Total liability	**82,103,864**	107,322,423	(25,218,559)
Non-controlling interest	**19,225,573**	24,611,526	(5,385,953)
Equity attributable to the Company's equity holders	**18,323,296**	28,559,549	(10,236,253)
Net debt to equity ratio	**67.1%**	98.9%	(31.8%)
Gross (loss)/profit margin	**(0.8%)**	6.80%	(7.6%)

Management Discussion and Analysis

I. Discussion and Analysis of the Board regarding the Operation of the Company during the Reporting Period

In 2016, the Group achieved operating revenue of RMB69,833,164,000 from continuing operations, representing a year-on-year increase of RMB14,684,867,000 or 26.63%. Loss attributable to equity holders of the Company for 2016 was RMB9,906,003,000, whilst profit attributable to equity holders of the Company in 2015 was RMB469,302,000.

	Year ended 31 December 2016 RMB'000	Year ended 31 December 2015 *(Restated)* RMB'000	Difference RMB'000	Percentage of Change (%)
Continuing operations:				
Revenues	**69,833,164**	55,148,297	14,684,867	26.63
Operating (loss)/profit	**(5,040,949)**	1,731,517	(6,772,466)	—
(Loss)/profit before income tax from continuing operations	**(5,456,070)**	1,742,096	(7,198,166)	—
(Loss)/profit after tax from continuing operations	**(5,962,509)**	1,211,212	(7,173,721)	—
Discontinued operations:				
(Loss)/profit after tax from discontinued operations	**(708,461)**	504,219	(1,212,680)	—
Loss on disposals of discontinued operations	**(2,430,262)**	—	(2,430,262)	—
Reversal of provision	**—**	493,173	(493,173)	(100.00)
(Loss)/profit for the year from discontinued operations	**(3,138,723)**	997,392	(4,136,115)	—
(Loss)/profit for the year	**(9,101,232)**	2,208,604	(11,309,836)	
(Loss)/profit attributable to equity holders of the Company	**(9,906,003)**	469,302	(10,375,305)	—
Basic (loss)/earnings per share (RMB)	**(0.97)**	0.05	(1.02)	—

Management Discussion and Analysis

(I) Analysis of principal businesses

1. Analysis for the related items in the consolidated income statement and consolidated statement of cash flows

Item	Year ended 31 December 2016 RMB'000	Year ended 31 December 2015 (Restated) RMB'000	Difference RMB'000	Percentage of Change (%)
Continuing operations:				
Revenues	**69,833,164**	55,148,297	14,684,867	26.63
Cost of services and inventories sold	**(70,382,845)**	(51,425,413)	(18,957,432)	36.86
Other (expenses)/income, net	**(470,193)**	1,460,646	(1,930,839)	—
Selling, administrative and general expenses	**(4,021,075)**	(3,452,013)	(569,062)	16.48
Finance income	**499,728**	801,948	(302,220)	(37.69)
Finance costs	**(1,912,878)**	(1,860,813)	(52,065)	2.80
Net related exchange loss	**(401,579)**	(486,776)	85,197	(17.50)
Net cash flows generated from operating activities	**1,519,533**	7,117,693	(5,598,160)	(78.65)
Net cash flows generated from/(used in) investing activities	**4,986,406**	(6,703,006)	11,689,412	—
Net cash flows used in financing activities	**(9,497,917)**	(8,480,214)	(1,017,703)	12.00
Research and development expenses	**15,756**	17,441	(1,685)	(9.66)

2. Revenues

The amounts set out in the following financial analysis and descriptions in the Management Discussion and Analysis are in RMB unless otherwise specified.

(1) Analysis of reasons for changes in revenues

In 2016, COSCO SHIPPING Holdings realized operating revenue of RMB69,833,164,000 from continuing operations, representing a year-on-year increase of RMB14,684,867,000 or 26.63%.

Among which:

Container shipping business

In 2016, revenues from container shipping and related business amounted to RMB66,569,030,000, representing an increase of RMB14,517,844,000 or 27.89%.

Management Discussion and Analysis

Since the restructuring in March 2016, the scale of the self-operating container fleets of COSCO SHIPPING Container Lines Limited (formerly known as COSCO Container Lines Co., Ltd.) ("**COSCO SHIPPING Lines**") expanded substantially. As at 31 December 2016, the self-operating container fleets consisted of 312 vessels, with a shipping capacity of 1,648,800 TEUs. In 2016, container shipping volume amounted to 16,902,800 TEUs, representing a year-on-year increase of 54.36%.

In 2016, the average income per TEU from international routes of COSCO SHIPPING Lines amounted to RMB4,141.02 per TEU, representing a year-on-year decrease of 11.93%; the average income per TEU from domestic trade routes amounted to RMB1,581.15 per TEU, representing a year-on-year increase of 2.93%.

In 2016, the China Containerized Freight Composite Index was 710.71 points, representing a year-on-year decrease of 18.54%. In 2016, the decrease in the average income per TEU from international routes of COSCO SHIPPING Lines was lower than the decrease in the China Containerized Freight Composite Index.

Terminal business

In 2016, revenues generated from the terminal and related business amounted to RMB3,762,678,000, representing a year-on-year increase of RMB267,322,000 or 7.65%, among which the terminal in Greece realized revenue of RMB1,175,156,000, representing an increase of 18.69% and the terminal in Nansha realized revenue of RMB1,011,961,000, representing an increase of 11.77%.

In 2016, total throughput of containers of controlled and non-controlling terminals of COSCO SHIPPING Ports Limited ("**COSCO SHIPPING Ports**") amounted to 95,071,900 TEUs, representing a year-on-year increase of 4,585,900 TEU or 5.07%, among which the container throughput of controlled terminals of COSCO SHIPPING Ports amounted to 15,735,200 TEUs, representing an increase of 578,500 TEUs or 3.82%; the container throughput of non-controlling terminals amounted to 79,336,700 TEUs, representing an increase of 4,007,400 TEUs or 5.32%.

(2) Major customers

Total sales to the top five customers of the Group in 2016 amounted to RMB1,670,033,000, accounting for 2.39% of the total sales for the year.

3. Costs

(1) Cost analysis

Business segment	Components of cost	Year ended 31 December 2016 RMB'000	Year ended 31 December 2015 (Restated) RMB'000	Difference RMB'000	Percentage of change %
Container shipping and related business	Equipment and cargo transportation costs	**35,273,700**	23,419,633	11,854,067	50.62
	Voyage costs	**11,776,780**	9,329,295	2,447,485	26.23
	Vessel costs	**14,202,625**	9,668,479	4,534,146	46.90
	Subtotal	**61,253,105**	42,417,407	18,835,698	44.41
	Container shipping related business costs	**8,190,230**	8,529,171	(338,941)	(3.97)
	Elimination within container shipping and related business	**(1,062,898)**	(1,343,343)	280,445	–
	Subtotal	**68,380,437**	49,603,235	18,777,202	37.85
Container terminal and related business	Container terminal and related business costs	**2,384,520**	2,195,151	189,369	8.63
Other business	Other business costs	**182**	303	(121)	(39.93)
	Elimination between different businesses	**(503,237)**	(421,046)	(82,191)	–
	Tax and surcharges	**120,943**	47,770	73,173	153.18
	Total operating costs	**70,382,845**	51,425,413	18,957,432	36.86

In 2016, the operating cost of the Group amounted to RMB70,382,845,000, representing a year-on-year increase of RMB18,957,432,000 or 36.86%, among which:

Container shipping business

Mainly due to the expanded scale of business after the restructuring, in 2016, the operating costs of container shipping and related business amounted to RMB68,380,437,000, representing a year-on-year increase of RMB18,777,202,000 or 37.85%. Upon completion of the restructuring, the efficiency of scale and cost synergies have been gradually achieved, resulting in a year-on-year decrease of 6.45% in the shipping cost per TEU.

Management Discussion and Analysis

Terminal business

In 2016, the operating costs of terminal and related business amounted to RMB2,384,520,000, representing a year-on-year increase of RMB189,369,000 or 8.63%, among which the operating costs of the terminal in Greece amounted to RMB782,080,000, representing an increase of 17.88% and the operating costs of the terminal in Nansha amounted to RMB571,010,000, representing an increase of 8.31%.

4. Expenses

Other (expenses)/income, net

The net amount of other expenses of the Group in 2016 was RMB470,193,000, while the net amount of other income of the Group in 2015 was RMB1,460,646,000. The subsidies for demolition of vessels in 2016 amounted to RMB189,518,000, representing a year-on-year decrease of RMB1,359,162,000. A net loss of RMB1,038,656,000 was incurred for the disposal of vessels, representing a year-on-year increase of net loss of RMB801,711,000.

Selling, administrative and general expenses

In 2016, the selling, administrative and general expenses of the Group amounted to RMB4,021,075,000, representing a year-on-year increase of RMB569,062,000 or 16.48%. A significant reason for the increase in the selling, administrative and general expenses is the year-on-year increase in labour cost and the professional fees and other relevant fees in connection with the restructuring in 2016.

Finance income

In 2016, the finance income of the Group amounted to RMB499,728,000, representing a year-on-year decrease of RMB302,220,000 or 37.69%. This was due to the adjustment in the structure of bank deposits with the expectation of appreciation of USD in 2016, and the amount and proportion of RMB deposits with higher interest rate was decreased to reduce exchange rate risks.

Finance costs

In 2016, the finance costs of the Group amounted to RMB1,912,878,000, representing a year-on-year increase of RMB52,065,000. This was due to the year-on-year increase in debt scale in 2016.

Net related exchange loss

In 2016, the Group's net exchange loss related to borrowings amounted to RMB401,579,000, representing a year-on-year decrease of RMB85,197,000 in net exchange loss. Under the situation of the appreciation of the USD, in order to reduce exchange rate risk, since the second half of 2015, the Company has been adopting measures for adjusting the debt structure, reducing the balance of USD loans and adjusting the structure of bank deposit by increasing the balance of USD deposits.

Share of profits less losses of joint ventures and associates

The Group's share of profits of joint ventures and associates in aggregate amounted to RMB1,399,608,000 in 2016, representing a year-on-year decrease of RMB156,612,000. This was mainly attributable to the year-on-year decrease of RMB102,202,000 in the investment income from COSCO Finance

Management Discussion and Analysis

Limited due to the dilution of shareholding in COSCO Finance Limited from 31.25% to 17.25% upon the disposal of China COSCO Bulk Shipping Co., Ltd. (formerly known as China COSCO Bulk Shipping (Group) Co., Ltd.) ("**COSCO Bulk Group**") by the Group. The investment income from associated companies and joint venture of COSCO SHIPPING Ports decreased by RMB48,116,000 as compared to the last year.

Income tax expenses from continuing operations

Income tax expenses of the Group for continuing operations in 2016 amounted to RMB506,439,000, representing a year-on-year decrease of RMB24,445,000.

5. Research and development expenses

In 2016, the research and development expenses amounted to RMB15,756,000. COSCO SHIPPING Holdings accelerated corporate development through innovation of technologies and continuously strengthen technological innovation, management innovation, service innovation and operation concept and model innovation. The research and development projects conducted during the year were mainly: research and development of double centralized financial management platform, research and demonstration application of operation and maintenance management model for shipping, terminal billing system, terminal geography information security system, design, optimization and application of traction system for double - rise trailers, high intelligent start and stop system at terminal stack, research and development of special foaming fixture for cold box doors, research and development of modified escape door of refrigerated containers, development of warning system for historical data of container repair, research and development of reheat coil of DAIKIN evaporator, research and development of lighting and alarm system for refrigerated containers, research and development of high pressure side gasket of carrier reciprocating compressor and research and development of vehicle freight carriage for container.

Major suppliers

Total purchases from the top five suppliers of the Group in 2016 amounted to RMB4,742,755,000, accounting for 6.60% of the total purchases for the year.

6. Analysis of loss from discontinued operations for the year

In 2016, loss from discontinued operations of the Group amounted to RMB3,138,723,000, among which RMB2,430,262,000 was a net loss on disposal of COSCO Bulk Group and FCHL. Although the transaction price was higher than the net asset of the companies disposed of, a net loss on disposal was incurred due to reclassification of the cumulative currency translation difference related to COSCO Bulk Group and FCHL from other reserves to the profit or loss for the period on the date of disposal according to Hong Kong Financial Reporting Standards.

In 2016, COSCO Bulk Group recorded net loss after tax of RMB757,617,000 prior to the disposal, and FCHL recorded net profit after tax of RMB49,156,000 prior to the disposal.

Management Discussion and Analysis

7. Cash flow

As at the end of 2016, the cash and cash equivalents amounted to RMB32,188,572,000, representing a decrease by RMB1,708,571,000 or 5.04% from the beginning of the year.

Net cash inflow of RMB1,519,533,000 was generated from operating activities in 2016, representing a year-on-year decrease of RMB5,598,160,000. Operating loss was the major reason for the reduction in cash inflow from operating activities for the year.

Net cash inflow of RMB4,986,406,000 was generated from investing activities in 2016, as compared to a net cash outflow of RMB6,703,006,000 in 2015. Cash received from the disposals of entities such as COSCO Bulk Group and FCHL during the year amounted to RMB9,534,864,000. Cash payment of RMB5,451,657,000 was applied in the purchase and construction of fixed assets, intangible assets and other long-term assets.

Net cash outflow of RMB9,497,917,000 was generated from financing activities in 2016, representing a year-on-year increase of RMB1,017,703,000, of which cash payment for acquisition of consolidated entities under common control was RMB8,556,323,000.

Cash and cash equivalents increased by RMB1,283,407,000, primarily due to changes in exchange rates as a result of appreciation in the exchange rate of USD against RMB in 2016.

(II) Industry Operation Information Analysis

Container shipping business

In 2016, the global container transportation demand experienced slow growth with excessive shipping capacity, and the imbalance of supply and demand in the international shipping market still existed. Both China Containerised Freight Index ("**CCFI**") and Shanghai Containerized Freight Index ("**SCFI**") hit historic low in the first half of 2016. Despite the subsequent pickup of the market, the average CCFI and SCFI during 2016 still recorded decrease of 18.5% and 10.2%, respectively, as compared with the corresponding period of 2015, and the market condition was still challenging.

During the reporting period, COSCO SHIPPING Lines put great efforts in overcoming the challenges from the complexity of reform and restructuring as well as the severe market situation. Through in-depth and rapid reform, COSCO SHIPPING Lines successfully completed the integration of domestic and overseas networks, achieved unified operation of the global information operating system ahead of schedule, and completed the integration and restructuring of container shipping business in a highly efficient and stable manner. Meanwhile, the Company established the four core strategies of "scaling up and globalization, customer orientation, cost-saving strategy and gradual enhancement of capability in providing comprehensive logistics solutions to customers", and strived to continuously strengthen the Company's ability in revenue management and cost control.

Since 1 March 2016, the Company has been leasing the container vessels owned or operated by COSCO SHIPPING Development Co., Ltd. (formerly known as China Shipping Container Lines Company Limited) ("**COSCO SHIPPING Development**") for operation, which significantly

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increased its shipping capacity. As at 31 December 2016, the container fleet of the Company consisted of 312 self-operating container vessels with a total capacity of 1,648,790 TEUs, representing a year-on-year increase of 85.9% in terms of capacity. During the year, the Company disposed of a total of 16 aged container vessels, which made its fleet younger, larger, greener and more competitive as a whole.

During the reporting period, the Company made detailed preparation for the "OCEAN Alliance" and continuously strengthened its advantages in traditional eastward and westward routes services. In response to the change in the macro-economic and trading environment, the Company continuously optimized the shipping routes and capacity structure, increased the shipping capacity in emerging markets such as South America, Caribbean and Africa, and achieved increase in cargo volume in emerging markets. The Company also continuously optimized the branch routes network including in Southeast Asia, Europe — West Africa and Central America, which further improved the globalization level of the shipping routes network.

By continuously strengthening marketing efforts, the Company achieved the objective of no loss in cargo source in the first year of integration, and rapidly established its leading advantages in scale and cost. Through optimization of shipping routes network layout, supplier procurement and container management, the Company has gradually achieved synergies.

The Company continued to facilitate the standardization of global customer service procedures to timely solve the "pain points" of the customers. Since 1 September 2016, the Company has implemented nine service standards worldwide including, among others, cargo space booking, on-time rates and trans-shipment services, and established the "PRC Customer Service Center" in order to provide timely response and support to the customers and further improve the customer experience.

The Company deeply explored customers' demand for non-shipping services and further integrated the tow truck, barge, railway and other non-shipping resources, which optimized the network, enhanced service standard and increased income. The Company also studied and formulated the comprehensive logistics solution to reduce the customers' logistics cost, thereby enhancing the overall competitiveness of the Company and continuously strengthening the Company's ability against the cyclical fluctuation in the market.

In 2016, the Company recorded container shipping volume of 16,902,790 TEUs, representing a year-on-year increase of 54.4%.

Throughout 2016, there was one new container vessel with 9,092 TEUs delivered for operation, and there was no new order of container vessel during the year. As at 31 December 2016, the Company had 20 orders of container vessels with 317,868 TEUs. According to the relevant agreements in relation to the material asset restructuring of COSCO SHIPPING Holdings, the 14 orders of container vessels of 234,000 TEUs in aggregate held by COSCO SHIPPING Development and its holding subsidiaries would be leased by COSCO SHIPPING Lines for operation. As such, there were a total of 34 orders of container vessels with 551,868 TEUs in aggregate.

Management Discussion and Analysis

Containers shipped (TEU)

	2016	2015 (Restated)	Year-on-year increase/ (decrease) (%)
Trans-Pacific	2,501,040	1,798,067	39.1
Asia and Europe (including the Mediterranean)	3,608,717	1,941,705	85.9
Asia Region (including Australia)	4,427,274	3,421,623	29.4
Other international regions (including the Atlantic)	1,219,626	832,658	46.5
China	5,146,133	2,956,321	74.1
Total	16,902,790	10,950,374	54.4

Revenue from routes (RMB'000)

	2016	2015 (Restated)	Year-on-year increase/ (decrease) (%)
Trans-Pacific	17,383,204	15,451,943	12.5
Asia and Europe (including the Mediterranean)	14,349,012	9,498,947	51.1
Asia Region (including Australia)	11,890,662	9,678,867	22.9
Other international region (including the Atlantic)	5,061,659	2,959,724	71.0
China	10,045,557	6,424,779	56.4
Offset of internal transactions among routes	(2,091,458)	(1,668,162)	—
Total	56,638,636	42,346,098	33.8

Note:

In 2016, the Group acquired the relevant shipping companies owned by China Shipping Group. The above freight and revenue from routes of the Group in 2016 and 2015 included the freight and revenue from routes of the relevant shipping companies acquired from China Shipping Group.

Terminal business

In 2016, the global economic growth was still slow, which hampered the recovery of global shipping and port industries. According to the survey of Drewry in December 2016, the global container throughput growth was 1.3%, which remained the same as 2015, showing the slow pace of recovery of the industry.

2016 was an important year for COSCO SHIPPING Ports in terms of transformation. After completion of acquisition of China Shipping Ports Development Co., Limited and the disposal of Florens Container Holdings Limited, the terminal network coverage was further enhanced and the market position of the major business was strengthened. After the restructuring, COSCO SHIPPING Ports quickly integrated the structure of team and organization, developed corporate development strategy, launched a new brand image of "The Ports For ALL" and accelerated the globalization of layout for the terminal network.

Management Discussion and Analysis

In 2016, the total throughput handled by COSCO SHIPPING Ports was 95,072,000 TEUs, representing a year-on-year increase of 5.1%.

Throughput of terminals (by region)

Throughput of terminals (TEU)	**2016**	2015 *(Restated)*	Year-on-year increase/ (decrease) (%)
Bohai Rim	**32,612,471**	31,199,327	4.5
Yangtze River Delta	**18,508,168**	19,071,524	(3.0)
Southeast coastal and other regions	**4,533,026**	4,129,030	9.8
Pearl River Delta	**24,697,218**	25,238,622	(2.1)
Southwest coastal regions	**1,138,057**	920,737	23.6
Overseas	**13,582,982**	9,926,735	36.8
Total throughput	**95,071,922**	90,485,975	5.1

(III) Analysis of assets and liabilities

Due to the disposal of COSCO Bulk Group and FCHL during the year, the total assets and liabilities of COSCO SHIPPING Holdings decreased as compared to those in the beginning of 2016: as at 31 December 2016, the total assets of COSCO SHIPPING Holdings amounted to RMB119,652,733,000, decreasing by RMB40,840,765,000 or 25.45% from the beginning of the year. The total liabilities amounted to RMB82,103,864,000, decreasing by RMB25,218,559,000 or 23.50%.

As at 31 December 2016, bank deposits and cash and cash equivalents of the Group were RMB32,188,572,000, most of which are denominated in RMB and US dollar and the rest are denominated in Euro, Hong Kong dollar and other currencies.

As at 31 December 2016, the total amount of outstanding borrowings of the Group was RMB57,376,975,000, representing a decrease of RMB29,094,635,000 or 33.65% as compared to the beginning of the year; net current assets amounted to RMB11,807,147,000, representing a decrease of RMB4,661,071,000 or 28.30% as compared to the beginning of the year; net debt amounted to RMB25,188,403,000, representing a decrease of RMB27,386,064,000 or 52.09% as compared to the beginning of the year. As at 31 December 2016, the gearing ratio (net liability to equity ratio) was 67.08% as compared to 98.88% as at 31 December 2015.

The working capital and capital resources of the Group have been and will continue to be generated from cash flows from operating activities, proceeds from new share issuance and debt financing from banks.

Certain property, plant and equipment of the Group with net book value of RMB22,601,560,000 (31 December 2015: RMB35,521,814,000) were pledged to banks and financial institutions as collaterals for borrowings in the total amount of RMB13,917,529,000 (31 December 2015: RMB21,380,738,000), representing 46.67% of the total value of the property, plant and equipment (31 December 2015: 41.20%).

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Debt analysis

Categories	**As at 31 December 2016 RMB'000**	As at 31 December 2015 RMB'000 *(Restated)*
Short-term borrowings	**3,246,917**	2,955,191
Long-term borrowings	**54,130,058**	83,516,419
Among which: Less than 1 year	**6,661,134**	8,216,400
1 to 2 years	**14,536,972**	15,233,166
3 to 5 years	**16,723,202**	41,243,356
Over 5 years	**16,208,750**	18,823,497
Total of long-term and short-term borrowings	**57,376,975**	86,471,610

Classification by categories of borrowings

The secured borrowings of the Group amounted to RMB14,109,094,000 and unsecured borrowings amounted to RMB43,267,881,000, representing 24.59% and 75.41% respectively of the total borrowings.

The borrowings of the Group denominated in US dollars amounted to RMB31,988,587,000, borrowings denominated in RMB amounted to RMB19,684,536,000, and borrowings denominated in other currencies amounted to RMB5,703,852,000, representing 55.8%, 34.3% and 9.9% respectively of the total borrowings. Save for the issued medium-term notes and bonds, most of the borrowings of the Company bear floating interest rate.

Guarantees

As at 31 December 2016, the Group had provided a guarantee on a banking facility granted to Guangxi Qinzhou International Container Terminal Co. Ltd., a joint venture, in the amount of RMB63,200,000 (as at 31 December 2015: RMB16,000,000).

Contingent liabilities

The Group was involved in a number of claims and lawsuits, including but not limited to claims and lawsuits arising from damage to vessels during transportation, loss of goods, delay in delivery, collision of vessels, early termination of vessel chartering contracts, and dispute during impawning supervision business.

As at 31 December 2016, the Group was unable to ascertain the likelihood and amounts of the above mentioned claims. However, based on advice of legal counsel and/or information available to the Group, the Directors are of the opinion that the relevant claims amounts should not be material to the Group's consolidated financial statements for the year ended 31 December 2016.

Foreign exchange risk

The Group operates internationally and is exposed to various foreign exchange risks arising from non-functional currencies. Foreign exchange risks are derived from future business transactions and recognized assets and liabilities. The actual foreign exchange risks faced by the Group are therefore primarily with respect to non-functional currency bank balances, receivable and payable balances

Management Discussion and Analysis

and bank borrowings. The management monitors foreign exchange exposure and will consider hedging certain foreign currency exposure with derivative financial instruments should the need arise.

Others

A description of significant changes in profit/loss resulting from non-principal operations

The subsidies for demolition of vessels received in 2016 amounted to RMB189,518,000, as compared to RMB3,921,810,000 for last year, among which: RMB1,548,680,000 was for COSCO SHIPPING Lines and RMB2,373,130,000 was for COSCO Bulk Group.

The net loss on disposal of vessels in 2016 amounted to RMB1,038,656,000, while that for last year amounted to RMB236,945,000.

In 2016, net loss on disposal due to the disposal of COSCO Bulk Group and FCHL amounted to RMB2,430,262,000.

Significant acquisition and disposal of assets and equity interests

During the reporting period:

1. During the reporting period, the Group disposed of 16 container vessels, including demolition of 14 vessels and disposal of 2 vessels. Therefore, the Group recorded a decrease in net carrying value of vessels of RMB1,367,836,000 and net loss on disposal of vessels of RMB1,038,656,000.

   After the implementation of the decommissioning of the old transportation vessels, the average age of the Group s self-owned vessels has decreased, and the overall oil saving and environmental protection level have improved. The overall competitiveness of the fleet was enhanced, which was in the interests of the Company and its shareholders as a whole.

2. On 11 December 2015: (1) the Company and China Ocean Shipping (Group) Company ("**COSCO**") entered into a sale and purchase agreement ("**COSCO Bulk SPA**"), pursuant to which the Company conditionally agreed to sell and COSCO conditionally agreed to acquire 100% of the equity interest in COSCO Bulk Group (the "**Dry Bulk Disposal**"); (2) the Group and COSCO SHIPPING Development and its subsidiaries ("**COSCO SHIPPING Development Group**") entered into sale and purchase agreements (the "**Agency Companies SPAs**"), pursuant to which the Group conditionally agreed to acquire and the COSCO SHIPPING Development Group conditionally agreed to sell certain equity interest in 33 agency companies (the "**Agency Companies Acquisitions**"); (3) COSCO SHIPPING Ports and COSCO SHIPPING Development (Hong Kong) Co., Limited (formerly known as China Shipping Container Lines (Hong Kong) Co., Limited) ("**CSHK**") entered into the sale and purchase agreement ("**FCHL SPA**"), pursuant to which COSCO SHIPPING Ports conditionally agreed to sell the entire issued share capital in FCHL ("**FCHL Shares**") and assign the relevant shareholders' loans ("**FCHL Shareholders' Loans**") and CSHK agreed to acquire the FCHL Shares and take assignment of the FCHL Shareholders' Loans (the "**Florens Disposal**"); (4) COSCO SHIPPING Ports, COSCO SHIPPING Development and China Shipping (Hong Kong) Holdings Co., Limited ("**CS Hong Kong**") entered into the sale and purchase agreement ("**CSPD SPA**"), pursuant to which COSCO SHIPPING Development and CS Hong Kong agreed to sell, and COSCO SHIPPING Ports agreed to acquire, the entire issued share capital of China Shipping Ports Development Co., Limited

(“**CSPD**”) (the “**Terminal Acquisition**”); and (5) the Company and COSCO SHIPPING Development entered into the lease agreement (the “**Lease Agreement**”), pursuant to which the Company conditionally agreed to lease from COSCO SHIPPING Development, and COSCO SHIPPING Development conditionally agreed to lease to the Company, vessels and containers owned or operated by COSCO SHIPPING Development (the “**Leasing Transactions**”). The COSCO Bulk SPA, Agency Companies SPAs, the FCHL SPA, the CSPD SPA, the Lease Agreement and other transactions in the restructuring are inter-conditional upon each other.

The Dry Bulk Disposal, the Agency Companies Acquisitions, the Florens Disposal and the Termination Acquisition have been completed as at the date of this annual report. The net loss on the Dry Bulk Disposal amounted to RMB2,212,762,000. The net loss on the Florens Disposal amounted to RMB 217,500,000. Upon completion of such transactions, COSCO SHIPPING Holdings became the most important part of the core industries of COSCO SHIPPING Group (its indirect controlling shareholder) and the listed platform for container shipping service supply chain of COSCO SHIPPING Group. Compared to before the restructuring, COSCO SHIPPING Holdings has changed its strategic positioning from “comprehensive shipping service” to “specialized development of container shipping service supply chain” in consideration of the transformation from “product thinking” to “customer thinking” and from diversified business structure to specialized business structure.

3. On 4 November 2016, as approved by the Board, Wuhan COSCO Logistics Co., Ltd., a non-wholly-owned subsidiary of the Company, entered into an equity transfer agreement with COSCO Chemical Logistics Co., Ltd. (“**COSCO Chemical Logistics**”), a wholly-owned subsidiary of COSCO (the controlling shareholder of the Company) pursuant to which Wuhan COSCO Logistics Co., Ltd. agreed to transfer 100% equity interest in Chongqing COSCO Chemical Logistics Co., Ltd to COSCO Chemical Logistics at a consideration of RMB78,073,000, which resulted in net gain from disposal of RMB7,695,000. The above transaction was completed during the reporting period.

   Such transaction allowed the Company to concentrate its efforts in developing its main business and optimize the allocation of resources. Such transaction was in line with the development strategies and future business development targets of the Company and in the interest of the Company and its Shareholders as a whole.

   COSCO Chemical Logistics is a wholly-owned subsidiary of COSCO, the direct controlling shareholder of the Company. Accordingly, COSCO Chemical Logistics is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules, and such disposal constituted a connected transaction of the Company. For details, please refer to the announcement of the Company dated 4 November 2016.

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Events after the balance sheet date:

4. On 20 January 2017, the 33rd meeting of the fourth session of the Board considered and approved the subscription of 1,015,520,000 non-circulating domestic shares issued by Qingdao Port International Co., Ltd. ("**Qingdao Port International**") at a consideration of RMB5,798,619,200 (equivalent to approximately RMB5.71 per share) by COSCO SHIPPING Ports (a subsidiary of the Company) through Shanghai China Shipping Terminal Development Co., Ltd. ("**Shanghai China Shipping Terminal**"), its wholly-owned subsidiary, of which, RMB3,198,650,840 will be settled by the transfer of 20% equity interest in Qingdao Qianwan Container Terminal Co., Ltd. ("**Qingdao Qianwan Terminal**") by Shanghai China Shipping Terminal and the remaining RMB2,599,968,360 will be settled in cash. Upon the completion of such transaction and the H shares placing by Qingdao Port International, the Company will indirectly hold 1,111,520,000 shares in Qingdao Port International, representing 18.41% of its total share capital.

   Such acquisition and disposal were a meaningful step in implementing COSCO SHIPPING Ports' strategy of sharpening its competitive edge and creating greater value. The increased investment in, and the subsequent strategic co-operation with, a major port in China will also strengthen COSCO SHIPPING Ports' leading position in the Greater China region, which is in line with COSCO SHIPPING Ports' strategy of enhancing control over terminal assets. Holding more shares in Qingdao Port International, compared with directly investing in a company which operates a single container terminal in the Port of Qingdao, could increase COSCO SHIPPING Ports' influence in the Port of Qingdao and allow COSCO SHIPPING Ports to participate in the management of the whole port. Such transaction will enhance COSCO SHIPPING Ports' competitiveness by optimising its investment portfolio and concentrating on high quality assets, which should result in an increase in the overall profitability of the terminals business of the Company. For details, please refer to the announcement of the Company dated 20 January 2017.

(IV) Analysis of core competitive edges during the reporting period

1. Comprehensive advantages in scale: significantly improved strength of all business sectors

   As the listed platform focusing on the development of container shipping service supply chain of the COSCO SHIPPING Group (the indirect controlling shareholder of the Company), the Group integrated its advantages and resources through material asset restructuring, and achieved significant increase in the business scale of all sectors. The ranking of the shipping capacity of its container vessels jumped to fourth in the world, and the total throughput of its container terminals ranked the first worldwide. With the continuous release of effects from the advantages of scale, the Group's ability in optimization of global resources allocation was effectively strengthened, and its comprehensive competitiveness was also enhanced continuously.

2. Network advantages: continuous acceleration of globalized distribution

With the global vision and international mindset and based on the expansion of business scale, the Group strives to improve its profitability and ability to create value for customers. It seizes the opportunities of reform and restructuring by fully integrating and optimizing the network resources to accelerate the globalization of layout.

Our container vessels has anchors in 254 ports covering 79 countries and regions all over the world with 205 international shipping routes (including international branch routes), 38 China coastal routes and 86 branch routes in Pearl River Delta and Yangtze River Delta. The Group's container shipping business has over 400 domestic and overseas sales and services points all over the world, and established a container transportation service network with globalized operation and integrated services, which can provide the customers with "door-to-door" comprehensive transportation solutions with higher quality.

The terminal portfolio covers 30 ports in the top five coastal port clusters in China as well as Southeast Asia, Europe, Mediterranean, Black Sea and other regions in the world. The Company has 158 berths for containers in operation with total annual capacity of 97,250,000 TEUs. It continuously promotes the globalized distribution of terminals and optimizes the global terminal portfolio, thereby continuously strengthening the ability against risks.

3. Advantages in business model: continuous improvement of ability in service innovation

The Group actively transited from the traditional "product thinking" to "user thinking", identified the "pain points" of customers from the customers' perspective and insisted on process orientation to achieve integration of customer marketing and services. The Company continuously provided response and support to the customers through continuous exploration and application of digitalization and informatization methods to continuously improve the customers' experience. It accelerated its pace in transition from an investment company to a professional terminal operator, strived to continuously improve the stability of the operating efficiency of its terminals, thereby improving the overall service standard of the terminals.

The "OCEAN Alliance" will commence operation on 1 April 2017, which will operate 41 eastward and westward main routes and shipping routes to the Middle East and Red Sea with a total of approximately 350 container vessels and total shipping capacity of 3,500,000 TEUs. The shipping services of the OCEAN Alliance have leading advantages in frequency, size, coverage and efficiency. Meanwhile, the continuously improving operation efficiency of the OCEAN Alliance will significantly strengthen the cost control ability and comprehensive competitiveness of all members.

As the innovative advantages of e-commerce platform continue to grow, the Company further expanded its sales channels based on the ever-renewing products on the Pan-Asian e-commerce platform and marketing plans with internet features. Leveraging on the direct sales advantage of shipowners, the Group launched more quality door-to-door products with cost advantage. The Panasia Domestic Container Indicator (PDCI) published during the year objectively reflected fluctuation trend of actual shipping price in domestic trading market of the

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Group's container shipping business, which became an important indicator for users to control the estimated logistics cost.

4. Advantages in business synergy: effective improvement of the Company's comprehensive competitiveness

   There are distinctive synergies between the two major business segments of the Group, namely container shipping and terminal investment and operation. The Company continuously promotes the business interaction, resources sharing and globalized layout of two major sectors, and endeavors to provide the customers with full trip container logistics service solutions. The Company actively facilitates the strategic layout of overseas hub ports, improves the global terminal distribution and support the realization of the strategic target of container shipping globalization, so as to provide stable and highly efficient services to the Company's container fleet, decrease the port turnaround time of vessels and effectively reduce oil consumption. Meanwhile, the increase in the scale and market shares of the Company's container fleet, together with the commencement of operation of the OCEAN Alliance, will secure stable routes and provide support in cargo volume for the Company's terminals and facilitate the long-term sustainable development of the terminal business. The good interaction between the container transportation and terminal operation will bring mutual benefits to both sectors and form a win-win situation, which will facilitate the Company to strengthen its ability against the cyclical fluctuation in the market and create greater value for the customers and partners.

(V) Investment analysis

1. Analysis of external equity investments

   As at 31 December 2016, total external equity investments of the Group amounted to RMB20,430,556,000. The Group made additional investments of RMB480,534,000, including the additional investment in Qingdao Qianwan Terminal, five new associated companies and joint ventures as a result of the restructuring and the acquisition of 35% equity interest in EUROMAX Terminal.

Invested companies RMB'000	**Shareholding percentage as at the end of 2016 (%)**	Increase in investment costs during the year RMB'000
Qingdao Qianwan Container Terminal Co., Ltd	**20.00**	44,160
Dalian Vanguard International Logistics Co., Ltd.	**50.00**	52,398
COSCO Lanka (Private) Limited	**40.00**	239
China Shipping Egypt Ltd	**49.00**	507
Angang Vehicle Transportation Co., Ltd	**20.07**	74,271
Liaoning Shenha Fortune Logistics Co., Ltd.	**45.00**	2,202
Euromax Terminal Rotterdam B.V	**35.00**	306,757
Total		480,534

2. Financial assets at fair value

Short name of securities	Initial investment cost RMB'000	Shareholding at the end of period %	Earnings for the reporting period RMB'000	Change in owner's equity during the reporting period RMB'000	Sources of shares
Haitong Securities	7,017	0.05	2,191	(341)	Acquired by promotion
Tianjin Quanye Bazaa	99	0.02	—	48	Original legal person shares purchased
Northeast Pharmaceutical	200	0.03	—	(46)	Original legal person shares purchased
QHD Port	194,802	0.88	6,701	(65,423)	Original legal person shares purchased
Qingdao Port	284,061	2.01	13,352	38,594	Original legal person shares purchased

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3. Wealth management entrusted to non-financial companies and derivatives investments

Partner names	Entrusted wealth management product type	Entrusted wealth management amount RMB'000	Entrusted wealth management start date	Entrusted wealth management end date	Remuneration determination method	Expected profit RMB'000	Actual principal amount recovered RMB'000	Actual profit obtained RMB'000
CITIC CP	Specified asset management plan	200,000	2015/7/24	2016/1/29	Expected	7,560	200,000	7,560
CITIC CP	Specified asset management plan	25,000	2015/10/21	2016/2/17	Expected	530	25,000	530
CITIC CP	Specified asset management plan	20,000	2015/11/6	2016/3/2	Expected	417	20,000	417
CITIC CP	Specified asset management plan	10,000	2015/11/19	2016/3/29	Expected	233	10,000	233
CITIC CP	Specified asset management plan	15,000	2015/11/24	2016/4/20	Expected	511	15,000	414
CITIC CP	Specified asset management plan	50,000	2016/1/22	2016/4/21	Expected	740	50,000	740
CITIC CP	Specified asset management plan	40,000	2016/1/29	2016/4/27	Expected	585	40,000	585
CITIC CP	Specified asset management plan	100,000	2016/2/17	2016/4/20	Expected	1,710	100,000	1,036
Total	–	460,000	–	–	–	12,286	460,000	11,515

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4. Use of proceeds from raised funds

Not applicable.

5. Analysis of principal subsidiaries and companies with equity interest

The following is stated according to the audited financial report of the A shares of the Company prepared in accordance with PRC GAAP:

(1) Major holding subsidiaries are as follows:

COSCO SHIPPING Lines, a wholly-owned subsidiary of COSCO SHIPPING Holdings, is principally engaged in international and domestic container shipping services and related businesses. Its registered capital is 15,961,763,082.40. As at 31 December 2016, its total assets and total equity amounted to 62,925,176,813.00 and 4,849,086,000 respectively. Total equity attributable to owners of the parent company amounted to 4,518,737,000 (31 December 2015: 7,172,074,000). Revenue, operating profit, gross profit and net profit in 2016 were 66,569,030,000, -6,120,579,000, -6,656,684,000 and -6,870,619,000 respectively. Net profit attributable to the equity holder of the parent company amounted to -6,925,568,000 (2015: RMB89,045,000).

COSCO SHIPPING Ports and its subsidiaries are principally engaged in the businesses of terminals management and operation and container leasing, management and sales. COSCO SHIPPING Ports is a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As at 31 December 2016, COSCO SHIPPING Ports was owned as to 46.72% by COSCO SHIPPING Holdings. As at 31 December 2016, the authorized share capital of COSCO SHIPPING Ports was HK$400,000,000 and its issued share capital and paid up capital was HK$296,655,943.90. As at 31 December 2016, the total asset and total equity of COSCO SHIPPING Ports amounted to 46,994,068,000 and 32,966,872,000 respectively. Total equity attributable to equity holders of the parent company amounted to 30,116,162,000 (31 December 2015: 37,900,870,000). Revenue, operating profit and net profit in 2016 were 4,239,269,000, 1,537,524,000 and 1,223,417,000 respectively. Net profit attributable to equity holders of the parent company amounted to 1,031,149,000 (2015: 2,665,347,000).

(2) Change in scope of consolidation

A total of 317 consolidated units were included in the consolidated financial statements of COSCO SHIPPING Holdings as at the end of 2016, among which 91 consolidated units were newly added in 2016, while 425 consolidated units ceased to be included in the consolidated financial statements of COSCO SHIPPING Holdings.

Controlled subsidiaries acquired as a results of acquisitions in 2016

In 2016, due to the acquisition of the shipping companies, agency companies and terminal companies owned by China Shipping Group, the number of additional consolidated units

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under the same control was 64.

In 2016, due to the overseas agency companies owned by COSCO Shipping, the number of additional consolidated units under the same control was 15.

In 2016, due to the acquisition of overseas agency companies under different control, the number of additional consolidated units under different control was 4.

Reduction in holding subsidiaries as a result of disposal of COSCO Bulk Group and FCHL in 2016:

Due to disposal of COSCO Bulk Group and FCHL in 2016, a total of 321 companies ceased to be included in the consolidated financial statements of the Company, including 258 single-vessel companies.

6. Projects financed by funds not raised from financing activities

   Not applicable.

II. Overall operation conditions in the first two months of 2017

In the first two months of 2017, benefitting from the firmly recovering market and integration synergies, the overall operation conditions of COSCO SHIPPING Holdings retained positive momentum: in the container shipping business, unit income increased by 10.6% and cargo volume surged by 70.1% compared to the same period in 2016; in the container terminal business, the total throughput increased by 6.4% compared to the same period in 2016; the Company realized a net profit before interests and tax (EBIT) of approximately RMB490 million (estimated based on current management accounts of the Company which have not been audited or reviewed, and which shall be subject to the actual profit in the audited financial information).

III. Discussion and Analysis of the Board Concerning the Future Development of the Company

(I) Competition in the industry and development trend

Container shipping market

Competition landscape

Since the financial crisis, the container shipping market experienced unprecedented downturn with fluctuation. With the in-depth adjustment in the industry as well as the basically settled reorganization pattern in the alliance, corresponding changes will occur in the competition landscape of the container shipping market in the future. On one hand, the traditional eastward and westward routes will gradually transit to a new alliance competition landscape with 2M, OCEAN and THE as the three major alliances. On the other hand, in the market of other routes, certain liner companies will enhance their competitiveness and increase their market shares with featured customized services and advantages in regional distribution.

Market outlook

According to estimation by Alphaliner, concentrated delivery of shipping capacity will occur in the container shipping market in 2017. However, demolition is expected to be high and the net growth in shipping capacity is expected to be 2.9%. In 2017, the cargo volume in the market is expected to increase by 2.7%, which is slightly better than the increase of 1.8% in 2016. However, the increase in demand will be subject to more uncertainties. With the in-depth adjustment in the industry, the overall operation in the industry will be focused on enhancing customer service quality and improving service products to make competition more reasonable.

Development trend

Affected by the financial crisis and loss-making situation in the industry and with the decrease in new vessel orders and gradual slowdown in the growth of shipping capacity, the gap between supply and demand will be gradually narrowed. Under the change in global economic and trading environment, emerging market and regional market will play a leading role in the next phase of industry growth. Meanwhile, with the continuous deepening of industry integration as well as the in-depth development of alliance cooperation, the operation strategy of carriers will gradually develop from the sole provision of shipping services to a more diversified portfolio of comprehensive supply chain transportation services.

Terminal market

Competition landscape

Affected by the sluggish demand in port throughput, alliance of liner companies and competitive strategy, the competition in port industry is intensifying.

Market outlook

Prudently speaking, the container terminal market shows an optimistic prospect. According to estimate by Drewry, affected by the lack of growth in the global economy, continuous slowdown in the economic growth of emerging economies and the stagnant shipping market, the global container throughput of ports is expected to have a growth of 2.1% in 2017, higher than the 1.3% in 2016. In particular, Middle East and South Asia will remain to be the fastest growing regions in terms of throughput; Latin America is expected to pick up and revert to positive growth at a rate of 2.7%, ranking second in terms of growth rate; and North America, Asia and Australia may see moderate acceleration in growth rate. Based on the opinion of reputable agencies, the container throughput of ports in China is expected to grow at a pace of 2% to 5% in 2017, with 3% as the most probable rate.

Development trend

The terminal network in Greater China area of the terminal business of COSCO SHIPPING Ports will be further strengthened. After the restructuring, COSCO SHIPPING Ports' coverage of domestic ports has expanded to the Southwest coastal region. As such, the terminal network has covered the top five coastal port clusters in China. Faced with the new golden opportunity of development, COSCO SHIPPING Ports will focus resources on the development of its terminal business, continuously improve its competitive strength, support the national strategy of "One Belt, One Road", seize the opportunity of future development of hub ports and expand the global network of container terminals, so as to facilitate the sustainable development and growth of terminal business and create long-term value.

Management Discussion and Analysis

(II) Development strategy

With focus on the strategic target of becoming a worldwide first-tier supplier of container transportation and terminal investment and operation services, the Group will facilitate the strategic and business collaboration between the two major sectors in full force. The Company will seize the historic opportunity of the “One Belt, One Road” national strategic plan by putting its attention on global market, continuously optimize the allocation of container shipping and terminal resources through the transition from “product thinking” to “user thinking”, create the differentiation advantage and provide customers with globalized comprehensive services covering the whole container shipping value chain. The Company will also strive to maximize the corporate benefits, corporate value and return for shareholders through continuous consolidation and development of container transportation, terminal and relevant business and improvement of container shipping value chain. The comprehensive competitiveness of shipping and port services will be enhanced continuously through collaboration and refined management, and will finally achieve a healthy, stable and sustained development of our main business.

(III) Operation plan

Container shipping business

In 2017, the Group’s container shipping business will adhere to the four core strategies, continue to seize the opportunities of “One Belt, One Road” national strategy and the “Go Global” strategy for Chinese enterprises, put more efforts in enhancement of quality and efficiency and continuously improve the ability in revenue management. The Company will also actively promote the philosophy of reasonable development in the industry and safeguard the healthy and stable operation of the market in a proactive manner.

The Company will establish a globalized network distribution and alliance operation system matching the size of shipping capacity, make use of the advantage of “OCEAN Alliance” in the eastward and westward route services and consolidate the customer base and cargo source foundation. With the continuous implementation of the “One Belt, One Road” and “Go Global” national strategies, the Company will continue to put more efforts in the development of the markets along the “Belt and Road” and emerging markets. Meanwhile, in response to the change in international trading environment, the Company will continue to carry out intensive development in third-country market and region market.

Adhering to the customer oriented philosophy, the Company will continuously improve its marketing and service capability. The Company will strengthen the construction of marketing team, integrate quality resources and through the establishment of new customer development team, import marketing team, customer relationship maintenance team and professional teams for different industries in order to implement targeted marketing activities, provide services with higher quality to the customers, facilitate the balance of cargo source and achieve increase in cargo volume. The Company will also improve the customer service system, provide customized services to the customers with global resources and comprehensively enhance the value creation ability.

The Company will continuously facilitate cost reduction and efficiency enhancement, continue to explore the potential for collaboration and strengthen the cost control ability. With the commencement of operation of the “OCEAN Alliance”, the COSCO SHIPPING Lines shipping route network distribution will be further optimized, together with continuously increased efforts in optimization of container management as well as the gradual emergence of benefits from supplier procurement optimization, the synergetic effect is expected to be further released.

The Company will put more efforts in non-shipping services to improve its ability in providing comprehensive transportation solutions to the customers. Through the seamless integration with tow trucks and railway, the Company will facilitate the development of domestic trading "door-to-door" business model and further diversify and improve the service model. The Company will also design the sea-rail intermodal transportation products with more features, emphasize on strengthening the position of Piraeus Port as a transportation hub and accelerate the development of China-European Sea-rail Express business. The Company will also increase its efforts in construction of ancillary facilities in important logistic nodes in the supply chain, and gradually achieve the transition from a shipping carrier to a provider of comprehensive container logistics solutions.

The Company will continuously improve its ability in service innovation, and expand the innovative advantages of e-commerce platform in internet digitalization sector. The Company will also consolidate the foundation of services to direct customers by providing more friendly and convenient services to the customers. Moreover, the Company will accelerate the development of domestic trading courier services, develop an online container consolidation platform for domestic trading e-commerce and design unique container consolidation products. The Company will further promote the digitalization of cargo space booking and documenting process to accelerate the centralization of cargo booking, documentation and service.

Terminal business

The Group's terminal business will focus on the established development strategy and planning, accelerate the construction of key terminal projects, enhance the profitability of the controlled terminals and effectively improve the enterprise management and production operation to maintain profit growth and long-term sustainable development. First, to speed up the optimization of global terminal resources and network layout, providing more comprehensive services to vessel companies and shipping alliance. Second, with the principle of sustainable development, to further enhance the operating capacity and the level of modernization of terminals, shaping the core competitiveness of the major business, to provide customers with higher quality and more efficient services. Third, to continue to strengthen and enhance the internal management and constantly optimize the supplier management, information technology, risk control system establishment and human resources establishment, to promote the long-term, healthy and sustainable development for the business.

(IV) Potential risks

I. Market demand risk

1. Risk description

Lack of market demand, the contraction of existing business segments and lack of new business and new customers may lead to insufficient supply or shrinking market supply.

2. Risk causes and impact analysis

The global economy is facing structural adjustment and growing at a low rate. With the surplus of global container capacity, lack of awareness of operation strategies of competitors and lack of new orders, companies which wait in vain without timely developing new customers, new sources and new routes will miss their opportunities of development.

Lack of supply may affect the Company's revenue, which makes operation targets hard to achieve and the fixed asset investments such as vessels unable to recover on time.

3. Risk response strategies and recommendations

Upon actively expanding business and consolidating business relationship with existing customers, the Company shall develop new customers and develop new routes and new sources, understand the operating strategies of competitors through various channels, take certain measures and seek development and enhance competitiveness through various channels under the situation of insufficient market demand.

II. Investment decision risk

1. Risk description

There may be a mismatch between the investment plan and strategy of the Company. Insufficient pre-argument, lack of support from objective data and theories and over-reliance on subjective judgments and personal experience may lead to mistakes in investment decision-making, causing blind expansion or loss of development opportunities.

2. Risk causes and impact analysis

(1) Initiation of an investment project which deviates from the Company s strategic investment program and which does not match the Company s strategy may lead to blind and reckless expansion, resulting in chaotic situations.

(2) Insufficient pre-argument and lack of objective data and theories may lead to mistakes in investment decision-making.

(3) Investment project evaluation standards are not unified. The Company may not develop a unified assessment criteria for investment projects, or the assessment of the investment project standards may not be based on the actual situation of research and analysis and dynamic adjustment, which may lead to the failure of the assessment criteria to effectively guide the development of investment decisions, leading to the wrong investment decision.

(4) The lack of a standardised decision-making process and a more effective decision-making supervision and audit mechanism may lead to mistakes in decision-making or loopholes, which brings risks to the implementation and operation of future projects.

3. Risk response strategies and recommendations

(1) To formulate and improve the investment management system. For project preparation, general investment project decision-making, major investment project decision-making and post-investment assessment of projects, the Company should specify the investment decision-making, approval, implementation and supervision of the authority and work

processes through formulating and improving the "Rules of Procedure of Investment and Strategic Planning Committee", "Investment Management Measures", "Project Development Management Regulations" and other investment management systems.

(2) To specify the principle of foreign investment. The Company should strictly abide by the principle of "overall planning, prudent investment, scientific decision-making and benefit first". The investment projects must be in line with the Company's overall development plan, with the national strategy of "One Belt and One Road" and Yangtze River Economic Belt Strategy as guidelines, closely focusing on the hub port strategy of the Group and continuing to increase the investment and development efforts in emerging markets, third country markets, overseas regional markets and markets along "One Belt and One Road".

(3) To ensure that investment projects have undergone investigation and research. For the investment of new projects, the Group needs to investigate and research factors such as the project s economic efficiency, market prospects of the technical situation, raw material supply and investment environment risks. For joint ventures, comprehensive investigation of factors such as qualifications, credit situation, operation, financial condition and cooperation ability of the other joint venture parties are required.

(4) To ensure that the investment projects have undergone in-depth research and demonstration. The project development department and the investment management department shall prepare the Project Feasibility Study Report and conduct in-depth research and demonstration on the project economic efficiency, market prospect, investment environment and risk factors according to the results of the due diligence and the final consideration, shareholding percentage and operating period negotiated and agreed upon, and to investigate and evaluate the engineering and technical conditions of the projects. Meanwhile, professional advice shall be sought from relevant departments according to the nature of the projects.

In addition, the Company embeds the risk assessment process in the early stage of the investment project and systematically analyzes and evaluates the risks of the investment project at the various stages of the project life cycle.

(5) To develop the investment economic indicators and unified assessment criteria of the projects. The Company shall formulate the investment economic indicators, including

the core business, the shareholding percentage, the internal rate of return, the annual profit contribution, the net present value and so on, and set the unified evaluation criteria for the investment such that the investment can improve the overall competitiveness of the Company and achieve the ultimate goal of maximizing the value of the Company, the benefits of the Company and the return of shareholders.

(6) To ensure the standardization of investment decision-making process. In strict compliance with the Company Law, the listing rules and other laws and regulations where the Company is listed and the relevant provisions of the Articles of Association, the Group shall implement the approval procedures.

IV. Profit Distribution of Ordinary Shares or Capitalization of Surplus Reserves Proposals

(I) Formulation, implementation or adjustment of cash dividend policies

The Company distributes dividend to all Shareholders by way of cash or scrip dividend, and the total dividends shall be no less than 25% of the audited distributable profits of the Company during the accounting year or period concerned in principle. The actual distribution amount of dividends to Shareholders shall be based on the operating results, cash flow condition, current financial position and capital expenditure plans of the Company. The proposal of dividend distribution is formulated by the Board and implemented after approval by the general meeting of the Company.

The amount of dividends to be distributed shall be determined based on the lower of the after-tax profits set out in the audited financial statements prepared pursuant to China Accounting Standards for Business Enterprises and HKFRSs.

On 12 November 2012, the resolution regarding the amendments to the Articles of Association of the Company was considered and approved at the second extraordinary general meeting of the Company for 2012. Pursuant to the amendments to Article 193, the profit distribution policy of the Company is as follows:

1. Profit distribution principles: The Company should implement positive profit distribution policies and value investors' reasonable investment return and the Company's sustainable development to maintain the continuity and stability of profit distribution policy. The cumulative profit distribution in cash by the Company in the last three years was in principle not less than 30% of the average annual distributable profits of the Company for the last three years.

2. Profit distribution frequency: In principle, the Company distributes profit once a year. When conditions permit, the Board may recommend the Company to distribute interim cash dividends according to the earnings and capital requirement of the Company.

3. Profit distribution decision-making system and procedures: The profit distribution proposal of the Company shall be formulated and reviewed by the Board and submitted to the general meeting for approval. Independent Directors shall express their opinions clearly in regard to the profit distribution proposal. The Supervisory Committee shall supervise the implementation of the profit distribution proposal.

4. In case of no proposal of profit distribution in cash being made in any profitable year with available distributable profit of the Company, disclosure should be made in a timely manner regarding the Board's explanation and the Independent Directors' expressed opinions. Upon consideration by the Board, it shall be submitted to the general meeting for review and the Board shall provide explanation at the general meeting.

5. When determining the particulars of the cash dividend proposal of the Company, the Board shall study and discuss on, among others, the timing, conditions as well as the minimum ratio, conditions of adjustments and other factors as required for making the decisions. The Independent Directors shall express their opinions clearly. When considering the particulars of the profit distribution proposal at the general meeting, the Company shall communicate with the Shareholders, especially the minority shareholders, through various channels (including but not limited to hotlines, mailbox of Secretary to the Board and inviting minority investors to attend the meeting), in order to gather opinions from the minority Shareholders and respond to their concerns in a timely manner.

6. Adjustments to cash dividend policy: The Company shall strictly implement the cash dividend policy stipulated in the Articles of Association and the particulars of the cash dividend proposal considered and approved at the general meeting. Adjustments or amendments to the cash dividend policy stipulated in the Articles of Association shall only be made after detailed discussion and corresponding decision-making procedure according to the Articles of Association and approval shall be obtained from Shareholders holding more than two thirds of the total voting rights present at the general meeting.

7. Disclosure of cash dividends in regular reports: The Company shall disclose the details regarding the formulation and implementation of its cash dividend policy in regular reports. In case of any adjustments or amendments to cash dividend policy, it shall also explain in detail the conditions and the procedures for such adjustment or amendments.

   After the proposal of profit distribution has been passed by resolution at the general meeting of the Company, the Board must complete the distribution of dividends (or shares) within two months after the general meeting.

   The Group recorded loss attributable to equity holders of the company in 2016. The Board does not recommend to distribute any cash dividends.

Management Discussion and Analysis

(II) Proposals or budgets for profit distribution and capitalization of surplus reserves of the Company in the recent three years (including the reporting period)

The following is stated according to the audited financial report of the A shares of the Company prepared in accordance with the Accounting Standards for Business Enterprise of the PRC:

Unit: RMB

Year of Distribution	Number of bonus shares for every 10 shares (share)	Dividend for every 10 shares (RMB) (tax inclusive)	Number of scrip shares for every 10 shares (share)	Cash dividend (tax inclusive)	Net profit attributable to shareholders of the listed company in consolidated financial statements of the bonus distribution year	Ratio to net profit attributable to shareholders of the listed company in consolidated financial statements (%)
2016	–	–	–	–	-9,906,003,612.80	–
2015	–	–	–	–	469,301,789.49	–
2014	–	–	–	–	362,528,625.89	–

(III) Cash repurchase offer which is credited to cash dividend

Not applicable.

I. Undertakings

(i) Undertakings by de facto controller, Shareholders, related parties, acquirers and the Company and other undertakings related parties during or as at the reporting period

Background of the undertaking	Type of undertaking	Undertaking party	Subject of the undertaking	Deadline of the undertaking	Is there a fulfilment deadline	Whether the undertaking can be fulfilled strictly in time	Detailed reasons shall be specified if undertaking is not fulfilled in time	Further steps shall be specified if undertaking is not fulfilled in time
Undertaking made in acquisition report or report on changes in equity	Others	China COSCO Shipping Corporation Limited	COSCO Shipping Group undertakes that following the completion of the gratuitous transfer, while COSCO Shipping Group directly or indirectly holds the controlling interest of COSCO SHIPPING Holdings Co., Ltd., COSCO Shipping Group shall, on its own and through COSCO Company and China Shipping, maintain separation of the Company's assets, personnel, finance, entities and businesses, and comply with the relevant requirements regarding a listed company's independence as required by the China Securities Regulatory Commission. COSCO Shipping Group shall not violate the standard operation procedure of COSCO SHIPPING Holdings Co., Ltd. by virtue of its capacity as the controlling shareholder, shall not intervene with the operating decisions of COSCO SHIPPING Holdings Co., Ltd., and shall not jeopardize the legitimate interests of COSCO SHIPPING Holdings Co., Ltd. and other shareholders. COSCO Shipping Group and its controlled companies undertake that they will not illegally use the funds of COSCO SHIPPING Holdings Co., Ltd. and its controlled entities in any way.	Long-term effective	No	Yes	N/A	N/A

Significant Events

Background of the undertaking	Type of undertaking	Undertaking party	Subject of the undertaking	Deadline of the undertaking	Is there a fulfilment deadline	Whether the undertaking can be fulfilled strictly in time	Detailed reasons shall be specified if undertaking is not fulfilled in time	Further steps shall be specified if undertaking is not fulfilled in time
	Non-competition	China COSCO Shipping Corporation Limited	1. During the period when COSCO SHIPPING Holdings Co., Ltd. is directly or indirectly controlled by COSCO Shipping Group, COSCO Shipping Group and its subsidiaries will not take any action or measure to engage in business activities which compete or may compete substantively with the principal business of COSCO SHIPPING Holdings Co., Ltd. and its subsidiaries and will not infringe upon the legitimate interests of COSCO SHIPPING Holdings Co., Ltd. and its subsidiaries, which shall include, without limitation, establishing other subsidiaries, joint ventures or associated companies in the future to engage in businesses which constitute substantive competition with the existing principal business of COSCO SHIPPING Holdings Co., Ltd. and its subsidiaries or otherwise directly or indirectly participating in the existing principal business of COSCO SHIPPING Holdings Co., Ltd. and its subsidiaries. 2. If potential exists for COSCO Shipping Group and the companies controlled by it to substantively compete with COSCO SHIPPING Holdings Co., Ltd. in terms of its principal business or have substantive conflicts of interest with COSCO SHIPPING Holdings Co., Ltd. in the future, COSCO Shipping Group will give up or procure the companies controlled by it to give up the business opportunities that may give rise to competition or inject the businesses of COSCO Shipping Group and the companies controlled by it that may give rise to competition into COSCO SHIPPING Holdings Co., Ltd. at an appropriate time and at equitable and fair market prices. 3. COSCO Shipping Group will not take advantage of information obtained from or made aware of by COSCO SHIPPING Holdings Co., Ltd. to assist any third party in engaging or participating in any business activities where substantive or potential competition with the existing business of COSCO SHIPPING Holdings Co., Ltd. exists. 4. In the event that the interests of COSCO SHIPPING Holdings Co., Ltd. and other shareholders are damaged as a result of a breach of the above undertakings by COSCO Shipping Group or other companies controlled by it, COSCO Shipping Group will assume the corresponding compensatory liability according to the law.	Long-term effective	No	Yes	N/A	N/A

Background of the undertaking	Type of undertaking	Undertaking party	Subject of the undertaking	Deadline of the undertaking	Is there a fulfilment deadline	Whether the undertaking can be fulfilled strictly in time	Detailed reasons shall be specified if undertaking is not fulfilled in time	Further steps shall be specified if undertaking is not fulfilled in time
	Related party transactions	China COSCO Shipping Corporation Limited	1. COSCO Shipping Group and other companies controlled by it shall avoid unnecessary connected transactions with to COSCO SHIPPING Holdings Co., Ltd. as much as possible. In respect of those connected transactions necessary for the continuing operation of COSCO SHIPPING Holdings Co., Ltd., they shall be conducted in a manner agreed by both parties, in accordance with market-based pricing principles and in compliance with the relevant laws, regulations and governing documents, as well as the Company's articles of associations and policies in place regarding connected transactions. 2. COSCO Shipping Group and other companies controlled by it shall avoid or reduce connected transactions with COSCO SHIPPING Holdings Co., Ltd. as much as possible in the future. For those connected transactions that are unavoidable or that arise out of reasonable cause, COSCO Shipping Group undertakes to enter into agreements in respect of those connected transactions with COSCO SHIPPING Holdings Co., Ltd. in accordance with the relevant laws, regulations and governing documents, as well as the Company's articles of associations and policies in place regarding connected transactions, to adhere to general market-oriented principles of impartiality, fairness and openness, to ensure that all connected transactions are fair and conducted in compliance with laws, and to carry out transaction procedures and make timely information disclosure in accordance with the relevant laws and regulations and the requirements of regulatory documents. 3. The undertakings from COSCO Shipping Group on regulating connected transactions will also apply to other companies controlled by COSCO Shipping Group. COSCO Shipping Group will, to the extent permitted by laws, procure other companies controlled by it to perform their obligations on regulating those connected transactions that have been or may be conducted with COSCO SHIPPING Holdings Co., Ltd..	Long-term effective	No	Yes	N/A	N/A

Significant Events

Background of the undertaking	Type of undertaking	Undertaking party	Subject of the undertaking	Deadline of the undertaking	Is there a fulfilment deadline	Whether the undertaking can be fulfilled strictly in time	Detailed reasons shall be specified if undertaking is not fulfilled in time	Further steps shall be specified if undertaking is not fulfilled in time
Undertaking in relation to material asset restructuring	Others	COSCO	COSCO guarantees to remain independent from COSCO SHIPPING Holdings Co., Ltd. in respect of assets, personnel, finance, corporate structure and business and strictly comply with relevant provisions relating to the independence of listed companies stipulated by the CSRC. It also guarantees not to violate the standard operation procedure of listed companies and intervene the decision-making of COSCO SHIPPING Holdings Co., Ltd. with its position as the largest shareholder to the detriment of the legal interests of COSCO SHIPPING Holdings Co., Ltd. and other shareholders. COSCO and other companies under its control guarantee not to use capital of COSCO SHIPPING Holdings Co., Ltd. and its holding companies by any means.	Long-term effective	No	Yes	N/A	N/A
	Non-competition	COSCO	1. In the event that COSCO has control or significant influence over COSCO SHIPPING Holdings Co., Ltd directly or indirectly, COSCO and its wholly-owned subsidiaries, holding subsidiaries and other companies in which COSCO has de-facto control or significant influence (hereinafter referred to as "COSCO Holding Companies") shall not engage in businesses which have or may have competition with the existing or future business of COSCO SHIPPING Holdings Co., Ltd. 2. In the event that COSCO and COSCO Holding Companies have competition or conflict of interest with COSCO SHIPPING Holdings Co., Ltd in the future, COSCO will abandon and procure COSCO Holding Companies to abandon the business opportunities that may competition with the business of COSCO SHIPPING Holdings Co., Ltd, or will transfer all such business opportunities to COSCO SHIPPING Holdings Co., Ltd at fair market price in due course. 3. COSCO will not take advantages of the information obtained from or notified by COSCO SHIPPING Holdings Co., Ltd to assist any third party to engage in or participate in any business activities that may have actual or potential competition with the business of COSCO SHIPPING Holdings Co., Ltd. 4. In the event that the non-compliance of COSCO and COSCO Holding Companies with the above undertakings is detrimental to the interests of COSCO SHIPPING Holdings Co., Ltd, COSCO shall be liable to compensation according to law.	Long-term effective	No	Yes	N/A	N/A

Significant Events

Background of the undertaking	Type of undertaking	Undertaking party	Subject of the undertaking	Deadline of the undertaking	Is there a fulfilment deadline	Whether the undertaking can be fulfilled strictly in time	Detailed reasons shall be specified if undertaking is not fulfilled in time	Further steps shall be specified if undertaking is not fulfilled in time
Undertaking in relation to the initial public offering	Non-competition	COSCO	1. Container shipping business On 9 June 2005, COSCO entered into "Non-competition Undertakings" with the Company, and undertook to the Company that: (1) the Group will be the sole entity to be engaged in marine container comprehensive shipping business ("Restricted Container Shipping Business") both in the PRC and overseas with self-owned or chartered container vessels among the subsidiaries of COSCO; and (2) it will procure its members (excluding members of the Group) not to be directly or indirectly engaged in the Restricted Container Shipping Business (whether as shareholder, partner, lender or other capacities, and whether for profits, payments or other benefits).	Long-term effective	No	Yes	N/A	N/A
	Non-competition	COSCO	2. Container leasing business In respect of container leasing business, COSCO had undertaken to COSCO SHIPPING Ports Limited during the initial listing of COSCO SHIPPING Ports Limited on the Hong Kong Stock Exchange in 1994 that COSCO and its subsidiaries shall: (1) not be engaged in any business in any place in the world that may compete with the container leasing business of COSCO SHIPPING Ports Limited and its subsidiaries; (2) under any circumstances, when COSCO needs containers, it will first consider to lease from the container leasing companies, and under such circumstances, COSCO will grant COSCO SHIPPING Ports Limited and its subsidiaries the priority to negotiate container leasing business with COSCO, and may consider purchase of containers for own use only when COSCO fails to lease containers from the container leasing companies;	Long-term effective (No longer applicable after restructuring)	No	Yes	N/A	N/A

Significant Events

Background of the undertaking	Type of undertaking	Undertaking party	Subject of the undertaking	Deadline of the undertaking	Is there a fulfilment deadline	Whether the undertaking can be fulfilled strictly in time	Detailed reasons shall be specified if undertaking is not fulfilled in time	Further steps shall be specified if undertaking is not fulfilled in time
			(3) commence negotiations with COSCO SHIPPING Ports Limited and its subsidiaries as mentioned in the preceding paragraph at average market lease values, and to agree at annual rental adjustments in the existing and future contracts, and will enter into all contracts and rental adjustments based on the average rental values of four of the top ten independent container leasing companies; and (4) renew any existing contracts entered into with COSCO SHIPPING Ports Limited and its subsidiaries for further ten years, and will enter into new contracts for a term of ten years.					
Undertakings in relation to refinancing	Non-competition	COSCO	So far as COSCO remains as the controlling shareholder of COSCO SHIPPING Holdings Co., Ltd., other than the existing dry bulk cargo fleet, COSCO and its subsidiaries shall not adopt any actions and measures to conduct any business which competes or may compete with COSCO SHIPPING Holdings Co., Ltd. and its subsidiaries, and shall not infringe the lawful interests of COSCO SHIPPING Holdings Co., Ltd. and its subsidiaries. Upon completion of the non-public offering, there shall be no new competitions between COSCO and its subsidiaries with COSCO SHIPPING Holdings Co., Ltd. and its subsidiaries. At the same time, COSCO has undertaken to give COSCO SHIPPING Holdings Co., Ltd. the right of first refusal to acquire the assets and/or equity rights relating to dry bulk shipping business to be disposed of by COSCO SHIPPING Holdings Co., Ltd. or its subsidiaries under the same conditions.	Long-term effective (No longer applicable)	No	Yes	N/A	N/A
Other undertakings toward the medium and minority shareholders of the Company	Lock-up ofshares	COSCO	COSCO (including its subsidiaries) plans to increase its equity interest in A shares and H shares of COSCO SHIPPING Holdings Co., Ltd. at an appropriate price and time within twelve months from 10 July 2015 through the trading systems of the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited respectively with the accumulated increase in shareholdings within twelve months not exceeding 2% of the total issued share capital of COSCO SHIPPING Holdings Co., Ltd., and undertakes not to dispose of its equity interest in the shares of COSCO SHIPPING Holdings Co., Ltd. during the increase period and the statutory period.	From 10 July 2015 to 9 July 2016 and during the statutory period	Yes	Yes	N/A	N/A

(II) If there is an earning forecast as regard to the assets or projects of the Company and the reporting period remains in the earning prediction period, the Company will give an explanation as to the achievement of the original forecast as regard to the assets or projects and the relevant reasons

Not applicable

III. COMPANY'S ANALYSIS ON THE CAUSE AND IMPACT OF CHANGES OF ACCOUNTING POLICIES AND ACCOUNTING ESTIMATION AND CORRECTION OF MATERIAL ERRORS OF ACCOUNTING

With the change in scrap price in the international market, upon the approval of the board of Directors, from 1 October 2016, the Company's residual value of vessels which is included in the consolidation is identically adjusted from US$380/LDT to US$280/LDT. Thus, the Group's depreciation of vessels in 2016 increased by RMB14.0351 million.

Significant Events

IV. Material litigation and arbitration

Material litigation and arbitration that had not been disclosed in temporary announcements or had subsequent change

Unit: Yuan Currency: RMB

During the reporting period:

Plaintiff	Defendant	Other parties involved	Nature	Brief description	Amount involved	Expected liabilities and amount involved	Status	Judgment And effects	Execution of judgment
Yantai Seven Continents Import and Export Co., Ltd.	COSCO Container Lines Co., Ltd.	Nil	Dispute over shipping of marine cargo	During the period from August to November 2015, Yantai Seven Continents and Export Co., Ltd. entrusted the Company to ship and export 35 shipments of cargo loaded on carrier ships such as "COSCO ASIA", shipping from Shanghai, China to Naples, Italy. When the cargoes arrived Italy, the recipient written on the bill of lading used a quality fake bill of lading for pick up.	12.52million		Yantai Seven Continents Import and Export Co., Ltd., through Shanghai Maritime Court, sued COSCO SHIPPING Lines for delivering the cargoes without bill of lading causing its lost of US$1,883,148.55 and interest. After a few negotiations between the two parties, the two parties reached a settlement.	COSCO SHIPPING Lines paid off RMB 12,471,040.	COSCO SHIPPING Lines has settled its payment.

V. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

(I) Trust, contracting and leasing

1. Trust

Unit: Yuan Currency: RMB

Name of principal	Name of trustee	Assets in custody	Amounts of assets in custody	Commencement date of custody	End date of custody	Custody income	Recognition basis for custody income	Impact of custody income on the Company	Is it a connected transaction?	Connected relationship
China Ocean Shipping (Group) Company	The Company	All unlisted assets of the principal, the management function of the direct controlling shareholder	Not applicable	1 January 2014	31 March 2016	4,851,485.37	Custody agreement	Not applicable	Yes	Controlling shareholder

Explanation on custody:

As at 29 August 2013, the Company and China Ocean Shipping (Group) Company entered into a final agreement on entrusted management services, which was valid until 31 December 2016. As a result of the asset restructuring of COSCO Group, the final agreement was valid until the end of 31 March 2016.

Significant Events

(II) Guarantees

Unit: Yuan Currency: RMB

External guarantees provided by the Company (excluding guarantees provided for its subsidiaries)												
Guarantor	Relationship of the Guarantor with the Company	Beneficiary	Amount of the guarantee	Date of guarantee (Date of agreement)	Commencement Date of guarantee	End date of Guarantee	Type of guarantee	Whtether the guarantee is discharged	Whether the guarantee is overdue	Amount of overdue guarantee	Whether there is any counter guarantee	Whether it is a connected party guarantee	Connected relationship
China Shipping Terminal Development Co., Ltd.	Controlling subsidiary	Guangxi Qin Zhou International Container Terminal Co., Ltd.	16,000,000.00	16 August 2016	16 August 2016	16 August 2017	Guarantee with joint liability	No	No		No	Yes	Joint venture
China Shipping Terminal Development Co., Ltd.	Controlling subsidiary	Guangxi Qin Zhou International Container Terminal Co., Ltd.	47,200,000.00	26 May 2016	26 May 2016	26 May 2024	Guarantee with joint liability	No	No		No	Yes	Join venture
Total amount of guarantees provided during the Reporting Period (excluding guarantees provided for subsidiaries)													63,200,000.00
Total outstanding guarantee amount as at the end of the Reporting Period (A) (excluding guarantees provided for subsidiaries)													63,200,000.00
Guarantees provided by the Company and its subsidiaries for its subsidiaries													
Total amount of the guarantees provided to subsidiaries during the Reporting Period													71,796,474.00
Total outstanding guarantee amount of the guarantees provided to subsidiaries as at the end of the Reporting Period (B)													13,390,905,570.00
Total amount of the guarantees provided by the Company (including guarantees for subsidiaries)													
Total amount of guarantees (A+B)													13,454,105,570.00
Total amount of guarantees as a percentage to the net assets of the Company (%)													35.83
Of which:													
Amount of guarantees provided to shareholders, ultimate controller and its connected parties (C)													
Amount of guarantees directly or indirectly provided for liability of parties with a gearing ratio exceeding 70% (D)													13,390,905,570.00
The portion of total amount of guarantee in excess of 50% of the net assets (E)													
Total amount of the above three categories of guarantees (C+D+E)													13,390,905,570.00
Explanation on outstanding guarantees which may cause several and joint liability													Not applicable
Explanation on guarantees													All guarantees provided by the Company have been approved by the Board of Directors

Significant Events

(III) Other material contracts

1. On 28 September 2016, COSCO SHIPPING Ports (Abu Dhabi) Limited ("CSPL SPV"), a wholly-owned subsidiary of COSCO SHIPPING Ports Limited entered into the Concession Agreement with Abu Dhabi Ports Company PJSC ("AD Ports"). CSPL SPV has been entitled concession rights of (which includes) Khalifa Port Container Terminal 2 ("Khalifa Port Container Terminal 2") including the exclusive rigths of construction, management and operation. CSPL SPV and its entrusted trustee with holdings have established a joint venture with AD Ports, to subsequently undertake the above mentioned concession rights ("the transaction"). If, according to the agreement, CSPL SPV decided to exercise its right to expand the valid period of the negotiated concession right, the estimated present value of the total consideration (including the capital expense expected to be generated) of the transaction is US$ 738,000,000 (equivalent to RMB4,921,057,800, according to the average RMB exchange rate announced and authorized by the China Foreign Exchange Trading Center on the date of signing the agreement. For details, please refer to the announcement of the Company as at 28 September 2016. The transaction is still in progress.

2. On 12 October 2016, COSCO SHIPPING Ports (Vado) Limited (hereinafter referred to as "COSCO SHIPPING Ports (Vado)"), a wholly-owned subsidiary of COSCO Shipping Ports entered into the share sale and purchase agreement" with APM Terminals B.V. ("Maersk Terminal Company"), a company incorporated under the laws of the Netherlands. COSCO SHIPPING Ports (Vado) purchase 40% of the equity interest in APM Terminals Vado Holding B.V. ("Vado Holding") (a company incorporated under the laws of the Netherlands) held by Maersk Terminal Company at a purchase price €7,052,015.60 (equivalent to approximately RMB52.443 million, according to the average RMB exchange rate announced and authorized by the China Foreign Exchange Trading Center on the date of signing the agreement) (hereinafter referred to as "the transaction"). Following closing of the transaction, COSCO SHIPPING Ports (Vado) will make available to Vado Holding an amount of up to €46,000,000 (equivalent to approximately RMB342.0836 million) through shareholder loan or share premium contributions. For details, please refer to the announcement of the Company dated 17 October 2016. As of the date of this report, the transaction had been completed.

Significant Events

VI. FULFILLMENT OF SOCIAL RESPONSIBILITIES

(I) Poverty alleviation of the Company

1. Precise planning on poverty alleviation

To cooperate with the local government to carry out fixed-point poverty alleviation work actively according to the overall plan, comprehensive deployment and specific requirements of poverty alleviation work at all levels of government. The Company implemented poverty alleviation projects, arranged funds for poverty alleviation with focus on industry and education and with the use of the advantages of COSCO SHIPPING Holdings and be in accordance with the requirements of the "five batches of poverty alleviation" of the PRC to ensure poverty alleviation.

2. Summary of annual poverty alleviation

To study the spirit of the work of the central government earnestly to focus on poverty alleviation work, comprehensively comb the requirement of the national policy of poverty alleviation in recent years, thoroughly implemented the SASAC's requirements of the central enterprises to do the work of poverty alleviation, summed up the "12th five year plan" fixed-point poverty alleviation work, confirmed "13th five year plan" fixed-point poverty alleviation work, understood the ideas and the principle, improved the organization, specified and determined job responsibilities and carried out fixed-point poverty alleviation work effectively.

Significant Events

3. Statistics on the accurate poverty alleviation of the Company for 2016

Unit: RMB10,000 Currency: RMB

Items	Number and its implementation
1. General information	
Of which: 1. Capital	17.8656
2. Supplies converted to cash	1.75
II. Capital injection by project	
1. Poverty alleviation through industrial development	
Of which:1.1 Type of industrial poverty alleviation projects	√ Poverty alleviation through agriculture and forestry ☐Poverty alleviation through tourism ☐Poverty alleviation through e-commerce ☐Poverty alleviation through assets income ☐Poverty alleviation through science and technology ☐Others
1.2 Number of industrial poverty alleviation projects	3
1.3 Amount invested in industrial poverty alleviation projects	15.15
2. Education Support	
Of which: 2.1 Subsidy for poor students	2.7156
2.2 Number of subsidized poor students	24
2.3 Improvement of educational resources in deprived regions	1.75

4. Subsequent accurate poverty alleviation programmes

To further implement the responsibilities of poverty alleviation, specify the allocation and use of poverty alleviation funds, the responsibilities, rights and obligations involved in the implementation of poverty alleviation project and supervision, help the local poor benefit from poverty alleviation projects effectively; specify targets of poverty alleviation, implementation of poverty alleviation projects according to the progress of the project to allocate funds to ensure the implementation and constantly promote the fixed-point poverty alleviation work to carry out effectively.

Significant Events

(I) Social responsibilities

1. COSCO SHIPPING Holdings is committed to promoting the implementation of the United Nations Global Compact and sustainable development, further fulfilling social responsibility, opposing to commercial bribery and industry monopoly, building an environment for fair, just and open market competition and actively participating in national and international related activities. In response to the initiatives of the International Maritime Convention 2016, the Company adhered to the spirit of "symbiotic win-win, healthy and sustainable" development and the spirit of "freedom, equality, trustworthiness and tolerance". The Company followed the principle of "long-term, equal and reciprocal, complementary development" to jointly build up the new ecology of the international shipping—cooperation, sharing, innovation and self-discipline for the purpose of promoting the world economic growth together. The Company discussed and explored the opportunities and challenges of global shipping industry under the new situation together, re-understood the external environment for the survival of the industry, re-established the competitive relationship between shipping and related industries and re-planed the development path of shipping and related industries and look for new kinetic energy of healthy and sustainable development of the industry.

2. COSCO SHIPPING Holdings has focused on energy conservation and environmental protection, minimizing pollution and damage to the environment, and promoting priority in maritime ecology and green development. In 2016, the Company continued to increase efforts in reduction of energy-saving emission and actively cultivated green competitiveness. It took the initiative to improve the enterprise's environmental protection system and incorporated environmental protection into an important part of business operations. Fuel consumption for shipping in 2016 fell by 5.1% compared to 2015. Meanwhile, the Company was committed to protecting the environment by optimizing port operations, improving energy efficiency and reducing carbon emissions at the terminal through the development and implementation of advanced environmentally friendly technologies. The Company also encouraged the terminal companies to adopt energy efficiency policies and measures, and take comprehensive measures to improve operations to promote the electrification of existing infrastructure for reducing air and greenhouse gas emissions.

Significant Events

3. COSCO SHIPPING Holdings has been actively practicing the Global Compact and inspiring all staff with responsible corporate culture, to have the courage to carry forward the fearless international spirit of humanitarian, take up social responsibility and show great love. On 16 September 2016 at 20:00, the 278S voyage of the ship "Tengyun River" belonging to the Company, left Lianyungang slowly to Kaohsiung City. On 17 September at 15:30, the duty room from the far shore base received Lianyungang RCC requirements: there was a fishing vessel 15089 which disappeared at 18:00 on 16 September at the location of (34 ° 19 '0N/122 ° 05' 0E). It requested assistance for search and rescue. At 15:40, "Tengyun River", Lianyungang RCC and the "East China Sea rescue 115" on the scene got the contact and searched and rescued in the designated waters. At 16:00, by the "East China Sea Rescue 115" command to return to south of the waters (location: latitude 34 ° 19 '0N Longitude 122 ° 05' 0E) to assist in search and rescue. At 18:40 the ship "Tengyun River" completed the mission and return to the original route of normal voyage. The Company's "COSCO Piraeus" received a USCG call at 17:08 on the 28th, calling about 4 miles off the front of the ship to rescue the survivors on the liferaft. Until 17:45, when the three Mexican crew on the fishing boat were rescued. At 20:57, the car was driving to the nearest port of Mexico SALINA CRUZ. At 07:04 on the 29th, the three were successfully passed to the Mexican Navy's receiving ship in waters 20 nautical miles away the port of Mexico SALINA CRUZ designated by the United States Coast Guard (USCG).

   The Sustainability Report of the Company for 2016 was published on the website of the Shanghai Stock Exchange and the website of the Company on March 30, 2017.

Changes in Equity and Shareholders Information

I. Changes in Equity

(i) Changes in shares

During the reporting period, there was no change in total number of shares and structure of equity of the Company.

II. Shareholder and actual controller

(I) Total number of Shareholders:

Total number of ordinary Shareholders at the end of the reporting period	371,038
Total number of ordinary Shareholders at the end of the previous month of this annual report	344,445

Changes in Equity and Shareholders Information

(II) Shareholdings of the top 10 Shareholders and top 10 holders of tradable shares (or shareholders not subject to selling restrictions) as the end of the reporting period

Unit: Share

Shareholdings of the top 10 Shareholders

Name of Shareholder (In full)	Increase/ decrease during the reporting period	Number of shares held at the end of the period	Type	Percentage (%)	Number of shares subject to selling restrictions	Pledge or freezing: Shares	Pledge or freezing: Number	Nature of shareholders
China Ocean Shipping (Group) Company	-760,488,200	4,557,594,644	A shares	44.61%	0	Nil		State-owned legal person
HKSCC NOMINEES LIMITED	-142,761	2,566,548,200	H shares	25.12%	0	Unknown		Other
Beijing Chengtong Financial Investment Co., Ltd.	306,488,200	306,488,200	A shares	3.00%	0	Unknown		Other
Wuhan Iron and Steel Corporation	250,000,000	250,000,000	A shares	2.45%	0	Unknown		Other
China State Shipbuilding Corporation	204,000,000	204,000,000	A shares	2.00%	0	Unknown		Other
China Securities Finance Corporation Limited	30,437,915	189,817,478	A shares	1.86%	0	Unknown		Other
China National Nuclear Corporation	0	72,000,000	A shares	0.70%	0	Unknown		Other
Central Huijin Investment Limited	0	54,466,500	A shares	0.53%	0	Unknown		Other
Evergrande Life Insurance Company Limited-Universal combination B	17,239,589	17,239,589	A shares	0.17%	0	Unknown		Other
China National Machinery Industry Corporation	0	15,000,000	A shares	0.15%	0	Unknown		Other

Changes in Equity and Shareholders Information

The top ten shareholders holding shares not subject to trading moratorium

Name of shareholder	Number of circulating shares not subject to trading moratorium held	Type and number of shares	
		Type	Number
China Ocean Shipping (Group) Company	4,557,594,644	RMB-denominated ordinary shares	4,557,594,644
HKSCC NOMINEES LIMITED	2,566,548,200	Overseas listed foreign shares	2,566,548,200
Beijing Chengtong Financial Investment Co., Ltd.	306,488,200	RMB-denominated ordinary shares	306,488,200
Wuhan Iron and Steel Group Corporation	250,000,000	RMB-denominated ordinary shares	250,000,000
China State Shipbuilding Corporation	204,000,000	RMB-denominated ordinary shares	204,000,000
China Securities Finance Corporation Limited	189,817,478	RMB-denominated ordinary shares	189,817,478
China National Nuclear Corporation	72,000,000	RMB-denominated ordinary shares	72,000,000
Central Huijin Investment Company Limited	54,466,500	RMB-denominated ordinary shares	54,466,500
Evergrande Life Insurance Company Limited-Universal Combination B	17,239,589	RMB-denominated ordinary shares	17,239,589
China National Machinery Industry Corporation	15,000,000	RMB-denominated ordinary shares	15,000,000
The explanations to the connected relationship or parties acting in concert among the aforesaid shareholders:	Unknown		
Description of preferential shareholders with restoration of voting rights and their shareholdings	Not applicable		

Note: As at the end of the reporting period, China Ocean Shipping (Group) Company held 87,635,000 H shares through its affiliated companies, representing 3.40% of the issued H shares of the Company. The number of H shares held included in the total number of HKSCC NOMINEES LIMITED's holding. China Ocean Shipping (Group) Company and its subsidiaries held 45.47% of the shares of the Company in total.

Changes in Equity and Shareholders Information

III. Controlling shareholder and actual controller

(i) Specific description of controlling shareholder

1 Legal person

Details of direct controlling shareholders

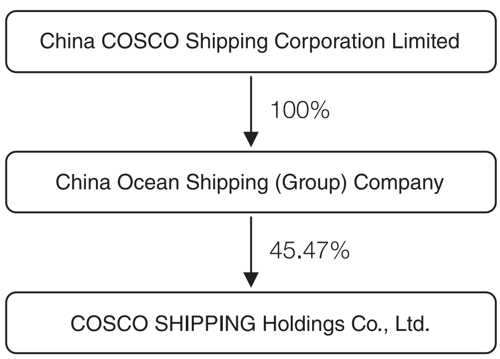
Name	China Ocean Shipping (Group) Company
Person in charge or legal	Ma Zehua
Date of establishment	22 October 1983
Principal business	1. international general cargo transport; 2. container transport with international shipping; 3. international shipping of dangerous goods; 4. passenger transport with international shipping. Foreign futures business: crude oil, refined oil. procurement of ships, containers and maintenance and spare parts manufacturing business; ship escrowing business; domestic and foreign shipping business-related ship materials, spare parts, communications services; business operators, cargo agency business and seafarers assigned to the management of enterprises
Control and shareholdings in other domestic or overseas listed companies during the reporting period	Controlling shareholdings: COSCO SHIPPING Specialized Carriers Co., Ltd. (600428) 50.94%; COSCO SHIPPING Ports (1199HK) 46.72%; COSCO SHIPPING International (0517HK) 66.12%; COSCO Investment (Singapore) Limited (COS SP) 53.35%; Piraeus Port Authority S.A (PPA GA) 51%; Major shareholdings: China Merchants Bank (600036) 6.46%; Merchants Securities (600999) 6.25% etc.
Others	Not applicable

Changes in Equity and Shareholders Information

Details of indirect controlling shareholders:

Name	**China COSCO SHIPPING Corporation Limited ("COSCO SHIPPING")**
Person in charge or legal representative	Xu Lirong
Date of establishment	5 February 2016
Principal business	International freight, supporting International freight; import and export of goods and technology; agent of international freight by sea, road, and air rental of self-owned ship; ship, container, steel sales; marine engineering equipment design; terminal and port investment; communications equipment sales, information and technical services; warehousing (except dangerous chemicals); technology development related to shipping, spare parts, technology transfer, technical advice, technical services, equity investment funds. (Business activities can only operate after being approved by the relevant departments) in accordance with the law.
Control and shareholdings in other domestic or overseas listed companies during the Reporting Period	Controlling shareholdings: COSCO SHIPPING Development Co., Ltd. (601866,2866HK) 39.02%; COSCO SHIPPING Energy Transportation Co., Ltd. (600026,1138HK) 38.56%; COSCO SHIPPING Specialized Carriers Co., Ltd. (600428) 50.94%; China Shipping Network Technology Co., Ltd. (002401) 50.01%; COSCO SHIPPING Ports (1199HK) 46.72%; COSCO SHIPPING International (0517HK) 66.12%; COSCO Investment (COS SP) 53.35%; Piraeus Port Authority (PPA GA) 51%; Major shareholdings: CIMC Group (000039,2039HK) 22.77%; China Merchants Bank (600,369); 9.97%; Lanhai Medical Investment (600896) 8.91%; China Merchants Securities (600999) 7.52%; Everbright Bank (601818,6818HK) 5.04%.
Others	Not applicable

2 The relationship of the property and control between the Company and controlling shareholders



Changes in Equity and Shareholders Information

(ii) Actual controller

1 The structure of equity and control between the Company and actual controller

State-owned Assets Supervision and Administration Commission of State Council

↓ 100%

China COSCO Shipping Croporation Limited

↓ 100%

China Ocean Shipping (Group) Company

↓ 45.47%

COSCO SHIPPING Holdings Co., Ltd.

Corporate Bonds

I. Overview of corporate bonds

Unit: 100 million Currency: US Dollar

Bonds Name	Abbreviation	Bond code	Issuing date	Date of expiry	Balance of bonds	Interest rate	Repayment method of principal with interest	Stock exchange
COSCO Finance (2011) Ltd. 4.00% Credit Enhanced Bonds due 2022		04584	4 December 2012	3 December 2022	10.00	4%	Interest shall be payable in arrears equally and biannually on 3 June and 3 December. The bonds shall be redeemed on 3 December 2022	Hong Kong Stock Exchange
COSCO Pacific Finance Guaranteed Note		5900	31 January 2013	31 January 2023	3.00	4.375%	Interest shall be payable twice a year while principal will be paid when the note fall due	Hong Kong Stock Exchange

II. Contact persons and contact details of the Company's bond trustee and contact details of credit rating agency

Bond trustee	Name	The Hongkong and Shanghai Banking Corporation Limited
	Address	L30 HSBC Main Building, 1 Queen's Road Central, Hong Kong
	Tel. No.	(852) 2822 4427
	Name	Deutsche Bank AG, Hong Kong Branch
	Address	Level 52, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong
	Contact person	Ivy Fung
	Tel. No.	(852) 2203 7887
Credit rating agency	Name	Moody's Investors Service Hong Kong Ltd
	Address	24/F One Pacific Place 88 Queensway, Admiralty, Hong Kong

Other information:

COSCO Finance (2011) Ltd. 4.00% Credit Enhanced Bonds due 2022:

Bond trustee: The Hongkong and Shanghai Banking Corporation Limited

Credit rating agency: Moody's Investors Service Hong Kong Ltd

COSCO Pacific Finance Guaranteed Note:

Bond trustee: Deutsche Bank AG, Hong Kong Branch

Credit rating agency: Nil

III. Use of proceeds raised from the public issuance of the Company's bonds

COSCO Finance Credit Enhanced Bonds:

The proceeds from the issuance of the bonds were lent to overseas subsidiaries of COSCO SHIPPING Holdings for their production and operation, including but not limited to replenishing working capital, repaying bank loans and making investments on fixed assets.

COSCO Pacific Finance Guaranteed Note:

The proceeds were used to expand the equity capital of the Company's terminal business and container leasing business, repay the company's existing debt and for other general business purposes.

IV. Credit rating agencies of the Company's bonds

COSCO Finance Credit Enhanced Bonds:

The information of the rating agency is as follows: Moody's Investors Service Hong Kong Ltd; Address: 24/F One Pacific Place 88 Queensway, Admiralty, Hong Kong, China; Contact person: Kan Leung; Telephone No.: (852) 3758-1419

COSCO FINANCE (2011) LIMITED US$1 Billion Bond (ISN:XS0858461758). Rating result: A1. For the latest rating result of bonds, please see www.moodys.com

COSCO Pacific Finance Guaranteed Note:

No rating result.

Corporate Bonds

V. Credit enhancement mechanism, repayment plan and other related matters of the Company's bonds during the reporting period

COSCO Finance Credit Enhanced Bonds:

During the reporting period, there was no change in the credit enhancement mechanism of the the Company's bonds, which were secured by RMB denominated cross-border standby letter of credit issued by Bank of China, Beijing Branch.

COSCO Pacific Finance Guaranteed Note:

During the reporting period, there was no change in the credit enhancement mechanism of the the Company's bonds, and credit guarantee is still offered by the COSCO SHIPPING Ports.

VI. Performance of trustees of corporate bonds

COSCO Finance Credit Enhanced Bonds:

During the reporting period, HSBC, as the trustee of the bonds, duly performed to protect the interests of holders of bonds in accordance with the trust deed.

COSCO Pacific Finance Guaranteed Note:

During the reporting period, Deutsche Bank, as the trustee of the bonds, duly performed to protect the interests of holders of bonds in accordance with the debt escrow agreement.

Corporate Bonds

VII. Accounting data and financial indicators of the Company during the last two years immediately before the end of the reporting period

Unit: Yuan Currency: RMB

Key indicator	2016	2015	Year-on-year increase or decrease (%)
EBITDA	-3,885,658,053.83	8,990,482,025.09	-143.22
Liquidity ratio	1.35	1.56	-13.46
Quick ratio	1.23	1.46	-15.75
Gearing ratio	68.62%	66.87%	1.75
All debt ratio of EBITDA	-6.82%	10.46%	—
Interest coverage ratio	-3.12	1.82	—
Cash interest coverage ratio	1.86	3.54	-47.46
Interest coverage ratio of EBITDA	-1.84	3.42	-153.80
Loan repayment rate	100%	100%	—
Interest coverage	100%	100%	—

Note: The above accounting data and financial indicators are stated according to the audited financial statement of A shares of the Company prepared in accordance with PRC GAAP.

IIX. Interest payment of other bonds and debt financing instruments of the Company

At present, the Company has paid interests in respect of the existing two medium-term without any default.

IX. Bank facilities of the Company during the reporting period

As at 31 December 2016, the loan facilities of the Company were approximately RMB32.4 billion, of which RMB20.9 billion was utilized. The Company has highly emphasized on the potential financial risks of the loan facilities, strengthened the monitoring of liabilities and gearing ratio of its subsidiaries and repaid bank loans in full as scheduled.

X. Performance of the Company in respect of the covenants or undertakings specified in the prospectuses of corporate bonds during the reporting period

During the reporting period, the Company had strictly utilized the proceeds in accordance with the scope stated in the offering circulars of the corporate bonds.

XI. Major events and their impacts on the business operation and solvency of the Company

During the reporting period, major events had no impact on the solvency of the Company.

Directors, Supervisors and Senior Management

Mr. WAN Min (萬敏)

Mr. WAN, aged 48, is currently the chairman of the Board and a non-executive director of the Company. Mr. Wan Min is also a director, general manager and deputy party secretary of COSCO SHIPPING. Mr. Wan was also a director and the chairman of the board of directors of COSCO SHIPPING Ports and the chairman of the board of directors of COSCO SHIPPING Specialized Carriers Co., Ltd. (中遠海運特種運輸股份有限公司) (formerly known as COSCO SHIPPING Co., Ltd. (中遠航運股份有限公司) ("**COSCOL**") (a company listed on the Shanghai Stock Exchange (stock code: 600428)). Mr. Wan previously held various positions including the assistant to the general manager of COSCO Shanghai International Freight Co., Ltd. (上海中遠國際貨運有限公司), the deputy general manager of COSCO SHIPPING Lines, the president of COSCO Americas Inc. (中遠美洲公司), the managing director of COSCO SHIPPING Lines, and the deputy general manager and a member of the party group of COSCO. Mr. Wan has over 20 years of experience in the shipping industry and has extensive experience in corporate management and container shipping. Mr. Wan graduated from Shanghai Jiao Tong University with a master's degree in business administration and is an engineer.

Mr. HUANG Xiaowen (黃小文)

Mr. HUANG aged 54, is currently the vice chairman of the Board and an executive Director of the Company. Mr. Huang is also a deputy general manager and member of the party group of COSCO SHIPPING, the chairman of the board of directors and a non-executive director of COSCO SHIPPING Ports, the chairman of the board of COSCO SHIPPING Lines, the chairman of the board of COSCO SHIPPING Logistics Co., Ltd. (中遠海運物流有限公司) and serves as director of certain subsidiaries of COSCO SHIPPING. Mr. Huang started his career in 1981 and had served as the section chief of the container shipping section of Guangzhou Ocean Shipping Company Limited (廣州遠洋運輸公司), general manager of container transportation department of COSCO, container business advisor of Shanghai Haixing Shipping Co., Ltd. (上海海興輪船股份有限公司), the vice chairman, executive director, executive deputy general manager, managing director and deputy party secretary of COSCO SHIPPING Development Co., Ltd. (中遠海運發展股份有限公司) ("**COSCO SHIPPING Development**") (a company listed on the Stock Exchange (stock code: 2866) and the Shanghai Stock Exchange (stock code: 601866)), executive director of COSCO SHIPPING Energy Transportation Co., Ltd. (中遠海運能源運輸股份有限公司) (a company listed on the Stock Exchange (stock code: 1138) and the Shanghai Stock Exchange (stock code: 600026)) and the chairman of China Shipping Haisheng Co., Ltd. (中海(海南)海盛船務股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600896)). Mr. Huang had been the deputy general manager and a member of the party group of China Shipping. Mr. Huang has more than 30 years of experience in the shipping industry. Mr. Huang graduated from China Europe International Business School with an EMBA degree and is a senior engineer.

Mr. LI Yunpeng[1] (李雲鵬)

Mr. LI, aged 58, was the Vice Chairman and an executive director of the Company. Mr. Li was the deputy department head, the department head and the director officer of the executive division of Tianjin Ocean Shipping Company Limited. He also assumed various positions in COSCO such as the deputy general manager of the executive division, the general manager of the supervision division, the general manager of the human resources division, the assistant president, the head of the CPC discipline inspection committee, the deputy general manager and general manager. Mr. Li has over 30 years' experience in the shipping industry and has extensive experience in corporate management, internal control and human resources. Mr. Li graduated from Tianjin University with a master degree of shipping and marine engineering and is a senior engineer.

Ms. SUN Yueying[2] (孫月英)

Ms. SUN, aged 58, was a non-executive director of the Company. Ms. Sun has served as the chief accountant of COSCO SHIPPING since 2016. Ms. Sun assumed various positions such as the deputy director of the finance department of Tianjin Ocean Shipping Company Limited, the finance manager of COSCO Japan Co., Ltd., the deputy general manager and the general manager of the financial and capital division and the deputy chief accountant. She has served as the chief accountant of COSCO since April 2014. Ms. Sun has over 30 years' experience in the shipping industry and has extensive experience in corporate finance management. Ms. Sun graduated from Shanghai Maritime University majoring in shipping finance and accounting and obtained her executive master degree of business management from the University of International Business and Economics. She is also a certified public accountant and a senior accountant.

Directors, Supervisors and Senior Management

Mr. SUN Jiakang[2] (孫家康)

Mr. SUN, aged 57, was an executive director of the Company. Mr. Sun is the deputy general manager of COSCO SHIPPING since 2016. Mr. Sun was the manager of the third division and the second division of the container lines headquarters, the general manager of the transportation division and the assistant to the president of COSCO. He also assumed various positions such as the vice chairman of the board of directors, the executive director and the general manager of COSCO SHIPPING Ports, the vice president of COSCO Hong Kong and the managing director of COSCON. He has served as the deputy general manager, secretary to the Board, chief legal consultant and spokesperson of COSCO since February 2011. Mr. Sun has over 30 years' experience in the shipping industry and has extensive experience in corporate management. Mr. Sun graduated from Preston University with a doctor degree and Dalian Maritime University with a master degree, respectively. He is also a senior engineer.

Mr. YE Weilong[2] (葉偉龍)

Mr. YE, aged 54, was an executive director of the Company. Mr. Ye has served as the deputy general manager of COSCO SHIPPING since 2016. Mr. Ye assumed various positions such as the assistant to general manager, the deputy general manager and the general manager of Shanghai Ocean International Freight Company, the general manager of COSCO Shanghai International Freight Co., Ltd., the general manager of COSCO International Freight Co., Ltd., the deputy general manager of COSCON, the general manager of COSCO Freight Co., Ltd. and the managing director of COSCO Logistics. He has been served as the deputy general manager of COSCO since December 2011. Mr. Ye has extensive experience in corporate operation management, international shipping and modern logistics strategic operation management. He graduated from Dalian Maritime University with a doctor degree and obtained his master degrees in business administration from Shanghai Maritime University and Maastricht School of Management in the Netherlands. Mr. Ye is a senior economist.

Mr. WANG Yuhang[2] (王宇航)

Mr. WANG, aged 55, was a non-executive director of the Company. Mr. Wang has served as the deputy general manager of COSCO SHIPPING since 2016. He also assumed various positions in COSCO such as the deputy director officer of the officer tranche of the organization department, the deputy general manager of the development department, the deputy general manager of the human resources department, the general manager of the supervision department, the deputy secretary of the disciplinary committee, the deputy officer of the supervision office, the chief officer of the legal center and the general manager of the human resources department. He was also the vice president of China Ocean Shipping Company Americas, Inc., the deputy general manager and the general manager of China Shipbuilding Industry Company, the general manager of COSCO Shipyard Group Co., Ltd.. He has been served as the deputy general manager of COSCO since February 2014. Mr. Wang has more than 30 years' experience in the shipping industry and has extensive experience in human resources, disciplinary supervision and enterprises operation and management. Mr. Wang graduated from Dalian Maritime College majoring in marine engineering management and is a senior engineer.

Mr. XU Zunwu (許遵武)

Mr. XU, aged 59, is currently an executive director, general manager and deputy party secretary of the Company. He is also a director of COSCO SHIPPING Lines and a non-executive director of COSCO SHIPPING Ports. Mr. Xu previously held various positions including the deputy general manager of Guangzhou Ocean Shipping Co., Ltd. (廣州遠洋運輸有限公司), the deputy general manager of COSCO Bulk Carrier Co., Ltd. (中遠散貨運輸有限公司), the deputy general manager and managing director of COSCO (H.K.) Shipping Co., Limited (中遠(香港)航運有限公司), the vice president of COSCO SHIPPING (Hong Kong) Co., Limited (中遠(香港)集團有限公司), the general manager of Shenzhen Ocean Shipping Co., Ltd. (深圳遠洋運輸有限公司), the managing director of COSCO Bulk Carrier Co., Ltd. (中遠散貨運輸有限公司) and the vice chairman and managing director of COSCO SHIPPING Bulk Co., Ltd. (中遠海運散貨運輸有限公司) (formerly known as China COSCO Bulk Shipping (Group) Co., Ltd. (中遠散貨運輸集團有限公司) ("**COSCO SHIPPING Bulk**"), the deputy general manager and acting general manager of the Company. Mr. Xu has over 30 years of experience in the maritime industry and has extensive experience in corporate operation management. Mr. Xu graduated from Shanghai Maritime University majoring in ocean shipping. Mr. Xu is a senior economist.

Directors, Supervisors and Senior Management

Mr. MA Jianhua[3] (馬建華)

Mr. MA, aged 54, is currently a non-executive director, the party secretary and deputy general manager of the Company. He was the deputy head of the human resources and labor department and the research officer of the Ministry of Transport of the PRC, and was also the deputy party secretary and the leader of the discipline inspection team of Shenzhen Maritime Safety Administration. Mr. Ma also assumed various positions such as the deputy director of the general office and the deputy secretary of Chongqing municipality of the PRC, the party secretary and the deputy general manager of COSCO Logistics, and the party secretary and the deputy general manager of COSCO Shipbuilding Industry Company Limited* (中遠造船工業公司) (a subsidiary of COSCO). Mr. Ma has extensive experience in transportation and logistics management, human resources management and modern corporate governance, etc. Mr. Ma graduated from Central Party School of the Communist Party of China ("CPC") majoring in economics and management and is a senior engineer.

Mr. WANG Haimin (王海民)

Mr. WANG, aged 44, is currently an executive director and deputy general manager of the Company. Mr. Wang is also an employee director of COSCO SHIPPING, the general manager, the deputy party secretary and a director of COSCO SHIPPING Lines and a non-executive director of COSCO SHIPPING Ports. He previously held various positions including the head of planning and cooperation department of the strategic planning division, the deputy general manager of the corporation planning division and the general manager of the strategy and development division of COSCO SHIPPING Lines. Mr. Wang was also the general manager of the transportation division of COSCO SHIPPING, the deputy general manager of COSCO SHIPPING Ports, and the deputy general manager of COSCO SHIPPING Lines (person in charge). Mr. Wang has nearly 20 years of experience in corporate management in the shipping industry. He has extensive experience in container shipping, operation of terminal and enterprise management. Mr. Wang graduated from Fudan University with a master degree in business administration and is an engineer.

Mr. ZHANG Wei (張為)

Mr. ZHANG, aged 43, is currently an executive director and deputy general manager of the Company. Mr. Zhang has been the vice chairman of the board of directors, an executive director and the general manager of COSCO SHIPPING Ports since April 2016. He previously served as the executive deputy general manager of the American trade division of COSCO SHIPPING Lines, the deputy general manager of the American Branch of COSCO SHIPPING Lines. Mr. Zhang was also the general manager of the strategy and development division of COSCO SHIPPING Lines, the general manager of the transportation division, the general manager of the operating management division and the executive deputy director of the integration management office of COSCO/the Company. Mr. Zhang has over 20 years of work experience in the shipping industry. He has extensive work experience in container shipping, strategic planning and enterprise management. Mr. Zhang graduated from Fudan University with a master degree in management and is an engineer.

Mr. FENG Boming (馮波鳴)

Mr. FENG, aged 47, is currently a non-executive director of the Company. He is also the general manager of the strategic and corporate management department of COSCO SHIPPING and a non-executive director of each of COSCO SHIPPING Development (a company listed on the Shanghai Stock Exchange (stock code: 601866) and the Stock Exchange (stock code: 2866)), COSCO SHIPPING Energy Transportation Co., Ltd. (中遠海運能源運輸股份有限公司) ("**COSCO SHIPPING Energy**") (a company listed on the Shanghai Stock Exchange (stock code: 600026) and the Stock Exchange (stock code: 1138)) and COSCO SHIPPING Ports, and a director of each of COSCO SHIPPING (Hong Kong) Co., Ltd. (中遠海運(香港)有限公司), COSCO SHIPPING Bulk, COSCO SHIPPING Financial Holding Co., Ltd. (中遠海運金融控股有限公司), and Piraeus Port Authority S.A. (比雷埃夫斯港務局有限公司), all of which are subsidiaries of COSCO SHIPPING. Mr. Feng previously held various positions including the manager of the commercial section of the ministry of trade protection of COSCO SHIPPING Lines, the general manager of COSCO (Cayman) Mercury Co., Ltd., the general manager

Directors, Supervisors and Senior Management

of the management and administration department of COSCO Holdings (Hong Kong) Co., Ltd. (中遠控股香港), and the general manager of COSCO International Freight (Wuhan) Co., Ltd. (武漢中遠國際貨運有限公司)/COSCO Logistics (Wuhan) Co., Ltd. (武漢中遠物流有限公司) and the supervisor of the strategic management implementation office of COSCO/the Company. Mr. Feng has over 20 years of work experience in the shipping industry. He has extensive experience in enterprise strategy management, business management, container shipping and management. Mr. Feng graduated from University of Hong Kong with a master of business administration degree and is an economist.

Mr. ZHANG Wei (張煒)

Mr. ZHANG, aged 50, is currently a non-executive director of the Company. He is also the general manager of operation and management department of COSCO SHIPPING, a non-executive director of COSCO SHIPPING Energy, a non-executive director of COSCO SHIPPING Ports, and a director of each of COSCOL (a company listed on the Shanghai Stock Exchange (stock code: 600428)), COSCO SHIPPING Bulk and COSCO SHIPPING Lines. Mr. Zhang Wei previously served as a deputy general manager of Asia-Pacific trade area and manager of Australia-New Zealand operation department of COSCO SHIPPING Lines. He was also a deputy general manager of European trade area of COSCO SHIPPING Lines, a deputy general manager of the enterprise informationdevelopment department of COSCO SHIPPING Lines, a deputy general manager of Florens Container Holdings Limited (佛羅倫貨箱控股有限公司) (previously a subsidiary of the Company), and executive vice-president of Piraeus Container Terminal S.A. (比雷埃夫斯集裝箱碼頭有限公司) (a subsidiary of the Company) and held various other positions. Mr. Zhang has nearly 30 years of work experience in shipping enterprises. He has extensive experience in container transportation marketing management and terminal operation management. Mr. Zhang Wei graduated from Shanghai Maritime University with a master degree in business administration and is an engineer.

Mr. CHEN Dong (陳冬)

Mr. CHEN, aged 42, is currently a non-executive director of the Company. He is also the general manager of financial management department of COSCO SHIPPING and a non-executive director of each of COSCO SHIPPING Development and COSCO SHIPPING Ports, and a director of each of COSCOL (a company listed on the Shanghai Stock Exchange (stock code: 600428)) and COSCO SHIPPING Bulk, all of which are subsidiaries of COSCO SHIPPING. Mr. Chen previously served as the deputy head of risk control section under the planning and finance department of China Shipping, the deputy head of the finance section under planning and finance department of China Shipping, the senior manager of finance and taxation management office of China Shipping, the assistant to the general manager of the finance department of China Shipping, and the deputy general manager of the finance department of China Shipping and held various other positions. Mr. Chen has nearly 20 years of work experience in shipping enterprises. He has extensive experience in risks control, taxation management and finance. Mr. Chen graduated from Shanghai University of Finance and Economics with a master degree in economics and is a senior accountant.

Ms. FAN Hsu Lai Tai, Rita (范徐麗泰)

Dr. FAN, aged 71, is currently an independent non-executive director of the Company. Dr. Fan Hsu Lai Tai, Rita was a member of the Legislative Council of Hong Kong, a member of the Executive Council of Hong Kong, the president of the Legislative Council of Hong Kong, a member of the Preliminary Working Committee for the Preparatory Committee of Hong Kong, a member of the Preparatory Committee of the Hong Kong Special Administrative Region, the chairman of the board of Civil Education of the Hong Kong Special Administrative Region, the chairman of the Education Commission of Hong Kong and the representative of the Ninth and Tenth Sessions of the National People's Congress and a member of the Standing Committee of the Eleventh Session of the National People's Congress. Ms. Fan was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal by Hong Kong Government. She is currently a member of the Standing Committee of the Twelfth Session of the National People's Congress and an independent non-executive director of China Overseas Land & Investment Limited , China Shenhua Energy Company Limited and COSCO SHIPPING Ports. Ms. Fan received a bachelor of science degree from the University of Hong Kong and a master of social science degree from the University the Hong Kong and was awarded the honorary doctorate degree in social science.

Directors, Supervisors and Senior Management

Mr. KWONG Che Keung, Gordon (鄺志強)

Mr. KWONG, aged 67, is currently an independent non-executive director of the Company. He is a senior fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants, respectively. Mr. Kwong was a partner of PricewaterhouseCoopers, an independent member of the council of the Hong Kong Stock Exchange and had also acted as the convener of both the listing committee and the compliance committee of the Hong Kong Stock Exchange. Mr. Kwong is currently an independent non-executive director of a number of companies listed on the Hong Kong Stock Exchange, including China Power International Development Limited, NWS Holdings Limited, Henderson Land Development Company Limited and Chow Tai Fook Jewellery Group Limited.

Mr. Peter Guy BOWIE (鮑毅)

Mr. BOWIE, aged 70, is currently an independent non-executive director of the Company. He served as the chairman of Deloitte Canada and was a member of its management committee. Mr. Peter Guy Bowie was also a member of the board and governance committee of Deloitte International. Mr. Bowie was the chief executive officer, a senior partner and a member of the board and management committee of Deloitte China from 2003 to 2010. He is currently an independent director of Magna International Inc. Mr. Bowie has extensive experience in corporate governance, risk control and business operations.

Mr. YANG, Liang Yee Philip (楊良宜)

Mr. YANG, aged 68, is currently an independent non-executive director of the Company. Mr. Yang is an arbitrator in international commercial and maritime arbitration. He is also the vice chairman of the documentary committee of the Baltic and International Maritime Council, the honorary chairman of Hong Kong International Arbitration Centre, a part-time professor in law and the program director of the master of international arbitration and dispute resolutions in the City University of Hong Kong. Mr. Yang previously served as the chairman of Hong Kong International Arbitration Centre, the chairman of Asia-Pacific Regional Arbitration Group and the Hong Kong representative of the International Chamber of Commerce. He was also the guest professor of more than ten universities in the PRC such as Dalian Maritime University and Shanghai Maritime University. Mr. Yang has extensive experience in cases related to international commercial maritime law. He has also devoted himself to the educational research activities in respect of commercial maritime law in various law schools in the PRC and has made invaluable contribution to maintaining close connection between legal education in the PRC and the development of international commercial law as well as the training of legal practitioners specialized in English commercial maritime law.

Mr. FU Xiangyang (傅向陽)

Mr. FU, aged 49, is currently a supervisor of the Company and the chairman of the supervisory committee of the Company. He has been the secretary of the board of directors of COSCO SHIPPING since 2016. Mr. Fu assumed various positions such as the deputy head of officer department of Shanghai Ocean Shipping Co., Ltd. (上海遠洋運輸有限公司), the deputy general manager of the human resources department of COSCO SHIPPING Lines and the deputy general manager of Shanghai Ocean Industrial Company (上海遠洋實業總公司) (in charge of operation). He was also the deputy head of the organization department, the deputy general manager of the human resources department, the head of the operation division of the party members' group, the deputy party secretary and the secretary of the league committee of COSCO, and the head of corporate culture department of the Company. Mr. Fu has served as a director of COSCO and the chairman of its labour union and held other positions since October 2011. Mr. Fu has more than 20 years' experience in the shipping industry and has extensive experience in corporate management. Mr. Fu graduated from Fudan University majoring in business administration and Missouri State University in the United States of America majoring in the same. Mr. Fu has obtained a master degree and is an economist.

Mr. GAO Ping[4] (高平)

Mr. GAO, aged 61, was a supervisor of the Company. Mr. GAO was the ship mate, deputy manager, manager and general manager of the human resource division of COSCO Shanghai, the deputy general manager and general manager of the crew management division, the assistant general manager and deputy general manager of COSCO (Hong Kong) Shipping Co., Ltd., the director of the organization division, the general manager of the human resource division of COSCO, and the supervisor of the State-owned Enterprise Supervisory Committee appointed by the State Council to COSCO and director, secretary to the Party Committee and deputy general manager of COSCO SHIPPING Lines. He has over 30 years of experience in the shipping industry with extensive experience in vessel management, corporate management and human resources management. Mr. Gao graduated from University of International Business and Economics with an EMBA degree and is a senior engineer.

Directors, Supervisors and Senior Management

Ms. ZHANG Li[4] (張莉)

Ms. ZHANG, aged 51, was a supervisor of the Company. Ms. Zhang is the party secretary , a director and the deputy general manager of COSCO SHIPPING Specialized Carriers Co., Ltd. (中遠海運特種運輸股份有限公司) since 2016. She was the deputy head, the deputy general manager and the general manager of the president's affairs department of COSCO, the vice president and a member of the committee of CPC of COSCO Europe GmbH, the secretary of the committee of CPC and the deputy general manager of COSCO H.K. (Beijing) Investment Co., Ltd. Ms. Zhang has more than 20 years' experience in the shipping industry and has extensive working experience in law, business management and internal control. Ms. Zhang graduated from China University of Political Science and Law majoring in private international law with a master degree and is an economist.

Mr. HAO Wenyi (郝文義)

Mr. HAO, aged 54, is currently a supervisor of the Company. He is also a supervisor, the deputy chief of the disciplinary team of the communist party committee and head of supervision and audit department of COSCO SHIPPING, a supervisor of COSCO SHIPPING Development, a supervisor of COSCOL and a supervisor of COSCO SHIPPING Heavy Industry Company Limited (中遠海運重工有限公司). Mr. Hao previously served as the deputy department head of the general department of the general office, head of the office and head of the ministerial office of the supervision department under the CPC Central Commission for Discipline Inspection, deputy chief of the disciplinary team of the communist party committee, the head of the supervision and audit department and secretary to discipline inspection work committee for overseas enterprises of China Shipping. Mr. Hao has more than 20 years of work experience in the discipline inspection and has been awarded personal second-class merit by the Ministry of Personnel and collective second-class merit by the supervision department under the CPC Central Commission for Discipline Inspection. Mr. Hao graduated from the economics postgraduate course of Beijing Administrative College (北京市委黨校) and is a senior political scientist.

Mr. QIAN Weizhong (錢衛忠)

Mr. QIAN, aged 49, is currently a supervisor of the Company and the party secretary, deputy general manager and a director of COSCO SHIPPING Lines. Mr. Qian previously served as the general manager and a member of the Party committee of China Shipping Agency Co., Ltd., the vice president of China Shipping (North America) Holdings Company Limited, the general manager of the Los Angeles branch of China Shipping (North America) Agency Co. Inc. and Party secretary and deputy general manager of CSCL, all of which are subsidiaries of China Shipping. Mr. Qian has nearly 30 years of experience in shipping industry, and has extensive experience in corporate management. Mr. Qian graduated from Shanghai Maritime College majoring in transportation planning and management. He holds a master's degree and is an economist.

Mr. FANG Meng (方萌)

Mr. FANG, aged 58, is currently a supervisor of the Company and the party secretary, an executive director and a deputy managing director of COSCO SHIPPING Ports. He previously served as a deputy general manager of the enterprise managing division of China Shipping Group, the general manager and a member of the Party committee of China Shipping International Trading Co., Ltd., the general manager, a member of the Party committee of China Shipping Terminal Development Co., Ltd., and the general manager, a member of the Party committee and others positions of China Shipping Ports Development Co. Ltd. Mr. Fang has over 30 years of experience in shipping industry, and has extensive experience in ship management, terminal operation and corporate management. Mr. Fang graduated from Shanghai Jiao Tong University majoring in ship engineering in February 1982 and graduated from the "Senior Manager (EMBA) Master Research programme" jointly organised by Shanghai University/San Francisco USA in April 1995. He is a senior engineer.

Directors, Supervisors and Senior Management

Mr. MENG Yan (孟焰)

Mr. MENG, aged 61, is currently an independent supervisor of the Company. Mr. Meng has been working at the Central University of Finance and Economics since 1982 and was the deputy director and the director of its Accounting Department and the dean of its Faculty of Accounting. He is currently a professor and a tutor of doctorate students of the Faculty of Accounting of Central University of Finance and Economics, the executive member of the Accounting Society of China and the China Society for Finance and Accounting. Mr. Meng is also a committee member of the Professional Education Supervisory Committee for the Business Administration Subjects of Higher Education of the Ministry of Education. Mr. Meng graduated from the Research Institute for Fiscal Science of the Ministry of Finance and obtained a doctorate degree in economics (accounting). He has been entitled to the governmental special allowance from the State Council of the PRC since 1997. He was named the National Outstanding Teacher in 1993 and was given the Higher Education National Level Teaching Award of by Ministry of Education of the PRC in 2011.

Mr. ZHANG Jianping (張建平)

Mr. ZHANG, aged 51, is currently an independent supervisor of the Company. He is a professor of the International Business School and the director of the Capital Market and Investment and Financing Research Center of the University of International Business and Economics. Mr. Zhang assumed various positions such as the director of the Department of Teaching and Research, the dean and the vice president of the International Business School of the University of International Business and Economics. He is currently an independent director of Hunan Valin Steel Co., Ltd. (湖南華菱鋼鐵股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 000932)) and Beijing SPC Environment Protection Tech Co., Ltd. (北京清新環境技術股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002573)), respectively. Mr. Zhang Jianping graduated from the University of International Business and Economics with a doctorate degree of transnational business management.

Mr. QIU Jinguang (邱晉廣)

Mr. QIU, aged 54, is currently a deputy general manager of the Company. Mr. Qiu was the general manager of strategy and development department and the general manager of terminal companies of COSCO Americans Inc., the deputy director (in charge of operation) of logistic department and manager of the logistic operations department of transportation division of COSCO Group. He also served as the general manager of strategic planning division, the assistant to general manger, deputy general manager, vice chairman of the board of directors and managing director of COSCO SHIPPING Ports. Mr. Qiu has over 30 years' experience in shipping industry and has extensive working experience in enterprise management, operation of terminal and strategic planning. He graduated from University of California Los Angeles with a degree of business administration and is an economist.

Mr. DENG Huangjun (鄧黃君)

Mr. DENG Huangjun, aged 55, is currently the chief financial officer of the Company and has been a director and deputy managing director of COSCO SHIPPING Ports, a non-wholly owned subsidiary of the Company since October 2015. He had previously been the section manager of the cost section of finance department of Shanghai Ocean Shipping Company, a subsidiary of the Company, the deputy manager of finance department of COSCO Container Lines Co., Ltd., the manager of the settlement division, the deputy general manager and the general manager of finance and accounting department and the chief financial officer of COSCO SHIPPING Lines. Mr. Deng graduated from Shanghai Maritime Transportation Institute, majoring in shipping accounting. He is a senior accountant.

Directors, Supervisors and Senior Management

Mr. TANG Runjiang[5] (唐潤江)

Mr. TANG, aged 48, was the chief financial officer of the Company. Mr. Tang was the deputy department head of the accounting management department of the treasury division, department head of the accounting department of the treasury division (finance division), deputy general manager of finance division and deputy general manager of the finance department of COSCO, deputy chief accountant and chief accountant of COSCO Bulk Shipping (Group) Co., Ltd., and the general manager of the finance division of COSCO. Mr. Tang has over 20 years of experience in finance, accounting and financial management. Mr. Tang graduated from the Central University of Finance and Economics with a bachelor's degree in economics majoring in industrial accounting.

Mr. GUO Huawei (郭華偉)

Mr. GUO, aged 51, is currently the secretary to the Board and Company Secretary of the Company. Mr. Guo was the deputy department head (in charge of the work) of the enterprises restructure department of the management division, the deputy general manager and the deputy general manager (in charge of the work) of the asset management division of COSCO, the general manager of the investor relationship department and the strategic development department of COSCO Corporation (Singapore) Limited. Mr. Guo has extensive experience in the shipping industry and in asset management. Mr. Guo graduated from Northern Jiaotong University, majoring in transportation economics. He holds a doctorate degree and is a senior economist.

Notes:

[1] Mr. Li Yunpeng resigned as the vice chairman of the Board and an executive director of the Company on 30 March 2016. Please see the announcement of the Company dated 30 March 2016 for details.

[2]. Ms. Sun Yueying and Mr. Wang Yuhang resigned as non-executive Directors and Mr. Sun Jiakang and Mr. Ye Weilong resigned as executive Directors on 16 December 2016. Please see the announcement of the Company dated 16 December 2016 for details.

[3]. Mr. Ma Jianhua resigned as a Supervisor representing the shareholders of the Company on 16 December 2016. Please see the announcement of the Company dated 16 December 2016 for details.

[4]. Mr. Gao Ping and Ms. Zhang Li resigned as Supervisors representing the emploayees of the Company on 31 October 2016. Please see the announcement of the Company dated 31 October 2016 for details.

[5]. Mr. Tang Runjiang resigned as the chief financial officer of the Company on 14 March 2016 and Mr. Deng Huangjun has served as the chief financial officer of the Company since 14 March 2016. Please see the announcement of the Company dated 14 March 2016 for details.

Corporate Governance Report

I. Corporate Governance

During the reporting period, the Company strictly complied with “Company Law”, “Code of Corporate Governance for Listed Companies”, “Guidance on the Establishment of Independent Director System in Listed Companies”, “Rules of Shareholders’ General Meeting of Listed Companies”and “Articles of Association of Listed Companies Regulations“, and constantly improved the corporate governance, and the standard operating level. The Company has been revising and improving its Articles of Association, the Rules of Procedure of the Shareholders’ General Meeting, the Rules of Procedure of the Board of Directors, the Rules of Procedure of the Board of Supervisors and the Working Rules of Independent Directors, and strictly implementing the functions of the Board of Directors and the Professional Committee, to ensure that the functions and responsibilities of the shareholders’ meeting, the board of directors and the board of supervisors fully fulfilled the interests of shareholders and the Company.

During the reporting period, the Company attempted to meet the best standards of governance, internal governance, improve the efficiency of the Company through sound corporate governance structure, promote the construction of long-term mechanism of compliance management, standardize “the operation of the three sessions”, strengthen the internal control system and risk management process, clear the main responsibility and management responsibilities to distinguish the responsibility; establish the construction of human resources management system with of “1 main “, “2 auxiliary “,”N supporting supplementary” human resources system framework, and gradually form the mechanism of system management that institution ruling matters and labor.

Actively participate in the training for directors, supervisors, executives from supervisory organizations of listed companies and carry out full training for all staff. Incorporate the concept of compliance in cultivation of corporate culture into the important part of the effective measures to enhance the awareness of all staff compliance.

Refine the management of related party transactions, pay close attention to the latest requirements from regulators, implement regulatory responsibilities, and optimize and improve the internal processes and management practices to ensure compliance with the rules and regulations.

Formulate the company’s confidentiality management system, strictly manage the registration flow of insider information, ensure the confidentiality of insider information, eliminate insider transaction.

II. Model Code for Securities Transactions by Directors

Since the listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in 2005, the Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as the code for the dealings in securities transactions by the Directors. Having made specific enquiries with all Directors and Supervisors, they have confirmed that they complied with the required standards set out in the Model Code throughout the year ended 31 December 2016.

III. Report on the Company's compliance with the Corporate Governance Code

The Company has adopted its own corporate governance code, which incorporates all the code provisions and a majority of the recommended best practices in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Board has reviewed the daily corporate governance of the Company according to the relevant provisions of the Code of Corporate Governance set out in Appendix 14 to the Listing Rules and considered that the Company has operated according to the code provisions during the reporting period, and complied with the requirements of the provisions of the Code of Corporate Governance, with an effort to carry out the recommended best practices.

To the knowledge of the Directors, there is no information that would reasonably indicate that the Company had not complied with the Corporate Governance Code at any time during the year ended 31 December 2016.

A. Directors

A1. Board of directors

Principle of the Code

- *The board should assume responsibility for leadership and control of the issuer and be collectively responsible for directing and supervising the issuer's affairs. Its decisions should be taken objectively in the best interests of the issuer.*
- *The board should regularly review the contribution required from a director to perform his responsibilities to the issuer, and whether he is spending sufficient time performing them.*

The current best situation in the governance of the Company

- The Board fully represents the Shareholders' interests and has set up development strategies of the Company within the scope of powers as provided under the Articles of Association. The Board monitors and implements the Company's operation management, so as to achieve a steady return of long term results.
- Directors attend Board meetings as scheduled and carefully review materials of the meetings and actively fulfill their responsibilities. Independent non-executive Directors regularly inspect the management of connected transactions of the Company.

Corporate Governance Report

Compliance procedures of the Corporate Governance Code – Code provisions

<table>
<tr><th>Code provisions</th><th>Compliance</th><th>Procedures of Corporate Governance</th></tr>
<tr><td>• To convene at least four regular meetings of the board, about once in each quarter. Each of the regular Board meetings should be attended by the majority of eligible directors in person or through electronic means of communication. Regular board meetings do not include meetings by way of written resolutions for the approval of the Board

• To disclose the attendance of each director, by name, at the board and general meetings pursuant to the mandatory disclosure requirements under the Corporate Governance Report</td><td>Yes</td><td>In 2016, the Company convened 11 Board meetings, including 7 physical meetings and 4 meetings by written correspondence. Attendance of members of the Board in 2016 was above 99% and details are listed as follows:
<table>
<tr><th></th><th colspan="4">(Number of meetings attended/ Number of meetings to be attended)</th></tr>
<tr><th></th><th>Board meetings</th><th>Attendance</th><th>General meetings</th><th>Attendance</th></tr>
<tr><td>MA Zehua</td><td>1/1</td><td>100%</td><td>1/1</td><td>100%</td></tr>
<tr><td>WAN Min</td><td>11/11</td><td>100%</td><td>4/4</td><td>100%</td></tr>
<tr><td>LI Yunpeng</td><td>2/3</td><td>67%</td><td>1/2</td><td>50%</td></tr>
<tr><td>HUANG Xiaowen</td><td>7/7</td><td>100%</td><td>2/4</td><td>50%</td></tr>
<tr><td>SUN Yueying</td><td>10/10</td><td>100%</td><td>3/4</td><td>75%</td></tr>
<tr><td>SUN Jiakang</td><td>10/10</td><td>100%</td><td>3/4</td><td>75%</td></tr>
<tr><td>YE Weilong</td><td>10/10</td><td>100%</td><td>3/4</td><td>75%</td></tr>
<tr><td>WANG Yuhang</td><td>10/10</td><td>100%</td><td>3/4</td><td>75%</td></tr>
<tr><td>XU Zunwu</td><td>10/10</td><td>100%</td><td>3/4</td><td>75%</td></tr>
<tr><td>FAN Hsu Lai Tai, Rita</td><td>11/11</td><td>100%</td><td>4/4</td><td>100%</td></tr>
<tr><td>KWONG Che Keung, Gordon</td><td>11/11</td><td>100%</td><td>4/4</td><td>100%</td></tr>
<tr><td>YANG, Liang Yee Philip</td><td>11/11</td><td>100%</td><td>3/4</td><td>75%</td></tr>
<tr><td>Peter Guy BOWIE</td><td>11/11</td><td>100%</td><td>3/4</td><td>75%</td></tr>
<tr><td>MA Jianhua</td><td>1/1</td><td>100%</td><td>0/0</td><td>N/A</td></tr>
<tr><td>WANG Haimin</td><td>1/1</td><td>100%</td><td>0/0</td><td>N/A</td></tr>
<tr><td>ZHANG Wei（張為）</td><td>1/1</td><td>100%</td><td>0/0</td><td>N/A</td></tr>
<tr><td>FENG Boming</td><td>1/1</td><td>100%</td><td>0/0</td><td>N/A</td></tr>
<tr><td>ZHANG Wei（張煒）</td><td>1/1</td><td>100%</td><td>0/0</td><td>N/A</td></tr>
<tr><td>CHEN Dong</td><td>1/1</td><td>100%</td><td>0/0</td><td>N/A</td></tr>
</table></td></tr>
<tr><td>• All directors are given an opportunity to include matters in the agenda for regular board meetings</td><td>Yes</td><td>Relevant notice will be given to the Directors and sufficient time will be given for them to suggest proposals to be included in the agenda of Board meetings. All Directors have opportunities for the inclusion of their proposals in the agenda of regular Board meetings.</td></tr>
<tr><td>• Notice of regular Board meetings should be given at least 14 days before the convening of the meetings</td><td>Yes</td><td>Notices of regular Board meetings have been given at least 14 days before the convening of the meetings, and notices and agenda of extraordinary Board meetings were given within reasonable time pursuant to the Articles of Association.</td></tr>
</table>

Corporate Governance Report

Code provisions	Compliance	Procedures of Corporate Governance
• Minutes of meetings should be kept by a duly appointed secretary of the meeting, and are available for inspection by directors at any reasonable time	Yes	The Board secretary has been responsible for organizing and keeping the minutes of Board meetings. The minutes of Board meetings and the records and related information of the special committees have been properly and perpetually kept in the Company's domicile as important files of the Company, and available for the inspection by Directors at any time.
• The minutes of the meetings should record in sufficient detail the matters considered by the board and the decisions reached	Yes	Minutes of Board meetings have made objective and detailed records on the matters considered, voting and opinions issued by the Directors in the meetings, and confirmed by the Directors.
• Directors should be entitled to seek independent advice in accordance with the agreed procedures at the issuer's expense	Yes	In respect of matters requiring opinions from professional institutions, the Company has appointed professional institutions upon Director's request to provide independent opinions at the expense of the Company.
• In the event that substantial shareholders or directors have conflict of interests in a material matter, the matter should be dealt with by a physical board meeting rather than a written resolution	Yes	The Company has adopted provisions in respect of abstaining from voting of connected Directors in the Articles of Association and the Rules of Procedures of the Board. In 2016, the related directors of the Company abstained from voting on proposals such as the specialized audit report for the summary movements of non-operational funds occupied and other related funds for 2015, new continuing connected transaction agreements in 2016 and approval for annual caps, Jinzhou New Age Container Terminal Co., Ltd. secured loan related transactions, acquisition of COSCO Shipping Lines (Romania) Agency Co., Ltd., 2017-2019 continuing connected transactions and approval for annual caps and the establishment of an Independent Board Committee and the appointment of an independent financial adviser, acquisition of Sinotrans (Myanmar) Agency Co., Ltd., and the third batch of overseas acency companies.
• To arrange appropriate insurance cover in respect of legal action against directors	Yes	The Company has purchased liability insurance for the Directors, Supervisors and members of the senior management.

Corporate Governance Report

A2. Chairman and chief executive officer

Principle of the Code
Principle of the Code • *Clear division of responsibilities between the management of the board and the day-to-day management of business, to ensure the balance of power and authority.*
The current best situation in the governance of the Company • The Company has clearly specified the duties of the Chairman and the general manager, and separated the functions of the Board and management, and made detailed descriptions in the Articles of Association, Rules of Procedures of the Board of Directors, Guidelines for the Work of the General Manager, so as to ensure the balance of power and authority and the independence of Board decisions, thereby ensuring the independence of the daily operation activities of management.

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• The roles of the chairman and the chief executive officer should be separate, and should be clearly established and set out in writing	Yes	Mr. Wan Min was appointed as the chairman of the Board on 20 January 2016, and the Company did not appoint any chief executive officer.
• The chairman should ensure that all directors are properly briefed on issues arising at board meetings	Yes	In respect of matters to be considered by the Board, adequate information has been provided to the Directors with sufficient communication before the meeting, and special meetings have been convened upon the request of the Directors to report on the matters concerned. Detailed explanations would be made in the meeting by the chairman of the Board or management of the Company on the motions where necessary.
• The chairman should ensure that the directors receive adequate information in a timely manner which must be accurate, clear, complete and reliable	Yes	The chairman of the Board has arranged the Board secretary to provide information regarding the progress of the various matters of the Company to all the Directors each month and the management of the Company has presented the key data of performance to members of the Board each month, so that the Directors may obtain timely and adequate information.

Corporate Governance Report

Code provisions	Compliance	Procedures of Corporate Governance
• The chairman should be primarily responsible for drawing up and approving the agenda of the board meetings	Yes	Agenda of Board meetings are discussed by the chairman of the Board with the executive Directors and the Board secretary and are decided after taking into consideration of all the matters proposed by each Director.
• The chairman should take primary responsibilities for ensuring that good corporate governance practices and procedures are established	Yes	The chairman of the Board assumes an important role in the promotion of the development of the Company's corporate governance, delegates the Board secretary to set up a good corporate governance system and procedure, supervises management to loyally implement the various systems, and ensures the regularized operation of the Company.
• The chairman should encourage all directors to make full and active contribution to the board's affairs	Yes	The chairman of the Board has encouraged all Directors to be involved in the affairs of the Board and make effective contribution to the Board and requested the Board to act in the best interests of the Company.
• The chairman should at least annually hold meetings with the non-executive directors without the attendance of executive directors	Yes	The chairman of the Board has communicated fully with non-executive Directors face-to-face appropriately before the start and after the end of physical Board meetings. In 2016, the chairman of the Board had a face-to-face communication with independent non-executive Directors at the Board meeting, on which relevant issues the independent non-executive Directors cared about were communicated and discussed in furtherance.
• The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders	Yes	The chairman of the Board has placed great emphasis on the effective communication between the Company and the Shareholders, attended and presided over Shareholders' general meetings and continued to promote and improve investor relationship, and has dedicated himself to realizing maximum returns of Shareholders.
• The chairman should facilitate the effective contribution of directors to the board, and ensure the executive directors and non-executive directors maintain constructive relations with each other	Yes	The chairman of the Board has placed great emphasis on the contributions of Directors to the Board, and made efforts to ensure the executive Directors and non-executive Directors maintain constructive relationships with each other.

Corporate Governance Report

A3. Board composition

Principle of the Code

- *The Board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the business of the issuer. The Board should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgment. Non-executive directors should be of sufficient calibre and number for their views to carry weight.*

The current best situation in the governance of the Company

- As at 31 December 2016, the Board of the Company comprised thirteen members, including four executive Directors, five non-executive Directors and four independent non-executive Directors. As at the date of this annual report, the Board of the Company comprises thirteen members, including four executive Directors, five non-executive Directors and four independent non-executive Directors, with independent non-executive Directors representing less than one-third of the members of the Board.

- Upon the change in directors on 16 December 2016, the number of independent non-executive Directors ("INEDs") has fallen below the minimum requirement under Rule 3.10A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Pursuant to Rule 3.11 of the Listing Rules, the Company should appoint sufficient number of INEDs within three months after failing to meet the requirement under Rule 3.10A of the Listing Rules.

  The Company has taken active steps to identify a suitable candidate to act as a new INED of the Company in order to comply with the requirement under Rule 3.10A of the Listing Rules. As at the date of this annual report, the Company has identified a suitable candidate to be appointed as an INED of the Company (the "Proposed Appointment"), and the candidate is agreeable to the Proposed Appointment.

  As the Proposed Appointment is subject to the approval by (i) the nomination committee of the Company; (ii) the Board; and (iii) the shareholders at the general meeting of the Company, additional time is required to complete the procedures relating to the Proposed Appointment. The Company has submitted an application to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for a waiver from strict compliance with Rule 3.10A of the Listing Rules for a period of three months from 16 March 2017 (the "Waiver"). The Board is pleased to announce that the Stock Exchange has granted the Waiver on 7 March 2017.

  The Company will strive to appoint an INED to comply with the requirements of the Listing Rules as soon as practicable. For more information, please refer to the announcements of the Company dated 16 December 2016 and 8 March 2017.

- The independent non-executive Directors have expertise and experience in areas such as shipping, corporate management, finance and laws and are able to make independent judgments, which ensures the decisions of the Board are made prudently and comprehensively.

- There is no relationship (including financial, business, family or other material relationship) among the members of the Board.

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
The independent non-executive directors should be identified in all corporate communications that disclose the name of directors	Yes	The Company has disclosed members of the Board according to the category of the Directors in all corporate communications that disclose the name of directors.
Maintain on the website of the Company an updated list of members of the Board, identifying their role, function and independence	Yes	The Company has published the list of Board members and their biographies on its website, setting out their roles, functions and independence.

A4. Appointments, re-election and removal

Principle of the Code

- *The procedures for the appointment of new directors shall be formal, considered and transparent. There should be plans in place for orderly succession for appointments to the board. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director*.

The current best situation in the governance of the Company

- The Company has set up a nomination committee under the Board. The nomination committee shall make proposals on the appointment, re-election, removal and relevant procedures of the candidates of Directors, present the proposals for the Board's consideration, which will finally be determined by the Shareholders' meeting. The resignation of a Director and the reason for such resignation shall be disclosed in a timely manner.

Corporate Governance Report

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
The appointment of non-executive directors should have specific terms of office, and shall be subject to re-election	Yes	As provided in the Articles of Association, the Directors (including non-executive Directors) shall be elected at the Shareholders' general meeting for a term of three years, subject to re-election.
Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first shareholders' general meeting after their appointment	Yes	The Directors appointed to fill in temporary vacancies are subject to re-election by Shareholders at the Shareholders' general meeting.
Each director should retire by rotation at least once in every three years	Yes	Up to present, the Directors are subject to re-election by the Shareholders' general meeting according to the sessions of the Directors.
In the case the term of office of an independent non-executive director has exceeded nine years, any proposal of re-appointment of such independent non-executive director shall be in the form of separate resolution and considered and approved by the shareholders	Yes	Article 108 of Chapter 10 of the Articles of Association specifies that the term of office of an independent Director shall not exceed six years. It is the Company's practice to hold re-election when such term expires.

A5. Nomination committee

<table>
<tr><th>Code provisions</th><th>Compliance</th><th>Procedures of Corporate Governance</th></tr>
<tr><td>The issuer should establish a nomination committee, which comprises a majority of independent non-executive directors</td><td>Yes</td><td>The Board has set up a nomination committee, of which the chairman is an independent non-executive Director and the members include one executive Director and one independent non-executive Director.</td></tr>
<tr><td>The issuer should set out written terms of reference of the nomination committee</td><td rowspan="2">Yes</td><td rowspan="2">The Company has adopted the Operation Rules of the nomination committee, specifying the powers and duties of the nomination committee, and published its terms of reference on the websites of the Company and the Hong Kong Stock Exchange.</td></tr>
<tr><td>The nomination committee should make available its terms of reference explaining its roles and the authority delegated by the board</td></tr>
<tr><td>The issuer should provide the nomination committee with sufficient resources to discharge its duties. If necessary, the nomination committee may seek independent professional advice at the expense of the issuer</td><td>Yes</td><td>The Company has actively assisted the nomination committee in performing their work, so as to ensure they are adequately resourced to discharge their duties. For matters that require advice from professional institutions, the Company has engaged the professional institutions for independent advice at its own expense.</td></tr>
<tr><td>Where the board proposes a resolution to elect an individual as an independent non-executive director, the circular accompanying the notice of the relevant general meeting should specify the reason for such election</td><td>Yes</td><td>There was no change in the independent executive Directors in 2016.</td></tr>
<tr><td>The nomination committee should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report</td><td>Yes</td><td>The Company has formulated the Board Diversification Policy. At the same time, the Company has made corresponding amendments to the relevant rules of the Operation Rules for the Nomination Committee of the Board of Directors according to the Board Diversity Policy.</td></tr>
</table>

Corporate Governance Report

A6. Responsibilities of directors

<table>
<tr><td>Principle of the Code
• Every director must always know his responsibilities as a director of an issuer and its conduct, business activities and development. Given the essential unitary nature of the board, non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.</td></tr>
<tr><td>The current best situation in the governance of the Company
• The Company has adopted the Rules of Procedures of the Board of Directors, Guidelines of the Work of Independent Directors and guidelines of the works of various special committees, clearly specifying the duties of each of the Directors, so as to ensure that all Directors fully understand their roles and responsibilities.
• The Board secretary is responsible for ensuring that all Directors receive the Company's latest business development and renewed statutory information.</td></tr>
</table>

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• Every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on appointment. Subsequently he should receive any briefing and professional development necessary to ensure that he has a proper understanding of the issuer's operations and business and is fully aware of his responsibilities under statute and common law, the Exchange Listing Rules, legal and other regulatory requirements and the issuer's business and governance policies.	Yes	Upon the appointment of a new Director, the Company has provided related information to the new Director in a timely manner and arranged training for the Director, including introduction of the Company's business, responsibilities of Directors, the Company's rules and regulations and domestic and overseas laws, regulations and regulatory requirements.
• Functions of non-executive directors	Yes	The non-executive Directors have actively attended Board meetings, and acted as members of various special committees, inspected the achievements of the Company's business objectives, and provided independent opinions on the decisions of the Board.
• Every director should ensure that he can give sufficient time and attention to the affairs of the issuer	Yes	All Directors have diligently discharged their duties and taken their responsibilities seriously. The attendance of Directors at the meetings of the Board and various special committees in 2016 was over 99%, indicating that the Directors have spent sufficient time on the Company's business.

Corporate Governance Report

Code provisions	Compliance	Procedures of Corporate Governance
• The board of directors should establish written guidelines for the dealing of securities of the Company by relevant employees and such guidelines should be no less exacting than the Model Code	Yes	According to the relevant requirements of the Model Code, the Company shall give notice of blackout period to Directors, Supervisors and senior management within the specified period prior to the issue of annual, interim and quarterly reports to restrict them from dealing in the Shares within the specified period.
• All directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The issuer should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director. Note: Directors should provide a record of the training they received to the issuer.	Yes	All Directors have the opportunities to attend professional training programmes arranged by the Company during their terms of appointment at the expense of the Company. The Company has provided assistance to Directors to participate in the relevant training programmes organized by The Stock Exchange, Shanghai Stock Exchange and other regulatory authorities. The Company has also engaged legal consultants and staff from regulatory authorities at home and abroad to provide training programmes.
• The directors should upon their appointments (and thereafter) disclose their positions and other major commitments in other entities	Yes	Each of the Directors has upon the acceptance of appointment provided the Company with its positions and other major commitments in other companies and updated the Company if any changes arise.
• Independent non-executive directors and other non-executive directors should ensure their regular attendance and active participation in Board meetings, the meetings of the committees that they serve and shareholders' general meetings	Yes	All Directors (including independent non-executive Directors and other non-executive Directors) have actively attended Board meetings, meetings of the board committees and general meetings of the Company.
• The non-executive directors should make a positive contribution to the development of the issuer's strategies and policies through independent, constructive and informed comments	Yes	All non-executive Directors have been able to provide independent and constructive opinions with grounds to the Company in formulating strategies and policies.

A7. Supply of and access to information

Principle of the Code • *Directors should be provided in a timely manner with appropriate information in the form and quality to enable them make informed decisions and to perform their duties and obligations.*
The current best situation in the governance of the Company • The Board secretary is responsible for the provision of all information to the Directors, including documents for the meetings of the Board and the special committees, regular provision of the reports of the Company's business progress, financial targets, development plans and strategic plans, as well as latest information on other statutory requirements relating to the Listing Rules, and for the continued enhancements of the quality and timely release of information.

Compliance procedures of the Corporate Governance Code - Code provisions

Code Provisions	Compliance	Procedures of Corporate Governance
The documents of the meetings of the Board/committees should be sent to the directors at least three days before the date of the meetings	Yes	All documents of the past meetings of the Board and special committees were sent to each of the Directors at least three days before the meetings.
Management is responsible for the provision of adequate information in a timely manner to the board and its committees, so as to enable the board to make informed decisions. Each director have separate and independent access to the senior management of the company for further inquiries	Yes	Management of the Company has been able to provide sufficient information to the Board and its subordinate committees in a timely manner. The Directors have been able to communicate with management of the Company by themselves to obtain further information required.
All directors are entitled to access the board papers and related materials, and where queries are raised by directors, steps must be taken to respond as promptly and fully as possible	Yes	The documents of the Board and the special committees are being kept by the Board secretary, and are available for the inspection by all Directors at any time. The Company has arranged related personnel to give timely response in respect of the questions raised by the Directors.

B. Remuneration of Directors and senior management and assessment by the board of directors

B1. The level and make-up of remuneration and disclosure

Principle of the Code • *An issuer should disclose its directors' remuneration policy and other remuneration related matters. The procedure for setting policy on executive directors' remuneration and all directors' remuneration packages should be formal and transparent. Remuneration levels should be sufficient to attract and retain directors to run the company successfully without paying more than necessary. No director should be involved in deciding his own remuneration.*
The current best situation in the governance of the Company • The Company has set up a remuneration committee. The terms of reference of the Remuneration Committee includes determination and review of the remuneration policies and plans of the directors and managers of the Company. • In 2016, the remuneration committee convened one meeting to make recommendation to the Board of remuneration of directors, reviewed the remuneration packages determined based on the performance appraisal results and the Company's remuneration management system, and the remuneration committee was of the view that the remumeration of the Company's senior management staff was in accordance with corporate performance appraisal and management regulation on remuneration, and the relevant process of decision-making was lawful and valid.

Compliance procedures of the Corporate Governance Code – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
The remuneration committee should consult the chairman and/or the chief executive officer in respect of the remuneration of other executive directors and should have access to independent professional advice if necessary	Yes	The remuneration committee has communicated with the Chairman and the President in respect of the remuneration of the Directors, Supervisors and senior management and should have access to independent professional advice if necessary.
Functions of the remuneration committee	Yes	The Company has established the Operation Rules for the Remuneration Committee of the Company, clearly setting out the duties of the remuneration committee.
The terms of reference of the remuneration committee should be published on the issuer's website	Yes	The terms of reference of the remuneration committee have been published on the Company's website.
The remuneration committee should be provided with sufficient resources to perform its duties	Yes	The Company's human resources department and the general office have actively cooperated with the remuneration committee to perform their works in the discharge of their duties.

Corporate Governance Report

Code provisions	Compliance	Procedures of Corporate Governance
Issuers should disclose the details of the remuneration of senior management by band in its annual report	Yes	The Company has disclosed the remuneration of all senior management by band in its annual reports and accounts.
Recommended Best Practices		
A significant portion of executive directors' remuneration should link rewards to corporate and individual performance	Yes	The remuneration of the executive Directors and senior management are in general linked with the performance of the Company and their individual performance.
The issuer should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in its annual reports	Yes	The Company has disclosed the remuneration and names of the Directors, Supervisors and senior management in the annual reports and accounts.
The Board should conduct a regular evaluation of its performance	Yes	The Board has carried out such evaluation annually.

C. Accountability and Audit

C1. Financing reporting

Principle of the Code

- *The board should present a balanced, clear and comprehensive assessment of the Company's performance, position and prospects.*

The current best situation in the governance of the Company

- All regular financial reports issued to the Shareholders by the Board were in compliance with the regulatory requirements of both the stock exchanges of Hong Kong and Shanghai, and the Company continued to improve the management discussion and analysis, and made comprehensive disclosures on the Company's production operation, financial position and project developments. At the same time, the Company has been proactively increasing the amount of information, including information on the Company's operation environment, development strategies, corporate culture, strengthening corporate governance reports, making comprehensive, objective, fair and clear descriptions on the operation management and prospects of the Group.

Corporate Governance Report

Compliance procedures of the Corporate Governance Code – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
Management should provide sufficient explanation and information to the board to enable it to make an assessment on the relevant issues	Yes	Management of the Company has provided the Board with information on the Company's business progress, development plans and financial targets from time to time as the grounds for the Board to make appraisals.
Management should provide all members of the board of directors with the latest information regarding the performance, position and prospects of the Company on a monthly basis	Yes	Management of the Company has submitted the main performance data to the members of the Board on a monthly basis.
The directors should acknowledge in the Corporate Governance Report their responsibilities for preparing the accounts and auditors shall make a statement about their reporting responsibilities in the r auditors' eport	Yes	The Directors have acknowledged their responsibilities in preparing financial statements which truly and fairly reflect the Company's situation in the financial year. The auditors' reports have specified the reporting responsibilities of the auditors.

Corporate Governance Report

Code provisions	Compliance	Procedures of Corporate Governance
• The directors should discuss and analyze the performance of the Company in the annual report and explanation of the basis for generating or preserving value in the long run and the strategies to achieve objectives of the Company	Yes	The Company has disclosed the foundation for creating or retaining value in the long run and the strategies to achieve targets of the Company.
• The board should present a balanced, clear and understandable assessment on the Company's performance in its annual and interim reports, annual and interim and other financial disclosures	Yes	In its regular reports and external announcements, the Board has made objective, fair and clear descriptions on the situation and prospects of the Company and its subsidiaries.
Recommended Best Practices		
• The issuer should announce and publish its quarterly financial results within 45 days after the end of the relevant quarter • Once the issuer announces quarterly financial results, it shall continue to adopt quarterly reporting	Yes	In addition to the reports on annual and interim results, the Company has also prepared and issued first quarterly and third quarterly results reports. The Company announced and issued quarterly financial results within one month after the end of the first and third quarter, and the information disclosed are sufficient for the Shareholders to assess the Company's performance, financial position and prospects.

C2. Risk management and Internal controls

Principle of the Code • *The board is responsible for evaluating and determining the nature and extent of the risks which it is willing to take in achieving the issuer's strategic objectives, and ensuring that the issuer establishes and maintains appropriate and effective risk management and internal control systems. The board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the board on the effectiveness of these systems.*
The current best situation in the governance of the Company • The Company has established an internal control system, to review the relevant financial, operational and regulatory control procedures from time to time and update and refine the internal control system according to the actual situation from time to time, so as to protect the Company's assets and the Shareholders' interests. • In its organization structure, the Company has set up an internal audit department to conduct regular inspections, supervisions and appraisals on the Company's financial position, operation and internal control activities according to different business and process flows, and has appointed external audit firms to make regular audits on the Company's financial reports based on the China and Hong Kong accounting standards, and provided independent and objective appraisals and suggestions by way of audit reports.

Compliance procedures of the Corporate Governance Code - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
The board should oversee the issuer's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the issuer's and its subsidiaries' risk management and internal control systems has been conducted at least annually and report to shareholders that it has done so in its Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls.	Yes	The Board has overall responsibility for assessing and determining the nature and extent of the risks the Group is willing to take in achieving its strategic objectives, maintaining sound and effective risk management and internal control systems and reviewing their effectiveness for the purpose of ensuring the Shareholder's investment and Group assets. To this end, management continues to allocate resources to internal control and risk management systems to manage (rather than eliminate) the risk of failing to meet business objectives, and to provide reasonable, though not absolute, assurance against material misstatement or loss. The Board had conducted an annual review of the Group's risk management and internal control systems for the year ended 31 December 2016 and considered them effective and adequate. The Company has placed strong emphasis on its internal control, and has established an internal control system and set up an internal audit department in its organization structure to perform supervision and control on the Company's finance, business, compliance and risk management. The Company's chief financial officer has reported to the audit committee and the Board on the internal control each year for the appraisals by all Directors.

Corporate Governance Report

Code provisions	Compliance	Procedures of Corporate Governance
The board's annual review should, in particular, ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit and financial reporting functions.	Yes	The Company has placed strong emphasis on the professional management and training of finance personnel to improve their professional skills and comprehensive quality. The Company organized annual continuing education for finance personnel on-the-job to attend on time according to the requirements of the Accounting Law (《會計法》) and planned and arranged finance personnel to receive relevant professional training on accounting standards depending on the changes in the state's finance and tax policies and work requirements, with sufficient training expenses budget as a guaranty.
Companies should disclose a narrative statement in the Corporate Governance Report, on how they have complied with the risk management and on internal control code provisions during the reporting period	Yes	The Company has disclosed how it complied with the code provisions on internal control during the reporting period in accordance with the relevant requirements of the Corporate Governance Report.
The issuer should have an internal audit function. An issuer who does not have an internal audit function should review the need for one on an annual basis and disclose the reasons for the absence of such a function in the Corporate Governance Report	Yes	The Company has an internal audit function which the supervision and audit department of the Company is responsible for. The Board has authorized the Audit Committee to review the effectiveness of internal audit function of the Company, to monitor the establishment and implementation of the Company's internal audit function and to urge the internal audit function is adequately resourced and has appropriate standing in the Company. The Audit Committee has reviewed the effectiveness of the Company's internal audit function during the Reporting Period.

C3. Audit Committee

Principle of the Code • *The board should establish formal and transparent arrangements to consider how it will apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the issuer's auditors. The audit committee established under the Listing Rules should have clear terms of reference.*
The current best situation in the governance of the Company • The Board has set up an audit committee, chaired by Mr. KWONG Che Keung, Gordon, an independent non-executive Director. Other members include Mr. CHEN Dong (a non-executive Director) and Mr. YANG, Liang Yee Philip (an independent non-executive Director), all of whom have professional skills and experience on financial management and are non-executive Directors (including two independent non-executive Directors). One independent Director with professional qualification and professional experience in financial management has also been appointed. • The audit committee is mainly responsible for the supervision of the internal system set up by the Company and its subsidiaries and its implementation, audit on the financial information and disclosures of the Company and its subsidiaries, review on the internal control system (including financial control and risk management) of the Company and its subsidiaries, planning of material connected transactions and communications, supervisions and verifications on the Company's internal and external audits. • In 2016, the audit committee convened four meetings at which the management and the chief financial officer of the Company reported the Company's financial situation and material issues relating to risk management and internal control.

Compliance procedures of the Corporate Governance Code - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• Full minutes of the audit committee meetings should be kept by a duly appointed secretary and sent to all committee members for their comments and records within a reasonable time after the meeting	Yes	The minutes and related information of meetings of the Audit Committee are properly kept by the Board secretary. The Audit Committee secretary shall be responsible for making detailed records in the minutes of meetings of the Audit Committee on the matters considered in the meetings and submitting such records to the relevant management, departments and intermediary agencies present in the meetings for amendment and confirmation. After being confirmed by all the members of the audit committee present in the meetings, such records shall be signed by the chairman.

Corporate Governance Report

Code provisions	Compliance	Procedures of Corporate Governance
• A former partner of the issuer's existing auditing firm should be prohibited from acting as a member of its audit committee for a period of 1 year from the date of his ceasing: (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.	Yes	The chairman of the audit committee Mr. KWONG Che Keung, Gordon was a partner of PricewaterhouseCoopers from 1984 to 1998 prior to his appointment as the chairman of the audit committee on 17 May 2011. The remaining members of the audit committee are Mr. CHEN Dong and Mr. YANG, Liang Yee Philip who are not the former partner of the auditors.
• The terms of reference of the audit committee	Yes	The Company has formulated the Terms of Reference of the Audit Committee which specifies the scope of duties and authorities of the committee in various aspects, including relationship with the Company's auditors, review on the financial information of the Company, supervision and control of the financial reporting system of the Company, internal control procedures and the rules of procedures for meetings.
• The terms of references of the audit committee should be disclosed on the website of the issuer and the Hong Kong Stock Exchange	Yes	The Terms of Reference of the Audit Committee has been published on the website of the Company and the Hong Kong Stock Exchange.
• Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view	Yes	The Board has no disagreements with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors.
• The audit committee should be provided with sufficient resources to perform its duties	Yes	The Company actively assisted the audit committee to perform its work. The members are entitled to consult independent professional opinions based on agreed procedures, at the expense of the Company.

Code provisions	Compliance	Procedures of Corporate Governance
• Employees of the issuer can raise concerns about possible improprieties in financial reporting, internal control or other matters in confidence. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action	Yes	The Company has formulated the Rules of Procedures of the Audit Committee, which facilitates the setting up of channels for reporting possible improprieties in financial reporting, internal control or other matters so that the Company can carry out fair and independent investigation of these matters and take appropriate follow-up actions.
• The audit committee should act as the key representative body for overseeing the issuer's relationship with the external auditor	Yes	Mr. Kwong Che Keung, Gordon, a member of the audit committee acting as the principal representative between the Company and external auditors, is responsible for the monitoring and coordination of their relationship.
Recommended Best Practices		
• The Audit Committee should establish a whistleblowing policy and system to encourage employees and other parties who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the audit committee, about possible improprieties in any mater related to the issuer	Yes	The Company has set up a system of reporting of the fraudulent cases to the Directors and formulated the "Rules of Procedures of internal reporting of Information Regarding Material Breach" of the Company which was approved by the Board and the audit committee. The rules require that any violation shall be promptly and separately disclosed to provide details known to the Company.

Corporate Governance Report

D. Delegation by the Board

D1. Management Functions

Principle of the Code • *The issuer should have a formal schedule of matters specifically reserved for board approval and which may be delegated to management, and clear directions to management on matters that must be approved by the board.*
The current best situation in the governance of the Company • The main powers of the Board include to convene Shareholders' general meetings, to decide the Company's operation plans and investment plans and the allocation of the Company's internal management bodies, to prepare the Company's annual financial budgets, final accounts and profit distribution plans, to propose plans for the Company's merger, division and dissolution and material acquisition or disposal plans, and to implement resolutions of the general meetings. • The Board may delegate part of its powers to the special committees and management, and specify matters that must be approved by the Board.

Compliance procedures of the Corporate Governance Code - Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• When the board delegates aspects of its management and functions to management, it shall at the same time give clear directions as to the power of management	Yes	Management is accountable to the Board. The Management's main duties include leading the Company's operation and management, organizing the implementation of Board resolutions, conducting and implementing economic activities such as investment and asset disposals relating to the Board resolutions, and making reports to the Board. Management may not surpass the scope of its power and the Board resolutions in the exercise of its power.
• The issuer shall formalize the functions reserved to the board and those delegated to management, and shall review on a periodic basis	Yes	In the Rules of Procedures of the Board of Directors and Guidelines for the Work of the General Manager, the Company has specified matters requiring resolutions of the Board and functions to be delegated to management.
• The issuer should respective responsibilities, accountabilities and contributions of the board and management	Yes	In the Articles of Association, Rules of Procedures of the Board of Directors and Guidelines for the Work of the General Manager, the Company has specifically set out the division of responsibilities between the Board and management, and has made announcements to the public.

Code provisions	Compliance	Procedures of Corporate Governance
• The issuer shall have formal letters of appointment for directors, setting out the key terms and conditions of their appointment	Yes	Each of the new Directors has received a formal appointment letter, specifying the principle terms and conditions relating to such appointment.

D2. Board committees

Principle of the Code

- *Board committees should be formed with specific written terms of reference which deal clearly with their authority and duties.*

The current best situation in the governance of the Company

- The Board has six subordinate special committees, including the strategic development committee, the risk management committee, the audit committee, the remuneration committee, the nomination committee and the executive committee. The Board shall fully consider the professional skills and experience of the directors when selecting them as the members of the special committees, thereby enabling the work of the committees be performed with high efficiency. Among these, the majority of the members of the audit committee, the remuneration committee and the nomination committee are independent non-executive Directors.
- Each of the committees has specific working guidelines, setting out the rights and obligations and the rules of procedures of the committees.

Corporate Governance Report

The attendance of the meetings of special committees (number of meetings attended/number of meetings to be attended)

	Strategic Development Committee	Risk Management Committee	Audit Committee	Remuneration Committee	Nomination Committee	Executive Committee
WAN Min	–	–	–	–	–	–
MA Zehua(1)	–	–	–	–	–	–
LI Yunpeng(2)	–	–	–	–	–	–
SUN Yueying(3)	–	–	4/4	–	–	–
SUN Jiakang(3)	–	1/1	–	–	–	–
YE Weilong(3)	–	–	–	1/1	–	–
WANG Yuhang(3)	–	1/1	–	–	–	–
HUANG Xiaowen(4)	–	–	–	–	–	–
XU Zunwu(5)	1/1	–	–	–	3/3	–
MA Jianhua(6)	–	–	–	–	–	–
WANG Haimin(6)	–	–	–	–	–	–
ZHANG Wei (張為) (6)	–	–	–	–	–	–
FENG Boming(6)	–	–	–	–	–	–
ZHANG Wei (張煒) (6)	–	–	–	–	–	–
CHEN Dong(6)	–	–	–	–	–	–
FAN HSU Lai Tai, Rita	–	–	–	1/1	3/3	–
KWONG Che Keung, Gordon	–	–	4/4	1/1	–	–
Peter Guy BOWIE	1/1	1/1	–	–	–	–
YANG, Liang Yee Philip	1/1	–	4/4	–	3/3	–

(1) Mr. Ma Zehua resigned as a Director and the chairman of the Board on 20 January 2016.

(2) Mr. Li Yunpeng resigned as a Director and the vice chairman of the Board on 30 March 2016.

(3) Each of Ms. Sun Yueying, Mr. Sun Jiakang, Mr. Ye Weilong and Mr. Wang Yuhang has retired as a Director since 16 December 2016.

(4) Mr. Huang Xiaowen has served as a Director and the vice chairman of the Board on 24 May 2016.

(5) Mr. Xun Zunwu has served as a Director on 1 February 2016.

(6) Each of Mr. Ma Jianhua, Mr. Wang Haimin, Mr. Zhang Wei (張為), Mr. Feng Boming, Mr. Zhang Wei (張煒) and Mr. Chen Dong has served as Directors and members of board committees on 16 December 2016; and

Corporate Governance Report

Compliance procedures of the Corporate Governance Code - Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• The board shall prescribe sufficiently clear terms of reference of the committees, to enable such committees to perform their functions properly	Yes	The Board has six subordinate special committees, including the strategic development committee, the risk management committee, the audit committee, the remuneration committee, the nomination committee and the executive committee. Each of the committees has specific working guidelines, setting out the terms of reference of the committees.
• The terms of reference of the committees should require them to report back to the board on their decisions and recommendations	Yes	The committees have reported to the Board their decisions and proposals after each meeting, and submitted to the Board for consideration matters which require its decision.

D3. Corporate Governance Functionss

Compliance procedures of the Corporate Governance Code - Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• The terms of reference of the board of directors (or the committee performing this duty) should include: (a) to develop and review an issuer's policies and practices on corporate governance and make recommendations to the board; (b) to review and monitor the training and continuous professional development of directors and senior management; (c) to review and monitor the issuer's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and (e) to review the issuer's compliance with the code and disclosure in the Corporate Governance Report.	Yes	The Company has amended the terms of reference of the audit committee, risk management committee, nomination committee and remuneration committee, arranged professional trainings for Directors, Supervisors and senior management, provided supervisory reports to Directors, Supervisors and senior management regularly or from time to time, and formulated and implemented "Rules of Procedures of Internal Reporting of Information Regarding Material Breach" of the Company according to the Listing Rules.
• The board of directors should perform corporate governance duties set out in the above terms of reference	Yes	The Board has made corporate decisions and instructed the management to conduct daily management and operation in strict compliance with the Listing Rules, the Corporate Governance Code and the Articles of Association.

E. Communication with Shareholders

E1. Effective communication

Principle of the Code • *The board should maintain an on-going dialogue with shareholders, and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.*
The best situation in the governance of the Company • The Board endeavours to maintain continued communication with the Shareholders, and has taken annual general meetings and extraordinary general meeting as major opportunities to have contact with the Shareholders, and all holders of the shares of the Company are entitled to attend the meetings. • The Company issued notices and circulars of general meetings according to the Articles of Association and Listing Rules, setting out details of resolutions to be considered in the meetings and the voting procedures.

Compliance procedures of the Corporate Governance Code - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• In the general meetings, a separate resolution should be proposed by the chairman of the meeting in respect of each substantially separate issue. Issuers should avoid including different issues in one resolution unless they are interdependent and linked forming one significant proposal	Yes	Each actual independent matter submitted for consideration at the general meeting has been raised as an individual resolution. The Company has not included different issues in one resolution in any of the past general meetings.
• The chairman of the board should attend the annual general meeting and invite the chairmen of audit, remuneration, nomination and other committees (as appropriate) to attend the meetings. The management of issuers should ensure the external auditors attend the annual general meeting	Yes	The chairman of the Board has attended the annual general meetings, extraordinary general meetings in person and presided over the meetings, and has arranged the members of the committees and management to reply to the inquiries of the Shareholders in the meetings. The external auditors of the Company have attended all past annual general meetings and extraordinary general meetings of the Company, and were well-prepared to answer the enquiries from the Shareholders.

Corporate Governance Report

Code provisions	Compliance	Procedures of Corporate Governance
• The issuer should arrange for the delivery of notice to shareholders at least 20 clear business days before the meeting in the case of an annual general meeting or at least 10 clear business days in the case of all other general meetings	Yes	The Company has strictly complied with the requirements of the Articles of Association and dispatched the written notices at least 45 days before the annual general meetings or extraordinary general meetings, informing the details of business to be considered in the meetings, date, time and venue of the meetings to the Shareholders whose names appeared on the register.
• The board of directors should establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness	Yes	The Company has added relevant articles in the Articles of Association, further defining the specific procedures for the Shareholders to express their opinions.

Rights of the Shareholders

Pursuant to the mandatory disclosure requirements in item O of Appendix 14 to the Listing Rules, listed companies should disclose in their corporate governance report information relating to rights of shareholders, including (i) how shareholders can convene an extraordinary general meeting, (ii) the procedures by which enquiries may be put to the board and sufficient contact details to enable these enquiries to be properly directed; and (iii) the procedures and sufficient contact details for putting forward proposals at shareholders' meetings.

The Company has strictly complied with relevant domestic and foreign laws and regulations and has taken various measures to actively create conditions in accordance with requirements of the Articles of Association with a view to ensuring that rights of the Shareholders can be well achieved.

According to the Articles of Association, the Board shall convene an extraordinary general meeting within two months at the request of the Shareholders individually or jointly holding 10% or more shares of the Company. The Shareholders individually or jointly holding over 10% of the shares of the Company for more than 90 consecutive days may convene and preside over an extraordinary general meeting himself or themselves. The Shareholders individually or jointly holding over 3% of the shares of the Company may submit proposals to the Company. The Shareholders individually or jointly holding 3% or more of the shares of the Company may propose ex tempore motions no later than twenty days prior to the convening of the shareholders general meeting by submitting the same in writing to the convener who shall issue a supplementary notice of general meeting within two days upon receipt of the motions and at least 10 business days before the meeting to announce the details of such motions. For details, please refer to article 66, article 68 and article 92 of the Articles of Association. In addition, according to the provisions of article 54 of the Articles of Association, shareholders of the Company have the right to supervise and manage the Company's business operations, make recommendations or inquiries.

The Company values and welcomes the Shareholders, investors and the public to make enquiries and suggestions to the Company. For contact information of the Company, please see the section headed "Company's Basic Information" in this annual report.

E2. Voting by poll

Principle of the Code
• *The issuer should ensure that shareholders are familiar with the detailed procedures for conducting a poll*
The best situation in the governance of the Company • The Company has laid down the Rules of Procedures of Shareholders' General Meetings, specifically setting out the ways of voting and voting procedures in general meetings, and ensuring the procedures comply with the requirements under the Listing Rules and the Articles of Association. • The Company has confirmed the validity of all Shareholders present and voted in the meetings, appointed the Supervisors, share registrar, legal advisors and representatives of shareholders as the scrutinizers, and appointed lawyers to issue legal opinions on the procedures of annual general meeting and results of voting. Results of voting were announced on designated newspapers and the website.

Compliance procedures of the Corporate Governance Code - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The chairman of a meeting should ensure that an explanation of the detailed procedures for conducting a poll is provided and the questions raised by shareholders on voting by poll are answered	Yes	Prior to the commencement of a general meeting, the chairman of the meeting shall explain the procedures of the meeting, so as to ensure that all shareholders vote after understanding the voting procedures. In the past general meetings, there were arrangements for questions by the Shareholders.

Corporate Governance Report

F. Company Secretary

Principle of the Code • *The company secretary plays an important role in supporting the board by ensuring good information flow within the board and that board policy and procedures are followed. The company secretary is responsible for advising the board through the chairman and/or the chief executive on governance matters and should also facilitate induction and professional development of directors..*
The best situation in the governance of the Company • Currently the Company has appointed a company secretary who is responsible for enhancing the corporate governance of the Company and providing assistance to the Directors for duty performance and organizing information disclosure of the Company.

Compliance procedures of the Corporate Governance Code - Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• Company secretary should be an employee of issuer and has day-to-day knowledge the issuer's affairs	Yes	The company secretary is an employee of the Company and has acquired understanding of the daily operation of the Company.
• The board should approve the selection, appointment and dismissal of the company secretary	Yes	The appointment of the current company secretary was approved at the 5th meeting of the 3rd session of the Board.
• The company secretary should report to the chairman of the board of directors and/or the chief executive	Yes	The company secretary reports to the Chairman and/or the president.
• All directors should have access to the advice and services of the company secretary to ensure the procedures of the board of directors and all applicable laws, rules and regulations are followed	Yes	The company secretary has established an effective communication channel with all Directors, so as to assist the Board and the president to be in compliance with domestic and foreign laws and regulations, the Articles of Association and other relevant requirements when performing his duties.

Remuneration of members of senior management by band

	2016
Nil - HK$1,500,000 (equivalent to Nil - approximately RMB1,205,550)	4
HK$2,000,001 - HK$2,500,000 (equivalent to approximately RMB1,607,400 - RMB2,009,250)	1
HK$3,000,001 - HK$3,500,000 (equivalent to approximately RMB2,411,000 - RMB2,812,950)	1
HK$4,000,001 - HK$4,500,000 (equivalent to approximately RMB3,214,800 - RMB3,616,650)	1

Summary report on the conditions and details of the establishment of relevant systems and performance of the audit committee under the Board

The Company has formulated the Terms of Reference of the Audit Committee, which have defined the duties and responsibilities of the audit committee, including its relationship with external accounting firm, the reviewing of financial information of the Company, the reviewing of the financial controls, internal controls and risk management systems, the reviewing of whether the investigations regarding the financial reporting, internal control, risk management and other matters that are not in the ordinary course of business of the Company were conducted independently and fairly, and whether appropriate actions or remedial actions have been taken.

The chairman of the 4th session of the audit committee under the Board was Mr. Kwong Che Keung (independent non-executive Director), and other members are Ms. Sun Yueying (non-executive Director) and Mr. Yang, Liang Yee Philip (independent non-executive Director). Ms. Sun Yueying resigned as a non-executive Director and and ceased to be a member of the audit committee of the Company on 16 December 2016. Since 16 December 2016, the audit committee under the Board has comprised Mr. Kwong Che Keung (the chairman of the audit committee of the Company), Mr. Chen Dong (non-executive director) and Mr. Yang, Liang Yee Philip (independent non-executive Director).

During the reporting period, the audit committee held four meetings, at which it reviewed the annual reports, interim reports, quarterly reports, the effectiveness and adequacy of risk management and internal control systems, internal audit, internal audit plan and appointment of auditors of the Company; it proposed the management and the internal and external auditors to continue to pay close attention to the possibility of changes in the value of the ship's assets; requested the Company to further identify the responsibility of assessment, control and internal supervision and others of the new management of the company after its restructuring to make full use of the Company's audit and internal control resources; it also proposed the Board to review shipping and container leasing arrangement timely especially after its material asset restructuring, and to formulate measures according to market conditions.

Summary report on the performance of the remuneration committee under the Board

The chairman of the 4th session of the remuneration committee under the Board was Dr. Fan Hsu Lai Tai (independent non-executive Director), and other members are Mr. Kwong Che Keung (independent non-executive Director) and Mr. Ye Weilong (executive Director). Mr. Ye Weilong resigned as an executive Director and and ceased to be a member of the remuneration committee of the Company on 16 December 2016. Since 16 December 2016, the remuneration committee under the Board has comprised Dr. Fan Hsu Lai Tai (the chairman of the remuneration committee of the Company), Mr. Kwong Che Keung (independent non-executive director) and Mr. Feng Boming (non-executive Director).

During the reporting period, the remuneration committee held one meeting, whereby it made recommendation to the Board of remuneration of directors, reviewed the remuneration packages determined based on the results of performance appraisal and remuneration management system of the Company, and held the view that the remuneration of the Company's senior management was in compliance with the requirements of performance appraisal and remuneration management system of the Company and the relevant decision-making procedures were lawful and valid.

Summary report on the performance of the nomination committee under the Board

The chairman of the 4th session of the nomination committee under the Board is Mr. Yang, Liang Yee Philip (independent non-executive Director), and other members are Dr. Fan Hsu Lai Tai, Rita (independent non-executive Director) and Mr. Xu Zunwu (executive Director).

Corporate Governance Report

During the reporting period, the nomination committee held three meetings, whereby the nomination of candidates for the fourth session of the Board of Directors of the Company was considered. Mr. Huang Xiaowen, Mr. Wang Haimin, Mr. Zhang Wei (張為) were nominated as executive directors, and Mr. Ma Jianhua, Mr. Feng Boming, Mr. Zhang Wei (張煒) and Mr. Chen Dong were nominated as non-executive directors, respectively.

Auditors and their remuneration

The ordinary resolution to appoint Ruihua Certified Public Accountants, LLP as the PRC auditor of the Company to fill the casual vacancy arising from the merger of RSM China Certified Public Accountants, LLP was approved at the extraordinary general meeting of the Company held on 15 October 2013. Please refer to the circular of the Company dated 18 September 2013 and the announcement of the resolutions passed at the extraordinary general meeting of the Company dated 15 October 2013.

The Company has appointed PricewaterhouseCoopers as the international auditor of the Company and Ruihua Certified Public Accountants, LLP as the PRC auditor of the Company for 2016. Fees in respect of audit services, audit related services and non-audit services provided by the above auditors to the Group during the year amounted to RMB31,661,000, RMB9,606,000 and RMB22,959,000, respectively.

Nature of services

	2016 (RMB'000)	2015 (RMB'000)
Audit services	**31,661**	30,921
Audit related services	**9,606**	10,033
Non-audit services		
• Tax related services	**15,174**	2,374
• Circular related services	**2,520**	3,089
• Other advisory services	**5,265**	10,057

Amendments to Articles of Association

During the reporting period, a special resolution was proposed at the extraordinary general meeting of the Company held on 25 August 2016 (the "EGM") to, among other things, approve certain amendments to the articles of association of the Company ("Articles of Association") in order to reflect the change of company name and the amendments to the relevant requirements of the laws, regulations and rules in the PRC, including the Company Law of the PRC, the Governance Standards of Listed Companies, the Guidance for Articles of Association of Listed Companies and Regulatory Guidance for Listed Companies No. 3 - Distribution of Cash Dividends by Listed Companies issued by the CSRC, and the Listing Rules.

On 25 August 2016, the special resolution relating to, the amendments to the articles of association was passed at the EGM. On 4 November 2016, the Company completed the business registration and filing for the Articles of Association and the amendments to the Articles of Association have become effective. For details, please refer to the circular of the Company dated 8 August 2016 and the announcements of the Company dated 11 July 2016, 25 August 2016 and 11 November 2016.

Directors' Report

The Board is pleased to present the Directors' Report of the year 2016 together with the audited financial statements of the Group for the year ended 31 December 2016.

Principal Business

During the reporting period, the Group was principally engaged in providing container shipping, dry bulk shipping, managing and operating container terminals and container leasing businesses. The Company subsequently disposed of its dry bulk business pursuant to an equity transfer agreement dated 11 December 2015 and entered into between the Company and COSCO, which was completed on 15 March 2016. For more details, please refer to the circular and announcement of the Company dated 31 December 2015 and 15 March 2016, respectively. The Group disposed of its container leasing business pursuant to the FCHL SPA entered into between COSCO SHIPPING Ports and CSHK on 11 December 2015 and such disposal was completed on 24 March 2016. For details, please see the circular and announcement of the Company dated 31 December 2015 and 24 March 2016, respectively. The Company is an investment holding company and details of the principal activities of the Company's principal subsidiaries as at 31 December 2016 are set out in note 41 to the consolidated financial statements.

Business Review

A review of the business of the Group during the reporting period and a discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Discussion and Analysis of the Board Concerning the Future Development of the Company" on pages 5 to 7 and pages 28 to 34 respectively. The particulars of important events affecting the Group that have occurred since the end of the financial year 2016 and the description of possible risks and uncertainties that the Group may be facing are set out in the sections headed "Events after the balance sheet date" and "(IV) Potential risk" on page 22 and pages 31 to 34. An analysis of the Group's performance during the year using financial key performance indicators is set out in the section headed "Management Discussion and Analysis" on pages 9 to 22 of this report. For details of the discussion on the Company's environmental policies and performance, please refer to the section headed "(I) Social responsibilities" on page 50.

Compliance with the relevant laws and regulations which have a significant impact on the Group

During the reporting period, the Company further optimized corporate governance and operation efficiency strictly in compliance with applicable laws and regulations, including the PRC Company Law, the Code of Corporate Governance for Listed Companies (《上市公司治理準則》), the Guiding Opinions for the Establishment of Independent Directorship by Listed Companies (《關於在上市公司建立獨立董事制度的指導意見》), the Rules for the General Meetings of Shareholders of Listed Companies (《上市公司股東大會規則》), and the Guidelines on Articles of Association of Listed Companies (《上市公司章程指引》). During the reporting period, in compliance with the requirements of regulatory authorities in a timely manner and fully following the requirements of the Guidelines on Comprehensive Risk Management of State-owned Enterprises (《中央企業全面風險管理指引》) issued by the SASAC, the Guidelines on Internal Control of Enterprises (《企業內部控制基本規範》) and supplemental guidelines issued by five ministries, the Company further refined its internal control system and risk management procedures. The budget management for the whole system was also strengthened and the organization structure and accountability system of the assets supervision were further improved. Moreover, the Company actively participated in training programs for directors, supervisors and senior management of listed companies organized by regulatory authorities, and raised the awareness of all employees on compliance through effective trainings. In addition, the Listing Rules, the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and the Codes on Takeovers and Mergers and Share Buy-backs are also applicable to the Company and the Group is committed to ensuring the compliance with such requirements through various measures such as internal control and approval procedures, trainings and supervision on different business segments.

Directors' Report

Relationships with major stakeholders

The Company continues to engage with its employees, suppliers and customers through different channels to develop mutually beneficial relationships and promote sustainability. An account of the Company's key relationship with its employees is set out in the section headed "Employees and Remuneration Policies" on page 132. An account of the Company's relationship key relationship with its customers and suppliers are set out in the sections headed "(III) Operation plan" and "Major Suppliers and Customers" on pages 30 to 31 and 104, respectively. The Company also recognises its obligations as a responsible member of the communities in which the Company operates. For details of the Company's engagement in and contributions to these communities, please refer to the section headed "VI Fulfillment of social responsibilities" on pages 48 to 51.

Results of the Group

The Group's results for the year ended 31 December 2016 are set out on pages 157 to 159 of this report.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out in the section headed "Five Year Financial Summary" of this report.

Major Suppliers and Customers

For the year ended 31 December 2016, the Group's purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases, and the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 21 to the consolidated financial statements. There was no distributable reserves of the Company as at 31 December 2016.

Statutory Reserve Funds

Details of the statutory reserve funds are set out in note 21 to the consolidated financial statements.

Property, Plant and Equipment and Investment Properties

Details of movements in property, plant and equipment and investment properties of the Group and the Company during the reporting period are set out in notes 6 and 7 to the consolidated financial statements.

Employees' Retirement Plans

Details of the employees' retirement plans are set out in note 23 to the consolidated financial statements.

Pre-emptive Rights

The Articles of Association and the laws of the PRC contain no provision for any pre-emptive rights, requiring the Company to offer new shares to the Shareholders on a pro-rata basis to their shareholdings.

Tax Relief

The Company is not aware of any tax relief available to the Shareholders by reason of their holding of the Company's securities.

Share Capital

Details of the share capital of the Company are set out in note 20 to the consolidated financial statements.

Donations

Charitable donations made by the Group during the year under review amounted to approximately RMB443,689.90.

Directors and Supervisors

The Directors during the year under review and up to the date of this annual report were as follows:

Name	Date of appointment as Director	Date of resignation as Director
Executive directors		
LI Yunpeng	28 February 2012	30 March 2016
HUANG Xiaowen (Vice chairman)	24 May 2016	N/A
SUN Jiakang	17 May 2011	16 December 2016
YE Weilong	12 November 2012[(1)]	16 December 2016
XU Zunwu	1 February 2016	N/A
WANG Haimin	16 December 2016	N/A
ZHANG Wei (張為)	16 December 2016	N/A
Non-executive directors		
MA Zehua (Former chairman)	12 October 2011	20 January 2016
WAN Min (Chairman)	20 May 2015[(2)]	N/A
SUN Yueying	7 March 2005	16 December 2016
WANG Yuhang	20 May 2014	16 December 2016
MA Jianhua	16 December 2016	N/A
FENG Boming	16 December 2016	N/A
ZHANG Wei (張煒)	16 December 2016	N/A
CHEN Dong	16 December 2016	N/A
Independent non-executive Directors		
FAN HSU Lai Tai, Rita	17 May 2011	N/A
KWONG Che Keung, Gordon	17 May 2011	N/A
Peter Guy BOWIE	17 May 2011	N/A
YANG, Liang Yee Philip	20 May 2014	N/A

Notes:

(1) On 20 May 2014, Mr. YE Weilong was re-appointed as the executive director (originally non-executive director) at the annual general meeting of the Company.

(2) On 20 January 2016, Mr. WAN Min was appointed as the chairman by the resolution of the Board of Directors.

Directors' Report

The Supervisors during the year under review and up to the date of this annual report were as follows:

Name	Positions	Date of appointment as Supervisor	Date of cessation as Supervisor
Fu Xiangyang	Chairman of the Supervisory Committee	20 May 2014	N/A
Ma Jianhua	Supervisor	20 May 2014	16 December 2016
HAO Wenyi	Supervisor	16 December 2016	N/A
GAO Ping	Supervisor	6 January 2012	31 October 2016
ZHANG Li	Supervisor	20 May 2014	31 October 2016
QIAN Weizhong	Supervisor	31 October 2016	N/A
FANG Meng	Supervisor	31 October 2016	N/A
MENG Yan	Independent Supervisor	17 May 2011	N/A
ZHANG Jianping	Independent Supervisor	28 February 2012	N/A

Independence of the Independent Non-executive Directors

The Company has received the letter of annual confirmation issued by each of the independent non-executive Directors as to his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company confirms that all the four independent non-executive Directors are considered to be independent.

Biographies of the Directors, Supervisors and Members of the Senior Management

Biographies of the Directors, Supervisors and members of the senior management of the Company as at the date hereof are set out on pages 62 to 69 of this report.

Competing Interest

None of the Directors or Supervisors has interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Connected Transactions*

Pursuant to Chapter 14A of the Listing Rules, details of the Company's continuing connected transactions and connected transactions during the reporting period are as follows:

1. On 29 August 2013, the Company through COSCO SHIPPING Lines, a wholly-owned subsidiary of the Company, and COSCO renewed the annual caps of three sub-time charter agreements in relation to the sub-leases of three vessels from COSCO to COSCON for another three years until 31 December 2016. The three sub-time charter agreements expired on 24 February 2017.

   As COSCO is the direct controlling Shareholder, it is a connected person of the Company under the Listing Rules.

   For further information relating to the above transaction, please refer to the announcement of the Company dated 29 August 2013.

2. On 28 October 2015, COSCO Ports (Holdings) Limited (中遠碼頭控股有限公司) ("**COSCO Ports**") (an indirect non-wholly owned subsidiary of the Company) (together with its subsidiaries, "**COSCO Ports Group**") entered into a finance leasing master agreement (the "**Finance Leasing Master Agreement**") with Florence Capital Management Company Limited ("**Florens Capital Management**", together with its subsidiaries, the "**Florens Capital Management Group**") in relation to the provision of finance leasing by relevant members of the Florens Capital Management Group as lessor to members of COSCO Ports Group as lessee for a term of three years from 1 January 2016 to 31 December 2018. The Finance Leasing Master Agreement was entered into by COSCO Ports and Florence Capital Management as the renewal of the existing finance leasing master agreement entered into by the parties thereto which would have expired on 31 December 2015.

   As Florens Capital Management, a non-wholly owned subsidiary of the Company, is owned as to 50% by COSCO, the direct controlling Shareholder, Florens Capital Management is a connected person of the Company under the Listing Rules.

   For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2015.

3. On 28 October 2015, COSCO Ports (an indirect non-wholly owned subsidiary of the Company) and Guangzhou South China Oceangate Container Terminal Company Limited (廣州南沙海港集裝箱碼頭有限公司) ("**GZ South China**") (an indirect non-wholly owned subsidiary of the Company) entered into a diesel oil purchase master agreement (the "**Nansha Diesel Oil Purchase Master Agreement**") with China Marine Bunker Guangzhou Co., Ltd. (中國船舶燃料廣州有限公司) ("**CM Supply**") in relation to the purchase of disel oil by GZ South China from CM Supply for a term of three years from 1 January 2016 to 31 December 2018. The Nansha Diesel Oil Purchase Master Agreement was entered into by COSCO Ports, GZ South China and CM Supply as the renewal of the existing diesel oil purchase master agreement entered into by the parties thereto which would have expired on 31 December 2015.

   As CM Supply is owned as to 50% by COSCO, the direct controlling Shareholder, it is a connected person of the Company under the Listing Rules.

   For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2015.

Directors' Report

4. On 28 October 2015, Florens Container Holdings Limited ("**Florens**", together with its subsidiary, the "**Florens Group**") (a then indirect non-wholly owned subsidiary of the Company) and COSCO SHIPPING Lines (a wholly-owned subsidiary of the Company) entered into a container leasing, sales and related services master agreement (the "**Florens-COSCO SHIPPING Lines Container Leasing, Sales and Related Services Master Agreement**") with COSCO in relation to (a) the grant of leases of container for a term of not more than three years by members of the Florens Group to the relevant members of the COSCO Group (excluding the COSCO SHIPPING Ports Group); (b) the sales of containers by the relevant members of the Florens Group to the relevant members of the COSCO Group (excluding the COSCO SHIPPING Ports Group); and (c) the provision of container related services by the relevant members of the Florens Group to the COSCO Group (excluding the COSCO SHIPPING Ports Group) for a term of three years from 1 January 2016 to 31 December 2018. The Florens-COSCO SHIPPING Lines Container Leasing, Sales and Related Services Master Agreement was entered into by Florens, COSCO and COSCO SHIPPING Lines as the renewal of the existing container leasing, sales and related services master agreement entered into by the parties thereto which would have expired on 31 December 2015.

   As COSCO is the direct controlling Shareholder, it is a connected person of the Company under the Listing Rules.

   For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2015.

5. On 28 October 2015, Florens (a then indirect non-wholly owned subsidiary of the Company) and COSCO SHIPPING Lines (a wholly-owned subsidiary of the Company) entered into a container related services and purchase of materials master agreement (the "**Florens-COSCO SHIPPING Lines Shipping Related Services and Purchase of Materials Master Agreement**") with COSCO in relation to (a) the provision of container related services by the relevant members of the COSCO Group (excluding the COSCO SHIPPING Ports Group) to the Florens Group; and (b) purchase of container related materials by the relevant members of the Florens Group from the relevant members of the COSCO Group (excluding the COSCO SHIPPING Ports Group) for a term of three years from 1 January 2016 to 31 December 2018. The Florens-COSCO SHIPPING Lines Container Related Services and Purchase of Materials Master Agreement was entered into by Florens, COSCO and COSCO SHIPPING Lines as the renewal of the existing container related services and purchase of materials master agreement entered into by the parties thereto which would have expired on 31 December 2015.

   As COSCO is the direct controlling Shareholder, it is a connected person of the Company under the Listing Rules.

   For further information relating to the above transaction, please refer to the announcement of the Company dated 28 October 2015.

6. On 11 December 2015, the Company and COSCO SHIPPING Development entered into a leasing agreement (the "**Vessels and Containers Lease Master Agreement**"), pursuant to which the Company conditionally agreed to lease from COSCO SHIPPING Development and its subsidiaries and associates, and COSCO SHIPPING Development and its subsidiaries and associates conditionally agreed to lease to the Company, vessels and Master containers.

   The transactions contemplated under the Vessels and Containers Lease Master Agreement have been deemed as connected transactions of the Company by the Stock Exchange pursuant to Rule 14A.20 of the Listing Rules.

   For further information relating to the above transaction, please refer to the announcement of the Company dated 11 December 2015.

7. On 28 October 2015, FCHL, COSCO and COSCO SHIPPING Lines (a subsidiary of the Company) entered into (i) an agreement for the provision of container leasing, sales and related services (the "**Florens-COSCO SHIPPING Lines Container Leasing, Sales and Related Services Master Agreement**") effective from 1 January 2016 to 31 December 2018; and (ii) an agreement for the provision of container related services and purchase of materials (the "Florens-COSCO SHIPPING Lines Container Related Services and Purchase of Materials Master Agreement", together with the Florens-COSCO SHIPPING Lines Container Leasing, Sales and Related Services Master Agreement, the "**Florens-COSCO SHIPPING Lines Master Agreements**"). For details of the Florens-COSCO SHIPPING Lines Container Leasing, Sales and Related Services Master Agreement, please refer to item 4 above.

   FCHL has become a wholly-owned subsidiary of COSCO SHIPPING Development since 24 March 2016. Since the Stock Exchange has exercised its discretion under Rule 14A.20 of the Listing Rules to deem COSCO SHIPPING Development and its subsidiaries as connected persons of the Company, the transactions under the Florens-COSCO SHIPPING Lines Master Agreements have become continuing connected transactions of the Company.

   For details of the above transactions, please refer to the announcement of the Company dated 28 March 2016.

8. On 15 January 1995, Florens Container Corporation S.A. (formerly known as Florens Shipping Corporation S.A.) ("**Florens Shipping**") (a subsidiary of FCHL) as lessor and COSCO and its subsidiaries as lessee entered into a long-term lease agreement in respect of the leasing of dry cargo containers, reefer, flat-rack and open-top containers and used containers (the "**Florens Master Container Leasing Agreement**"). Pursuant to the Florens Master Container Leasing Agreement, COSCO SHIPPING Lines and COSCO Container Lines South East Asia Pte. Ltd. (both of which are subsidiaries of the Company) had entered into various long-term lease contracts with Florens Shipping. The duration of lease varies from 3,650 days to 4,380 days which is subject to negotiations between the parties thereto.

   FCHL has become a wholly-owned subsidiary of COSCO SHIPPING Development since 24 March 2016. Since the Stock Exchange has exercised its discretion under Rule 14A.20 of the Listing Rules to deem COSCO SHIPPING Development and its subsidiaries as connected persons of the Company, the transactions under the Florens Master Container Leasing Agreement have become continuing connected transactions of the Company.

   For details of the above transactions, please refer to the announcement of the Company dated 28 March 2016.

9. On 30 March 2016, the Company and China Shipping Finance Company Limited ("**CS Finance**") entered into a finance financial services agreement (the "**CS Finance Financial Services Agreement**"), pursuant to which CS Finance shall provide the Company and its subsidiaries and associates with deposit services, loan services, clearing services, foreign exchange services and any other services that CS Finance can engage in as permitted by the CBRC. The CS Finance Financial Services Agreement is effective from 30 March 2016 to 31 December 2016 and may be extended for a further term of three years with the mutual written agreement of the parties thereto subject to the compliance of the Listing Rules.

   The Stock Exchange has exercised its discretion under Rule 14A.20 of the Listing Rules to deem China Shipping (Group) Company ("China Shipping", together with its subsidiaries, the "CS Group") and its subsidiaries as connected persons of the Company. Since CS Finance (a non-wholly-owned subsidiary of China Shipping) is a connected person of the Company, the transactions under the CS Finance Financial Services Agreement constitute continuing connected transactions of the Company.

   For details of the above transactions, please refer to the announcement of the Company dated 30 March 2016.

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10. On 30 March 2016, the Company and COSCO SHIPPING Development entered into an asset leasing service agreement ("**CS Asset Leasing Master Agreement**"), pursuant to which COSCO SHIPPING Development and its subsidiaries and associates shall provide the Company and its subsidiaries and associates with assets leasing services. The CS Asset Leasing Master Agreement is effective from 30 March 2016 to 31 December 2016 and may be extended for a further term of three years with the mutual written agreement of the parties subject to the compliance of the Listing Rules.

    The Stock Exchange has exercised its discretion under Rule 14A.20 of the Listing Rules to deem members of the CS Group as connected persons of the Company. Since COSCO SHIPPING Development (a non-wholly-owned subsidiary of China Shipping) is a connected person of the Company, the transactions under the CS Asset Leasing Master Agreement constitute continuing connected transactions of the Company.

    For details of the above transactions, please refer to the announcement of the Company dated 30 March 2016.

11. On 30 March 2016, the Company and COSCO SHIPPING Development entered into a vessel service agreement ("**CS Vessel Services Master Agreement**"), pursuant to which COSCO SHIPPING Development and its subsidiaries and associates shall provide the Company and its subsidiaries and associates with vessel services (including provision of vessel purchase and sale brokerage services, vessel insurance brokerage services and other related vessel services). The CS Vessel Services Master Agreement is effective from 30 March 2016 to 31 December 2016 and may be extended for a further term of three years with the mutual written agreement of the parties subject to the compliance of the Listing Rules.

    The Stock Exchange has exercised its discretion under Rule 14A.20 of the Listing Rules to deem members of the CS Group as connected persons of the Company. Since COSCO SHIPPING Development (a non-wholly-owned subsidiary of China Shipping) is a connected person of the Company, the transactions under the CS Vessel Services Master Agreement constitute continuing connected transactions of the Company.

    For details of the above transactions, please refer to the announcement of the Company dated 30 March 2016.

12. On 30 March 2016, the Company and China Shipping entered into an agency and property leasing service agreement (the "**CS Agency and Property Master Leasing Agreement**"), pursuant to which China Shipping and its subsidiaries and associates shall provide to the Company and its subsidiaries and associates with overseas shipping agency, property leasing and other related services. The CS Agency and Property Master Leasing Agreement is effective from 30 March 2016 to 31 December 2016 and may be extended for a further term of three years with the mutual written agreement of the parties thereto subject to the compliance of the Listing Rules.

    The Stock Exchange has exercised its discretion under Rule 14A.20 of the Listing Rules to deem members of the CS Group as connected persons of the Company. Since China Shipping is a connected person of the Company, the transactions under the CS Agency and Property Master Leasing Agreement constitute continuing connected transactions of the Company.

    For details of the above transactions, please refer to the announcement of the Company dated 30 March 2016.

13. Prior to completion of the acquisition of Dong Fang International Investment Limited ("**Dong Fang International**") by COSCO SHIPPING Development as contemplated under the agreement entered between China Shipping Container Lines (Hong Kong) Co., Limited and China Shipping (Hong Kong) Holdings Co., Limited as at 11 December 2015, Dong Fang International and COSCO SHIPPING Lines (a subsidiary of the Company) entered into a series of asset lease agreements (the "**Dong Fang Lease Agreements**").

Dong Fang International has become a wholly-owned subsidiary of COSCO SHIPPING Development upon completion of the abovementioned acquisition. Since COSCO SHIPPING Development and its subsidiaries have been deemed by the Stock Exchange to be connected persons of the Company, Dong Fang International is a connected person of the Company and the transactions under the Dong Fang Lease Agreements constitute continuing connected transactions of the Company.

For details of the above transactions, please refer to the announcement of the Company dated 30 March 2016.

14. On 28 October 2015, COSCO Ports (Holdings) Limited ("**COSCO Ports**") (an indirect non-wholly owned subsidiary of the Company), Piraeus Container Terminal S.A. ("**PCT**") (an indirect non-wholly owned subsidiary of the Company) and COSCO entered into an agreement in relation to the provision of shipping and terminal related services (the "**Existing COSCO Ports-PCT-COSCO Master Agreement**"). The COSCO SHIPPING Ports Group has been carrying on transactions pursuant to the Existing COSCO Ports-PCT-COSCO Master Agreement, which covers (a) the provision of shipping related services by COSCO Ports and PCT, both of which are subsidiaries of the Company, to COSCO and its associates (excluding COSCO SHIPPING Ports and the Company and their other associates); and (b) the provision of terminal related services by COSCO and its associates (excluding COSCO SHIPPING Ports and the Company and their other associates) to COSCO Ports and PCT. The acquisition of all the shares in China Shipping Ports Development Co., Limited ("CSPD") by COSCO SHIPPING Ports was completed on 18 March 2016 (the "**Terminal Acquisition**"), after which CSPD has become a member of the Group. COSCO SHIPPING Ports has been carrying on similar transactions with COSCO and its associates (excluding COSCO SHIPPING Ports and the Company and their other associates) and is expected to continue to do so.

    On 30 March 2016, COSCO SHIPPING Ports, COSCO Ports, PCT and COSCO entered into an amendment and restatement agreement in relation to the Existing Master Agreement (the "**Amendment Agreement**") to extend the Existing COSCO Ports-PCT-COSCO Master Agreement to cover the provision of shipping related services by the Group to COSCO and its associates (excluding COSCO SHIPPING Ports and the Company and their other associates) and the provision of terminal related services by COSCO and its associates (excluding COSCO SHIPPING Ports and the Company and their other associates) to the Group. Under the Amendment Agreement, the parties agreed that COSCO SHIPPING Ports would become a party to the Existing COSCO Ports-PCT-COSCO Master Agreement, and COSCO Ports and PCT would cease to be parties to the Existing Master Agreement. For the avoidance of doubt, the duration of the Existing COSCO Ports-PCT-COSCO Master Agreement, which will expire on 31 December 2018, remains unchanged. The amendments under the Amendment Agreement are not material. The annual cap and term of the transactions under the Existing COSCO Ports-PCT-COSCO Master Agreement will remain unchanged.

    Since COSCO is the direct controlling shareholder of the Company, it is a connected person of the Company, and the transactions under the Amendment Agreement constitute connected transactions of the Company.

    For details of the above transactions, please refer to the announcements of the Company dated 28 October 2015 and 30 March 2016 respectively.

15. On 30 March 2016, the COSCO SHIPPING Ports and China Shipping entered into an agreement in relation to the provision of shipping and terminal related services (the "**CS Master Shipping Agreement**"), pursuant to which members of the COSCO SHIPPING Ports Group shall provide shipping related services to members of the CS Group, and members of CS Group shall provide terminal related services to members of the COSCO SHIPPING Ports Group. The CS Master Shipping Agreement is effective from 18 March 2016 (being the date of completion of Terminal Acquisition) to 31 December 2016.

    The Stock Exchange has exercised its discretion under Rule 14A.20 of the Listing Rules to deem members of the CS Group as connected persons of the Company, and therefore, China Shipping is a connected person of the Company and the transactions under the CS Master Shipping Agreement constitute continuing connected transactions of the Company.

    For details of the above transactions, please refer to the announcement of the Company dated 30 March 2016.

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16. On 28 August 2014, COSCO SHIPPING Ports and COSCO Finance Co., Ltd. ("**COSCO Finance**") entered into an agreement in relation to the provision of loan services and other financial services to the Group (the "**Existing COSCO SHIPPING Ports Financial Services Master Agreement**"). The Existing COSCO SHIPPING Ports Financial Services Master Agreement is effective from 1 November 2014 to 31 December 2016 (both dates inclusive). The 2016 annual cap on the daily outstanding amounts of loans by COSCO Finance to the COSCO SHIPPING Ports Group during the term of the Existing COSCO SHIPPING Ports Financial Services Master Agreement has, following completion of the Terminal Acquisition, increased.

    The term of the Existing COSCO SHIPPING Ports Financial Services Master Agreement would have expired on 31 December 2016. On 25 August 2016, COSCO SHIPPING Ports (for itself and on behalf of its subsidiaries) and COSCO Finance entered into the financial services agreement ("**COSCO SHIPPING Ports Financial Services Agreement**"), the principal terms of which are substantially the same as the COSCO SHIPPING Holdings Financial Services Agreement. The transactions contemplated under the COSCO SHIPPING Ports Financial Services Agreement and the proposed annual caps are proposed to be covered by the COSCO SHIPPING Holdings Financial Services Agreement. The COSCO SHIPPING Ports Financial Services Agreement took effect upon obtaining approvals from the independent shareholders of COSCO SHIPPING Ports on 12 October 2016.

    COSCO Finance is a subsidiary of COSCO (the direct controlling shareholder of the Company), and is thus a connected party to the Company. As a result, the above transaction constitute a continuing connected transaction of the Company.

    For details of the above transactions, please refer to the announcement of the Company dated 30 March 2016 and the announcement dated 25 August 2016 and circular dated 13 September 2016 of COSCO SHIPPING Ports.

17. On 27 June 2013, Jinzhou New Age Container Terminal Co., Ltd. (錦州新時代集裝箱碼頭有限公司) ("**Jinzhou New Age**"), CS Finance and ICBC (through its Shanghai Municipal Waitan sub-branch) entered in to the syndicated loan agreement (the "**Syndicated Loan Agreement**"), pursuant to which CS Finance and ICBC agreed to provide a term loan of up to RMB285,000,000 to Jinzhou New Age for a term commencing from 27 June 2013 to 27 June 2025. Pursuant to the pledge agreement dated 27 June 2013 entered into between Jinzhou New Age and ICBC (through its Shanghai Municipal Waitan sub-branch and acting on behalf of all lenders under the Syndicated Loan Agreement), the outstanding loan amount and other obligations of Jinzhou New Age under the Syndicated Loan Agreement are secured by certain fixed assets of Jinzhou New Age.

    Jinzhou New Age has become a member of the Group since 18 March 2016. The Stock Exchange has exercised its discretion under Rule 14A.20 of the Listing Rules to deem China Shipping and its subsidiaries as connected persons of the Company. Since CS Finance (a non-wholly-owned subsidiary of China Shipping) is a connected person of the Company, the Syndicated Loan Agreement constitutes a connected transaction of the Company.

    For details of the above transactions, please refer to the announcement of the Company dated 24 May 2016.

18. COSCO SHIPPING Ports, Piraeus Port Authority S.A. ("**PPA**") and PCT entered into an concession agreement dated 25 November 2008, which was amended by the amendment agreements dated 27 November 2014 and 20 December 2014 entered into between PCT and PPA (the "**Concession Agreement**").

    On 10 August 2016, a party to the Concession Agreement (i.e. PPA) became a subsidiary of COSCO SHIPPING (Hong Kong) Co., Limited, which is a subsidiary of China COSCO Shipping Corporation Limited ("**COSCO SHIPPING**", together with its subsidiaries, the "**COSCO SHIPPING Group**"), the indirect controlling shareholder of the Company. PPA has therefore become a connected person of the Company. The continuing transactions under the Concession Agreement have therefore become continuing connected transactions of the Company under the Listing Rules.

    For details of the above transactions, please refer to the announcement of the Company dated 17 August 2016.

19. On 5 August 2016, the Group and the COSCO SHIPPING Group entered into several Offshore Companies SPAs, pursuant to which the Group conditionally agreed to acquire and other members of the COSCO Group or the CS Group conditionally agreed to sell equity interests in several Offshore Companies.

    COSCO is the direct controlling shareholder of the Company and COSCO SHIPPING is the indirect controlling shareholder of the Company which holds the entire equity interests in COSCO and China Shipping. Being a member of the COSCO Group or the CS Group, the sellers to the Offshore Company SPAs are connected persons of the Company under the Listing Rules. The above transactions therefore constitute connected transactions of the Company.

    For details of the above transactions, please refer to announcements of the Company dated 5 August 2016 and 25 August 2016, respectively.

20. The financial services agreement dated 29 August 2013 between the Company and COSCO Finance (the "**Existing COSCO SHIPPING Holdings Financial Services Agreement**") would have expired on 31 December 2016. The Company intended to continue to enter into transactions of a similar nature from time to time after such expiry date. Therefore, on 14 September 2016, the Company (for itself and on behalf of its subsidiaries) and COSCO SHIPPING (for itself and on behalf of its subsidiaries) entered into the financial services agreement (the "**COSCO SHIPPING Holdings Financial Services Agreement**"), pursuant to which COSCO SHIPPING will procure COSCO Finance and CS Finance (each being a non-wholly-owned subsidiary of COSCO SHIPPING) to provide the Company and its subsidiaries with certain financial services (including deposit services, loan services, clearing services, foreign exchange services and any other services that COSCO Finance and CS Finance can engage in as permitted by the CBRC). The COSCO SHIPPING Holdings Financial Services Agreement is effective from 1 January 2017 to 31 December 2019.

    COSCO SHIPPING is the indirect controlling shareholder of the Company and therefore a connected person of the Company as defined under the Listing Rules. Accordingly, the transactions contemplated under the COSCO SHIPPING Holdings Financial Services Agreement constitute continuing connected transactions of the Company.

    For details of the above transactions, please refer to the announcement of the Company dated 14 September 2016 and the circular of the Company dated 29 October 2016, respectively.

21. The master vessel services agreement dated 29 August 2013 between the Company and COSCO (the "**Existing Master Vessel Services Agreement**") would have expired on 31 December 2016. The Company intended to continue to enter into transactions of a similar nature from time to time after such expiry date. Therefore, on 14 September 2016, the Company (for itself and on behalf of its subsidiaries) and COSCO SHIPPING (for itself and on behalf of its subsidiaries and/or associates) entered into the master vessel services agreement (the "**Master Vessel Services Agreement**"), pursuant to which the Group and the COSCO SHIPPING Group will provide each other with several vessel services. The Master Vessel Services Agreement is effective from 1 January 2017 to 31 December 2019.

    COSCO SHIPPING is the indirect controlling shareholder of the Company and therefore a connected person of the Company as defined under the Listing Rules. Accordingly, the transactions contemplated under the Master Vessel Services Agreement constitute continuing connected transactions of the Company.

    For details of the above transactions, please refer to the announcement of the Company dated 14 September 2016 and the circular of the Company dated 29 October 2016, respectively.

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22. On 29 August 2013, the Company and COSCO entered into (i) the existing master general services agreement in relation to the mutual provision of general services between the Group and the COSCO Group (the "**Existing Master General Services Agreement**"); and (ii) the existing consumer services master agreement in relation to the mutual provision of daily consumer services (including hotel, air tickets, conference services, business refreshment, catering for staff, etc.) between the Group and the COSCO Group (the "**Existing Consumer Services Master Agreement**"). As the services contemplated under the Existing Master General Services Agreement and the Existing Consumer Services Master Agreement are similar in nature, the Company decided to combine the two agreements by entering into the new Master General Services Agreement (as defined below), the scope of which will cover the services contemplated under the Existing Consumer Services Master Agreement.

    On 14 September 2016, the Company (on behalf of itself and its subsidiaries and/or associates) and COSCO SHIPPING (on behalf of itself and its subsidiaries and/or associates) entered into the master general services agreement (the "**Master General Services Agreement**"), pursuant to which the Group and the COSCO SHIPPING Group will provide each other with general services. The Master General Services Agreement is effective from 1 January 2017 to 31 December 2019.

    COSCO SHIPPING is the indirect controlling Shareholder and therefore is a connected person of the Company as defined under the Listing Rules. Accordingly, the transactions contemplated under the Master General Services Agreement constitute continuing connected transactions of the Company.

    For details of the above transactions, please refer to the announcement of the Company dated 14 September 2016.

23. The master seamen leasing agreement dated 29 August 2013 between the Company and COSCO (the "**Existing Master Seamen Leasing Agreement**") would have expired on 31 December 2016. The Company intended to continue to enter into transactions of a similar nature from time to time after such expiry date. Therefore, on 14 September 2016, the Company (for itself and on behalf of its subsidiaries and/or associates) and COSCO SHIPPING (for itself and on behalf of its subsidiaries and/or associates) entered into the master seamen leasing agreement (the "**Master Seamen Leasing Agreement**"), pursuant to which the Group and the COSCO SHIPPING Group will provide each other with seamen leasing services. The Master Seamen Leasing Agreement is effective from 1 January 2017 to 31 December 2019.

    COSCO SHIPPING is the indirect controlling shareholder of the Company and therefore a connected person of the Company as defined under the Listing Rules. Accordingly, the transactions contemplated under the Master Seamen Leasing Agreement constitute continuing connected transactions of the Company.

    For details of the above transactions, please refer to the announcement of the Company dated 14 September 2016.

24. The master premises leasing agreement dated 29 August 2013 between the Company and COSCO (the "**Existing Master Premises Leasing Agreement**") would have expired on 31 December 2016. The Company intended to continue to enter into transactions of a similar nature from time to time after such expiry date. Therefore, on 14 September 2016, the Company (for itself and on behalf of its subsidiaries and/or associates) and COSCO SHIPPING (for itself and on behalf of its subsidiaries and/or associates) entered into the master premises leasing agreement (the "**Master Premises Leasing Agreement**"), pursuant to which the COSCO SHIPPING Group leases certain premises to and from the Group. The Master Premises Leasing Agreement is effective from 1 January 2017 to 31 December 2019.

    COSCO SHIPPING is the indirect controlling shareholder of the Company and therefore a connected person of the Company as defined under the Listing Rules. Accordingly, the transactions contemplated under the Master Premises Leasing Agreement constitute continuing connected transactions of the Company.

    For details of the above transactions, please refer to the announcement of the Company dated 14 September 2016.

25. The master container services agreement dated 29 August 2013 between the Company and COSCO (the "**Existing Master Container Services Agreement**") would have expired on 31 December 2016. The Company intended to continue to enter into transactions of a similar nature from time to time after such expiry date. Therefore, on 14 September 2016, the Company (for itself and on behalf of its subsidiaries and/or associates) and COSCO SHIPPING (for itself and on behalf of its subsidiaries and/or associates) entered into the master container services agreement (the "**Master Container Services Agreement**"), pursuant to which the Group and the COSCO SHIPPING Group will provide each other with container services from 1 January 2017 to 31 December 2019.

    COSCO SHIPPING is the indirect controlling shareholder of the Company and therefore a connected person of the Company as defined under the Listing Rules. Accordingly, the transactions contemplated under the Master Container Service Agreement constitute continuing connected transactions of the Company.

    For details of the above transactions, please refer to the announcement of the Company dated 14 September 2016.

26. The master port services agreement dated 29 August 2013 between the Company and COSCO (the "**Existing Master Port Services Agreement**") would have expired on 31 December 2016. The Company intended to continue to enter into transactions of a similar nature from time to time after such expiry date. Therefore, on 14 September 2016, the Company (for itself and on behalf of its subsidiaries and/or associates) and COSCO SHIPPING (for itself and on behalf of its subsidiaries and/or associates) entered into the master port services agreement (the "**Master Port Services Agreement**"), pursuant to which the COSCO SHIPPING Group will provide port services to the Group. The Master Port Services Agreement is effective from 1 January 2017 to 31 December 2019.

    COSCO SHIPPING is the indirect controlling shareholder of the Company and therefore a connected person of the Company as defined under the Listing Rules. Accordingly, the transactions contemplated under the Master Port Service Agreement constitute continuing connected transactions of the Company.

    For details of the above transactions, please refer to the announcement of the Company dated 14 September 2016 and the circular of the Company dated 29 October 2016.

27. On 29 August 2013, the Company and COSCO entered into (i) the master shipping agency services agreement in relation to mutual provision of shipping agency services between the COSCO Group and the Group (the "**Existing Master Shipping Agency Services Agreement**"), and (ii) the freight forwarding master agreement in relation to mutual provision of freight forwarding services between the COSCO Group and the Group and the provision of freight solicitation by the COSCO Group to the Group (the "**Existing Freight Forwarding Master Agreement**").

    As disclosed in the announcement of the Company dated 14 September 2016, most of the overseas agency companies which have been providing shipping agency services to the Group under the Existing Master Shipping Agency Services Agreement have been acquired by the Group prior to 31 December 2016, after which such agency companies became subsidiaries of the Company. Therefore, most of the transactions contemplated under the Existing Master Shipping Agency Services Agreement no longer constitute connected transactions of the Company. In light of the aforesaid change of circumstances, on 14 September 2016, the Company (for itself and on behalf of its subsidiaries and/or associates) and COSCO SHIPPING (for itself and on behalf of its subsidiaries and/or associates) entered into the freight forwarding master agreement (the "**Freight Forwarding Master Agreement**"). Pursuant to the Freight Forwarding Master Agreement, the COSCO SHIPPING Group and the Group shall provide each other with freight forwarding services, freight solicitation and other related services, for a term commencing from 1 January 2017 to 31 December 2019. The Freight Forwarding Master Agreement will cover the transactions contemplated under the Existing Freight Forwarding Master Agreement and the Existing Master Shipping Agency Services Agreement, which remain connected transactions of the Company after 31 December 2016.

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COSCO SHIPPING is the indirect controlling shareholder and therefore a connected person of the Company as defined under the Listing Rules. Accordingly, the transactions contemplated under the Freight Forwarding Master Agreement constitute continuing connected transactions of the Company.

For details of the above transactions, please refer to the announcement of the Company dated 14 September 2016.

28. On 14 September 2016, the Company (for itself and on behalf of its subsidiaries and/or associates) and COSCO SHIPPING (for itself and on behalf of its subsidiaries and/or associates) entered into the master vessel and container asset services agreement (the "**Master Vessel and Container Asset Services Agreement**") in relation to, among other things, the leasing of vessels and containers by the Group from the COSCO SHIPPING Group and the sale of containers by the COSCO SHIPPING Group to the Group, for a term commencing from 1 January 2017 to 31 December 2019. The transactions contemplated under the lease agreement dated 11 December 2015 entered into between the Company and COSCO SHIPPING Development (which has been approved at the extraordinary general meeting of the Company held on 1 February 2016) and the proposed annual caps in respect of the leasing of vessels and containers from the COSCO SHIPPING Group by the Group for the two years ending 31 December 2018 are proposed to be covered by the Master Vessel Container Asset Services Agreement.

    COSCO SHIPPING is the indirect controlling Shareholder and therefore a connected person of the Company as defined under the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the Master Vessel and Container Asset Services Agreement constitute continuing connected transactions of the Company.

    For details of the above transactions, please refer to the announcement of the Company dated 14 September 2016 and the circular of the Company dated 29 October 2016, respectively.

29. The trademark licence agreement dated 29 August 2013 entered into between the Company and COSCO (the "**Existing Trademark Licence Agreement**") expired on 31 December 2016, and COSCO SHIPPING has agreed to renew the non-exclusive licence granted to the Company and its subsidiaries by COSCO for using of certain trademarks owned by COSCO upon terms and conditions as similar to those set out in the Existing Trademark Licence Agreement.

    The Company (for itself and on behalf of its subsidiaries) and COSCO SHIPPING (for itself and on behalf of its subsidiaries (excluding the Company and its subsidiaries and other subsidiaries of COSCO SHIPPING which are listed on a stock exchange)) entered into the trademark licence agreement (the "**Trademark Licence Agreement**"), pursuant to which COSCO SHIPPING has granted a non-exclusive licence to the Company with the right to use certain trademarks at the rate of RMB1.00 per annum. The Trademark Licence Agreement is effective from 1 January 2017 to 31 December 2019.

    COSCO SHIPPING is the indirect controlling shareholder of the Company and therefore connected person of the Company as defined under the Listing Rules. Accordingly, the transactions contemplated under the Trademark Licence Agreement constitute continuing connected transactions of the Company.

    For details of the above transactions, please refer to the announcement of the Company dated 14 September 2016.

30. On 22 September 2016, the Group and the COSCO SHIPPING Group entered into the Offshore Company SPAs, pursuant to which members of the Group conditionally agreed to acquire and other members of the COSCO SHIPPING Group and certain independent third parties conditionally agreed to sell certain equity interests in the Offshore Companies.

    COSCO is the direct controlling shareholder of the Company and COSCO SHIPPING is the indirect controlling shareholder of the Company which holds the entire equity interests in COSCO and China Shipping. Being members of the COSCO SHIPPING Group, China Shipping (Europe) Holding GmbH ("**CS Europe**"), COSCO Holding Singapore Pte. Ltd ("**COSCO Singapore**") and COSCO Container Lines South East Asia Pte. Ltd are connected persons of the Company for the purpose of the Listing Rules and such transactions therefore constitute connected transactions of the Company.

For details of the above transactions, please refer to the announcement of the Company dated 22 September 2016.

31. On 12 October 2016, COSCO SHIPPING Ports (Vado) Limited ("**CSPL SPV**") (an indirect non-wholly-owned subsidiary of the Company and as purchaser) entered into the share sale and purchase agreement with APM Terminals B.V. ("**APM Terminals**") (as seller) in connection with the purchase of 40% of the issued share capital of APM Terminals Vado Holding B.V. ("**Vado Holding**"). Further, CSPL SPV and Vado Investment B.V. (a subsidiary of APM Terminals) entered into the Shareholders' Agreement in connection with their respective shareholding interests in Vado Holding on the same day.

    Completion of the above acquisition took place on 8 March 2017. As stipulated in the share sale and purchase agreement, CSPL SPV would provide an amount of up to €46,000,000 to Vado Holding in order to fund, amongst other things, certain capital expenditures in relation to the construction of the Vado Container Terminal and the purchase price for the entire issued share capital of AMP Terminals Vando Ligure S.p.A., which is expected to be purchased by Vado Holding in 2018. As at the date of this report, CSPL SPV made available an amount of €24,743,155 to Vado Holding.

    As APM Terminals is an associate of APM Terminals Invest Company Limited, a substantial shareholder of a subsidiary of the Company, APM Terminals is a connected person of the Company.

    For details of the above transactions, please refer to the announcement of the Company dated 17 October 2016.

32. On 4 November 2016, Wuhan COSCO Logistics Company Limited (武漢中遠物流有限公司) (a non-wholly-owned subsidiary of the Company) entered into the Disposal Agreement with COSCO Chemical Logistics Company Limited (中遠化工物流有限公司), pursuant to which Wuhan COSCO Logistics Company Limited has conditionally agreed to transfer 100% equity interest in Chongqing COSCO Chemical Logistics Company Limited (重慶中遠化工物流有限公司) for an amount of RMB78,073,000 as consideration.

    COSCO Chemical Logistics Company Limited is a wholly-owned subsidiary of COSCO, the direct controlling Shareholder. Accordingly, COSCO Chemical Logistics Company Limited is a connected person of the Company under the Listing Rules, and the above transaction constitutes a connected transaction of the Company.

    For details of the above transactions, please refer to the announcement of the Company dated 4 November 2016.

33. On 17 November 2016, the Group and the COSCO SHIPPING Group entered into the Offshore Company SPAs, pursuant to which members of the Group conditionally agreed to acquire and other members of the COSCO SHIPPING Group conditionally agreed to sell certain equity interests in the Offshore Companies.

    COSCO is the direct controlling shareholder of the Companyand COSCO SHIPPING is the indirect controlling shareholder of the Company which holds the entire equity interests in COSCO and China Shipping. Being members of the COSCO SHIPPING Group, COSCO Europe GmbH, CS Europe and COSCO Singapore are connected persons of the Company under the Listing Rules and such transactions therefore constitute connected transactions of the Company.

    For details of the above transactions, please refer to the announcement of the Company dated 17 November 2016.

With respect to the related party transactions as disclosed in note 39 to the consolidated financial statements, those transactions which constitute connected transactions or continuing connected transactions of the Company have been disclosed above or constitute fully exempted connected transactions or continuing connected transactions of the Company as all the applicable percentage ratios are less than 0.1%. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in relation to the above connected transactions and continuing connected transactions. The Company has followed the pricing policies and guidelines when determining the price and terms of the above continuing connected transactions during the Reporting Period, the details of which are set out in the relevant announcements and circulars.

The following table sets out the relevant annual caps and the actual figures for the year ended 31 December 2016 in relation to the continuing connected transactions of the Group:

Directors' Report

The annual caps and actual figures in respect of the non-exempt continuing connected transactions of the Group

Transactions		Annual cap for the year ended 31 December 2016 ('000)	Actual figure for the year ended 31 December 2016 ('000)
1	Transactions under the Existing COSCO SHIPPING Holdings Financial Services Agreement		
(a)	Maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Group (excluding COSCO SHIPPING Ports Group) with COSCO Finance	RMB18,000,000	RMB10,174,516 —
(b)	Maximum daily outstanding balance of loans (including accrued interest and handling fee) granted by COSCO Finance to the Group (excluding COSCO SHIPPING Ports Group)	RMB8,000,000	RMB1,464,275 —
2	Transactions under the Existing Master Vessel Services Agreement		—
(a)	Purchase of vessel services from the COSCO and its subsidiaries and their associates	RMB29,000,000	RMB4,195,231
(b)	Provision of vessel services to the COSCO and its subsidiaries and their associates	RMB140,000	RMB14,913
3	Transactions under the Existing Master General Services Agreement		—
(a)	Purchase of general services from COSCO and its subsidiaries and their associates	RMB160,000	RMB16,701
(b)	Provision of general services to COSCO and its subsidiaries and their associates	RMB60,000	RMB1,166
4	Transactions under the Existing Master Shipping Agency Services Agreement		—
(a)	Provision of shipping agency services to COSCO and its subsidiaries and their associates	RMB10,000	RMB3,415
(b)	Purchase of shipping agency services from COSCO and its subsidiaries and their associates	RMB500,000	RMB245,421
5	Transactions under the Existing Master Seamen Leasing Agreement		—
(a)	Purchase of services from COSCO and its subsidiaries and their associates	RMB100,000	RMB2,097
(b)	Provision of services to COSCO and its subsidiaries and their associates	RMB500,000	RMB96,580

Transactions		Annual Cap for the year ended 31 December 2016 ('000)	Actual Figure for the year ended 31 December 2016 ('000)
6	Transactions under the Existing Master Premises Leasing Agreement		–
(a)	Rent and other fees and charges payable to COSCO and its subsidiaries and their associates	RMB250,000	RMB120,466
(b)	Rent and other fees and charges receivable from COSCO and its subsidiaries and their associates	RMB20,000	RMB3,251
7	Transactions under the Existing Master Container Services Agreement	RMB260,000	RMB51,796
8	Transactions under the Existing Master Port Services Agreement	RMB1,250,000	RMB1,185,565
9	Transactions under the Existing Vessels Leasing Master Agreement (1)		
(a)	Total charterhire payable to COSCO Bulk Oceania, COSCO Bulk Europe, COSCO Bulk Americas, COSCO Singapore, Xiamen COSCO, Sino-Poland, Sino-Tanzania and Shanghai Ocean Industrial under the Existing Vessels Leasing Master Agreement	RMB820,000	RMB4,702
(b)	Total charterhire receivable from COSCO Bulk Oceania, COSCO Bulk Europe, COSCO Bulk Americas, COSCO Singapore, Xiamen COSCO, Sino-Poland, Sino-Tanzania and Shanghai Ocean Industrial under the Existing Vessels Leasing Master Agreement	RMB880,000	RMB252
10	Transactions under the Existing Freight Forwarding Master Agreement		
(a)	Purchase of services from COSCO and its subsidiaries and their associates	RMB20,000	–
(b)	Provision of services to COSCO and its subsidiaries and their associates	RMB900,000	RMB428,111
11	Existing Entrusted Management Services Master Agreement	RMB50,000	RMB4,577
12	Sub-lease of time charters and sub-time charters		
(a)	Sub-lease of time charters from COSCO to COSCO SHIPPING Lines	RMB500,000	RMB303,653
(b)	Sub-time charters from COSCO to COSCO SHIPPING Lines	RMB160,000	RMB123,498
13	Transactions under the Existing Finance Leasing Master Agreement	US$120,000	–
14	Transactions under the Existing COSCO Shipping Services and Terminal Services Master Agreement		
(a)	Provision of shipping related services by COSCO Ports Group and PCT to COSCO Group	RMB562,291	RMB55,446
(b)	Provision of terminal related services by COSCO Group to the COSCO Ports Group	RMB124,590	RMB2,581

Note:

(1) On 29 August 2013, the Company and COSCO (on behalf of COSCO Oceania Chatering Pty. Ltd. ("**COSCO Bulk Oceania**"), COSCO Europe Bulk Shipping GmbH ("**COSCO Bulk Europe**"), COSCO Bulk Carrier Americas Inc. ("**COSCO Bulk Americas**"), COSCO (Singapore) Pte Ltd. ("**COSCO Singapore**"), Xiamen COSCO Carrier Corporation ("**Xiamen COSCO**"), Sino-Poland Joint Stock Shipping Company ("**Sino-Poland**"), Sino-Tanzania Joint Shipping Company ("**Sino-Tanzania**") and Shanghai Ocean Industrial Company ("**Shanghai Ocean Industrial**"), entered into the vessels leasing master agreement (the "**Existing Vessels Leasing Master Agreement**") in relation to the mutual provision of time charter and bareboat charters between the Group and its associates on one side and COSCO Bulk Oceania, COSCO Bulk Europe, COSCO Bulk Americas, COSCO Singapore, Xiamen COSCO, Sino-Poland, Sino-Tanzania and Shanghai Ocean Industrial on the other side. The Existing Vessels Leasing Master Agreement expired on 31 December 2016, and the Company had not renewed such agreement.

Directors' Report

Transactions		Annual Cap for the year ended 31 December 2016 ('000)	Actual Figure for the year ended 31 December 2016 ('000)
15	Transactions under the Existing Nansha Diesel Oil Purchase Master Agreement	RMB30,000	RMB2,706
16	Transactions under the Existing COSCO SHIPPING Ports Financial Services Master Agreement		
(a)	The daily maximum balance of deposits (including accrued interest) deposited with COSCO Finance by COSCO SHIPPING Ports Group	RMB1,000,000	RMB982,290
(b)	The daily maximum balance of loans (including accrued interest) granted to COSCO SHIPPING Ports Group by COSCO Finance	RMB2,000,000	RMB1,222,807
(c)	The annual fees paid to COSCO Finance by COSCO SHIPPING Ports and its subsidiaries in respect of settlement services	RMB5,000	RMB1
17	Transactions under the CS Master Shipping Agreement		
(a)	Aggregate amount receivable by the COSCO SHIPPING Ports Group from China Shipping and its subsidiaries and their respective associates	RMB64,840	RMB12,627
(b)	Aggregate amount payable by the COSCO SHIPPING Ports Group to China Shipping and its subsidiaries and their respective associates	RMB19,200	RMB9,856

Transactions		Annual Cap for the year ended 31 December 2016 ('000)	Actual Figure for the year ended 31 December 2016 ('000)
18	Transactions under the CS Finance Financial Services Agreement		
(a)	Maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Group with CS Finance	RMB650,000	RMB643,986
(b)	Maximum daily outstanding balance of loans (including accrued interest and handling fee) granted by CS Finance to the Group	RMB120,000	—
19	CS Asset Leasing Master Agreement	RMB240,000	RMB138,573
20	CS Vessel Services Master Agreement	RMB 22,000	—
21	Transaction under the CS Agency and Property Master Leasing Agreement	RMB220,000	RMB138,529
22	Vessels and Containers Lease Master Agreement		
(a)	Expenses on leasing of vessels	US$945,000	US$811,668
(b)	Expenses on leasing of containers	US$170,000	US$56,616
23	Florens Master Container Leasing Agreement	US$146,420	US$85,684
24	Florens-COSCO Shipping Lines Container Leasing, Sales and Related Services Master Agreement		
(a)	Expenses on container leasing	US$8,000	—
(b)	Purchase of containers	US$5,470	—
(c)	Expenses on container related services	US$1,700	—
25	Florens-COSCO SHIPPING Lines Shipping Related Services and Purchase of Materials Master Agreement		
(a)	Provision of container related services	US$4,881	—
(b)	Sales of container related materials	US$80	—

Directors' Report

Review of Continuing Connected Transactions for the year 2016

The independent non-executive Directors have reviewed the above continuing connected transactions and confirm that these transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The independent non-executive Directors of COSCO SHIPPING Ports have reviewed the continuing connected transactions (either during the period from 1 January 2016 to completion of the Florens Disposal (being 24 March 2016) or for the year ended 31 December 2016, as the case may be) set forth as items 13 to 17 in the above table (other than Dr. Fan Hsu Lai Tai, Rita who has not reviewed the continuing connected transactions set forth as items 13 to 17 in the above table as she is a Director of the Company and a Director of COSCO SHIPPING Ports) and confirm that these transactions have been entered into:

(1) in the ordinary and usual course of business of the COSCO SHIPPING Ports Group;

(2) on normal commercial terms or terms no less favourable to the COSCO SHIPPING Ports Group than terms available from/to independent third parties; and

(3) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of COSCO SHIPPING Ports as a whole.

For the purpose of Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company, PricewaterhouseCoopers, to report on the above continuing connected transactions (other than transactions under the master agreements set out as items 13 to 17 in the above table) as identified by management for the year ended 31 December 2016 (the "Transactions") in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the Transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

For the purpose of Rule 14A.56 of the Listing Rules, the board of directors of COSCO SHIPPING Ports engaged the auditor of COSCO SHIPPING Ports to report on the above continuing connected transactions set forth as items 13 to 17 in the above table and as identified by management for the year ended 31 December 2016 in accordance with Hong Kong Standard on Assurance Engagements 3000 (revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of COSCO SHIPPING Ports has issued its unqualified letter containing its findings and conclusions in respect of these transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by COSCO SHIPPING Ports to the Stock Exchange.

Substantial Interests in the Shares and Underlying Shares of the Company

As at 31 December 2016, so far as was known to the Directors, save as disclosed below, there was no person (other than a Director, Supervisor or chief executives of the Company) who had any other interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

As at 31 December 2016, so far as was known to the Directors, the Shareholder having interest in 5% or more of the total issued share capital of the Company (including A Shares and H Shares) was:

		Number of shares/Percentage of total issued share capital of the Company					
Name	Capacity and nature of interest	Long position	% (approx)	Short position	% (approx)	Lending pool	% (approx)
China Ocean Shipping (Group) Company (a state-owned enterprise in China and the direct controlling shareholder of the Company) ("COSCO")	Beneficial owner	A Shares: 4,557,594,644 H Shares: 87,635,000 Total: 4,645,229,644	45.47	-	-	-	-
China COSCO Shipping Corporation Limited (a state-owned enterprise in China and the indirect controlling shareholder of the Company) (Note)	Beneficial owner	A Shares: 4,557,594,644 H Shares: 87,635,000 Total: 4,645,229,644	45.47	-	-	-	-

Note:

As at 31 December 2016, COSCO SHIPPING indirectly held approximately 45.47% equity interest in the Company through COSCO and was an indirect controlling shareholder of the Company.

Share Appreciation Rights Plan

A share appreciation rights plan (the "Share Appreciation Rights Plan") was adopted by the Company, which was designed to align the interests of the Directors, Supervisors and senior management of the Company with the Company's operating results and market value of the Shares. The issuance of share appreciation rights does not involve any issuance of new Shares, nor does it have any dilutive effect on the Shareholders.

Directors' Report

On 16 December 2005, the Board granted share appreciation rights to certain Directors, Supervisors and senior management of the Company and its subsidiaries, and other personnel designated by the Board, including nine Directors and three Supervisors at an exercise price of HK$3.195 each under the Share Appreciation Rights Plan. On 5 October 2006, the Board granted share appreciation rights to certain Directors, Supervisors and senior management of the Company and its subsidiaries, and other personnel designated by the Board, including eight Directors and three Supervisors at an exercise price of HK$3.588 each under the Share Appreciation Rights Plan. On 4 June 2007, the Company granted further share appreciation rights to certain Directors, Supervisors and senior management of the Company and its subsidiaries, and other personnel designated by the Board, including seven Directors and four Supervisors at an exercise price of HK$9.540 each under the Share Appreciation Rights Plan. Save for the grant on 4 June 2007, the Company had not granted any share appreciation rights up to 31 December 2016.

(1) The purpose of the Share Appreciation Rights Plan:

The Share Appreciation Rights Plan is formulated in order to meet the Company's strategic development requirements, establish and improve the operational risk control mechanism and enhance the long-term incentive and restraint mechanism for senior management pursuant to domestic laws and regulations and drawing on international practices together with the Company's actual conditions.

The Share Appreciation Rights Plan aims to provide long-term incentives to attract and retain senior management and core business staff, so as to enhance the Company's profitability and value and maximize Shareholders' interests, hence promoting long-term development of the Company.

(2) The participants of the Share Appreciation Rights Plan:

The scope of application of the plan is determined by the Board of Directors, in particular:

1. Directors (excluding independent non-executive Directors), Supervisors (excluding independent Supervisors) and Secretary of the Board.

2. The Company's senior management, including chief executive officer, general manager, deputy general manager, chief financial officer, department general managers, department deputy general managers and other staff of similar levels.

3. Senior management of the level one subsidiaries, including the full time staff, part-time staff, assistants to general managers, department general managers and department deputy general managers of the companies.

4. Full-time and part-time staff of level two companies as well as full-time staff of port companies.

5. Other personnel approved by the Board of Directors: determined according to their importance in business development, mainly referring to personnel and core business staff of the Company and affiliated companies who are crucial to the Company's business development and have made outstanding contributions.

(3) The total number of securities that can be issued in the Share Appreciation Rights Plan and their percentage of the issued shares as at the date of the annual report:

The share appreciation rights were granted in unit, each unit representing one share.

In the absence of special approval, the total number of share appreciation rights granted shall not exceed 10% of the issued and outstanding H shares. The grant shall be made once a year and the number of shares in the first grant shall be in principle not more than 1% of the issued and outstanding H shares.

(4) The maximum entitlement of each participant under the Share Appreciation Rights Plan:

No participants shall be offered or granted share appreciation rights when the total number of unexercised share appreciation rights previously granted to a certain participant according to the plan is more than twenty five percent (25%) of the total number of share appreciation rights currently issued or issuable according to the plan.

(5) The period within which the securities must be taken up under an option:

The securities must be taken up within the third year, the fourth year, the fifth year and the sixth year from the date of grant. The respective percentage of exercise shall be in aggregate not more that 25%, 50%, 75% and 100% of the share appreciation rights granted to such grantee.

(6) The minimum period, if any, for which an option must be held before it can be exercised:

Except that conditions of early termination as provided by the plan are fulfilled, the share appreciation rights granted each time shall be valid for ten years, two of which are the lockup period (i.e., the grantee shall not exercise the rights for two years from the date of grant).

(7) The amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid:

Not applicable.

(8) The basis of determining the exercise price:

1. At the beginning of the Company's listing, the exercise price of the share appreciation rights first granted shall be the price at the Initial Public Offering.

2. The exercise price of the share appreciation rights granted subsequently shall depends on the higher of the following:

   A. the official closing price of H shares as listed on Stock Exchange's daily quotation on the date of grant;

   B. the official average closing price of H shares as listed on Stock Exchange's daily quotation for the five trading days prior to the date of grant; or

   C. par value of the share.

(9) The remaining life of the Share Appreciation Rights Plan:

1. For the batch with exercise price of HK$3.588, the effective exercise period was from 5 October 2008 to 4 October 2016.

2. For the batch with exercise price of HK$9.54, the effective exercise period is from 4 June 2009 to 3 June 2017.

Directors' Report

Movements of the share appreciation rights, which were granted to the Directors, Supervisors or senior management by the Company pursuant to the Share Appreciation Rights Plan during the year of 2016 are set out below:

				Number of units of share appreciation rights							
Name of director/ supervisor/ senior management	Capacity	Nature of interest	Exercise price	Outstanding as at 1 January 2016	Transfer (to)/from other category during the period	Granted during the period	Exercised during the period	Lapsed duing the period	Outstanding as at 31 December 2016	Approximate % of issued share capital of the Company's H shares as at 31 December 2016	Note
WAN Min	Beneficial owner	Personal	HK$3.588	280,000	–	–	–	(280,000)	–	–	(1)
			HK$9.540	260,000	–	–	–	–	260,000	0.010%	(2)
LI Yunpeng	Beneficial owner	Personal	HK$3.588	600,000	–	–	–	(600,000)	–	–	(1)(3)
			HK$9.540	580,000	(580,000)	–	–	–	–	–	(2)(3)
SUN Yueying	Beneficial owner	Personal	HK$3.588	600,000	–	–	–	(600,000)	–	–	(1)(6)
			HK$9.540	580,000	(580,000)	–	–	–	–	–	(2)(6)
SUN Jiakang	Beneficial owner	Personal	HK$3.588	500,000	–	–	–	(500,000)	–	–	(1)(6)
			HK$9.540	480,000	(480,000)	–	–	–	–	–	(2)(6)
YE Weilong	Beneficial owner	Personal	HK$9.540	480,000	(480,000)	–	–	–	–	–	(2)(6)
MA Jianhua	Beneficial owner	Personal	HK$9.540	480,000	–	–	–	–	480,000	0.019%	(2)(6)
WANG Haiming	Beneficial owner	Personal	HK$3.588	90,000	–	–	–	(90,000)	–	–	(1)(6)
			HK$9.540	75,000	–	–	–	–	75,000	0.003%	(2)(6)
ZHANG Wei (張為)	Beneficial owner	Personal	HK$3.588	–	90,000	–	–	(90,000)	–	–	(1)(5)(6)
			HK$9.540	–	75,000	–	–	–	75,000	0.003%	(2)(5)(6)
FENG Boming	Beneficial owner	Personal	HK$3.588	–	40,000	–	–	(40,000)	–	–	(1)(6)
			HK$9.540	–	35,000	–	–	–	35,000	0.001%	(2)(6)

Name of director/ supervisor/ senior management	Capacity	Nature of interest	Exercise price	Number of units of share appreciation rights: Outstanding as at 1 January 2016	Transfer (to)/from other category during the period	Granted during the period	Exercised during the period	Lapsed duing the period	Outstanding as at 31 December 2016	Approximate % of issued share capital of the Company's H shares as at 31 December 2016	Note
ZHANG Wei (張煒)	Beneficial Owner	Personal	HK$3.588 HK$9.540	– –	65,000 50,000	– –	– –	(65,000) –	– 50,000	– 0.002%	(1)(6) (2)(6)
FU Xiangyang	Beneficial owner	Personal	HK$3.588 HK$9.540	90,000 85,000	– –	– –	– –	(90,000) –	– 85,000	– 0.003%	(1) (2)
GAO Ping	Beneficial owner	Personal	HK$3.588 HK$9.540	90,000 85,000	– (85,000)	– –	– –	(90,000) –	– –	– –	(1)(7) (2)(7)
TANG Runjiang	Beneficial owner	Personal	HK$3.588	65,000	(65,000)	–	–	–	–	–	(1)(4)
DENG Huangjun	Beneficial owner	Personal	HK$3.588 HK$9.540	– –	280,000 260,000	– –	– –	(280,000) –	– 260,000	– 0.010%	(1)(4) (2)(4)
Total number of other continuous contract employees (Under the Company's employment, excluding senior management)	Beneficial owner	Personal	HK$3.588 HK$9.540	9,485,000 8,090,000	(410,000) 1,785,000	– –	– –	(9,075,000) (85,000)	– 9,790,000	– 0.379%	(1) (2)
Others (Not under the Company's employment, including ex-Directors)	Beneficial owner	Personal	HK$3.588 HK$9.540	7,270,000 13,055,000	– –	– –	– –	(7,270,000) –	– 13,055,000	– 0.506%	(1) (2)
Total				43,320,000	–	–	–	(19,155,000)	24,165,000	0.936%	

Notes:

(1) The share appreciation rights were granted by the Company in units with each unit representing one H Share pursuant to the Share Appreciation Rights Plan. At each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant (i.e. 5 October 2006), the total number of the share appreciation rights exercisable shall not exceed 25%, 50%, 75% and 100%, respectively, of each of the total share appreciation rights granted. The share appreciation rights are exercisable at HK$3.588 per unit according to its terms between 5 October 2008 and 4 October 2016.

(2) The share appreciation rights were granted by the Company in units with each unit representing one H Share pursuant to the Share Appreciation Rights Plan. At each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant (i.e. 4 June 2007), the total number of the share appreciation rights exercisable shall not exceed 25%, 50%, 75% and 100%, respectively, of each of the total share appreciation rights granted. The share appreciation rights are exercisable at HK$9.540 per unit according to its terms between 4 June 2009 and 3 June 2017.

(3) On 30 March 2016, the Company convened the 24th meeting of the fourth session of the Board, whereby Mr. Li Yunpeng resigned as the vice chairman of the Board and an executive Director. For further details, please refer to the announcement of the Company dated 30 March 2016.

(4) Mr. Tang Runjiang has resigned as the chief financial officer of the Company with effect from 14 March 2016 due to change in job arrangement. The Board has appointed Mr. Deng Huangjun as the chief financial officer of the Company with effect from 14 March 2016. For further details, please refer to the announcement of the Company dated 14 March 2016.

(5) On 28 April 2016, the Company convened the 25th meeting of the fourth session of the Board, whereby Mr. Zhang Wei (張為) was approved to be appointed as the vice general manager of the Company. For further details, please refer to the announcement of the Company dated 28 April 2016.

(6) On 16 December, 2006, the Company held the Third Extraordinary Shareholders' General Meeting in 2016, electing Wang Haimin and Zhang Wei (張為) as the executive directors of the 4th Board of Directors, electing Feng Boming, Zhang Wei (張煒), Chen Dong and Ma Jianhua as the non-executive directors of the the 4th Board of Directors. Ms. Sun Yueying, Mr. Sun Jiakang, Mr. Ye Weilong and Mr. Wang Yuhang are no longer in the position of directors and others of the Company.

(7) On 31 October, 2006, the Company held the election of the Workers Conference. Mr. Fang Meng and Mr. Qian Weizhong were approved as the supervisor of the Company. Meanwhile, Mr. Gao Ping and Ms. Zhang Li were no longer in this position.

Share Options Scheme of COSCO SHIPPING Ports

At the special general meeting of COSCO SHIPPING Ports held on 23 May 2003, its shareholders approved the adoption of a share option scheme (the "2003 Share Option Scheme") and the termination of the share option scheme adopted by its shareholders on 30 November 1994. As the expiration of 2003 Share Option Scheme on 22 May 2013, no further option shall thereafter be granted under the 2003 Share Option Scheme. However, for any outstanding options granted, the terms of the 2003 Share Option Scheme shall remain in full force and effect.

Movements of the share options, which were granted under the 2003 Share Option Scheme, during the year ended 31 December 2016 are set out below:

		Number of share option								
Category	Exercise price (HK$)	Outstanding as at 1 January 2016	Transterred (to)/ from other categories during the period	Granted during the period	Excerised during the period	Lapsed during the period	Outstanding as at 31 December 2016	Approximate percentage of total issued share captial of COSCO SHIPPING Ports as at 31 December 2016	Exercisable period	Note
Others	19.30	12,980,000	–	–	–	(3,040,000)	9,940,000	0.037%	(Refer to Note 1)	(1) (2)
Total		12,980,000	–	–	–	(3,040,000)	9,940,000	0.037%		

Notes:

(1) The share options were granted during the period from 17 April 2007 to 19 April 2007 under the 2003 Share Option Scheme at an exercise price of HK$19.30. The options can be exercised at any time during a period of ten years commencing from the date when an offer is accepted or deemed to be accepted by the grantee pursuant to the 2003 Share Option Scheme ("Commencing Date"). The Commencement Date was from 17 April 2007 to 19 April 2007.

(2) This category comprises, inter alia, continuous contract employees of COSCO SHIPPING Ports.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, the interests of the Directors and Supervisors in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

(a) Long positions in the shares, underlying shares and debentures of the Company:

Name of Director	Capacity	Nature of interest	Number of H shares of the Company	Approximate percentage of total issued H share capital	Approximate percentage of total issued share capital of the Company
FAN HSU Lai Tai, Rita	Beneficial owner	Personal	10,000	0.00039%	0.00010%
Peter Guy BOWIE	Beneficial owner	Personal	15,000	0.00058%	0.00015%
WAN Min	Beneficial owner	Personal	2,500	0.00010%	0.00002%

Name of Director	Capacity	Nature of interest	Number of H shares of the Company	Approximate percentage of total issued H share capital	Approximate percentage of total issued share capital of the Company
WAN Min	Beneficial owner	Personal	35,000	0.00046%	0.00034%
	Beneficial owner	Family	12,000	0.00016%	0.00012%

Directors' Report

(b) Long positions in shares, underlying shares and debentures of associated corporations of the Company:

Name of associated corporation	Name of Director/Supervisor	Capacity	Nature of interest	Number of ordinary shares	Approximate percentage of total issued share capital
COSCO SHIPPING Ports	KWONG Che Keung, Gordon	Beneficial owner	Personal	250,000	0.00829%
COSCO SHIPPING Development	FENG Boming	Beneficial owner	Personal	29,100	0.00025%
COSCO SHIPPING Ports	Zhang Wei (張煒)	Beneficial owner	Personal	30,000	0.00099%

(c) Long positions in the underlying shares of equity derivatives of the Company

Movements of the share appreciation rights, which were granted pursuant to the Share Appreciation Rights Plan, during the year ended 31 December 2016 are set out in the paragraph headed "Share Appreciation Rights Plan" in this section above.

Save as disclosed above, as at 31 December 2016, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in any Shares, underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

DISCLOSURE UNDER RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

In relation to the financial assistance granted by COSCO SHIPPING Ports, a listed subsidiary of the Company, to certain affiliated companies, a proforma combined balance sheet of the affiliated companies as at 31 December 2016 required to be disclosed under Rule 13.22 of the Listing Rules is set out below:

	RMB'000
Non-current assets	9,632,052
Current assets	2,183,220
Current liabilities	(548,224)
Non-current liabilities	(7,357,334)
Net assets	3,909,714
Share Capital	716,218
Reserves	2,880,104
Non-controlling interests	313,393
Capital and reserves	3,909,714

As at 31 December 2016, the Group's share of net assets of these affiliated companies amounted to RMB3,431,214,000.

Arrangements to Purchase Shares or Debentures

At no time during the reporting period was the Company, its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangements to enable the Directors, Supervisors or senior management of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors', Supervisors' and Five Highest Paid Individuals' Remunerations

Details of the remuneration of the Directors and the Supervisors and the five highest paid individuals of the Group are set out in note 34 to the consolidated financial statements.

There were no arrangements under which a Director or Supervisor had waived or agreed to waive any remuneration in respect of the year ended 31 December 2016.

Service Contracts of Directors and Supervisors

Each of the Directors and Supervisors has entered into a service contract with the Company. No Director or Supervisor has entered into any service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Interests of Directors and Supervisors in Contracts or Arrangements

None of the Directors or Supervisors had any material interest, whether directly or indirectly, in any contracts or arrangements of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2016.

Directors' Report

Permitted Indemnity Provisions

At no time during the reporting period and as at the date of this report, there was or is, any permitted indemnity provision being in force for the benefit at any of the Directors or Supervisors of the Company (whether made by the Company or otherwise) or the directors or supervisors of an associated corporation of the Company (if made by the Company).

The Company has arranged appropriate liability insurance for the Directors and Supervisors concerning the relevant legal action they may be faced with.

Board Committees

The Company has established a strategic development committee, a risk management committee, an audit committee, a remuneration committee, a nomination committee and an executive committee.

Corporate Governance

The Company is committed to maintaining high standards of corporate governance by the Group and the Board is of the view that effective corporate governance makes an important contribution to the corporate success and to the enhancement of shareholder value. Please refer to pages 70 to 102 of this annual report for details.

Employees and Remuneration Policies

As at 31 December 2016, there were approximately 20,790 employees in the Group. Total staff costs for the Group for the year, including directors' remuneration, totaled approximately RMB6,336,876,000.

During the reporting period, to enhance the quality and capability of its human resources as well as team spirit and to fully cope with the business development of the Company, the Group has organised many professional and comprehensive training programs. The remuneration policies of the Group (including with respect to emolument payable to the Directors) are reviewed on a regular basis, taking into account the Group's results and market conditions, in order to formulate better incentives and appraisal measures.

Shareholders' General Meetings

Meeting session	Date of meeting	The index of the designated website published by the resolution	The date of publication of the announcement of the resolution
2016 Extraordinary General Meeting	1 February 2016	www.sse.com.cn www.hkexnews.hk	1 February 2016
2015 General Meeting	24 May 2016	www.sse.com.cn www.hkexnews.hk	24 May 2016
The Second Extraordinary General Meeting in 2016	25 August 2016	www.sse.com.cn www.hkexnews.hk	25 August 2016
The Third Extraordinary General Meeting in 2016	16 December 2016	www.sse.com.cn www.hkexnews.hk	16 December 2016

Explanation on general meetings

Please refer to relevant announcement for details.

Objections of Independent Non-executive Directors on Relevant Matters of the Company

Not applicable.

Major opinions and recommendations made by special committees under the Board when performing duties during the reporting period

Strategic Development Committee

The strategic development committee emphasized great importance to the formulation and implementation of COSCO SHIPPING Holdings Co., Ltd. strategy. It guided and supervised the strategic management departments to formulate relevant strategies to revise and improve by conference, telephone communication and other means. It concerned about the professional work of implementation of strategic initiatives and others of COSCO SHIPPING Lines and COSCO SHIPPING Ports. On 28 October 2016, at the second meeting of the strategic development committee of the Fourth Session of COSCO SHIPPING Holdings, the members of the meeting and the independent directors conducted a special study on "the Strategic Development of COSCO SHIPPING Holdings Co., Ltd. 2020" which was reorganized after the reorganization of major assets. They proposed the Company to further strengthen the market research and judgment, accurately grasp the market development trend, accelerate the global layout, continue to promote the two major business operations and port cooperation win-win situation, to ensure that the implementation of strategic landing, and truly play a strategic role in the development of enterprises in accordance with the 2020 the guiding ideology of development strategy 2020.

Audit Committee

It proposed the management and the internal and external auditors to continue to pay close attention to the possibility of changes in the value of the ship's assets; requested the Company to further identify the responsibility of assessment, control and internal supervision and others of the new management of the Company after its restructuring to make full use of the Company's audit and internal control resources; It also proposed the Board to review shipping and container leasing arrangement timely especially after its material asset restructuring, and to formulate measures according to market conditions.

Remuneration Committee

In 2016, the remuneration committee of the Company conducted a review on the results of the performance appraisal and the Company's remuneration management system, and was of the view that remuneration of the senior executives of the Company was in compliance with the management rules of the Company's performance appraisal and remuneration system, and the relevant decision-making procedures were lawful and effective.

Nomination Committee

In 2016, the nomination committee of the Company held three meetings whereby they considered the nomination of the candidates for the fourth session of the Board. Mr. Huang Xiaowen, Mr. Wang Haimin and Mr. Zhang Wei (張為) were nominated as the executive Directors respectively. Mr. Ma Jianhua, Mr. Feng Boming, Mr. Zhang Wei (張煒) and Mr. Chen Dong were nominated as the non-executive Directors.

The establishment and implementation of the appraisal system and incentive mechanism for senior management during the reporting period

Annual salary were paid to senior management members of the Company, including the general manager, deputy general managers, chief financial officer and secretary of the Board, which was determined according to the Administrative Measures for the Remuneration of Senior Management of the Company approved by the second session of the Board. The annual salary was linked to the results of operation and stock performance of the Company the individual performance appraisal of the senior management in terms of operation and management according to the Interim Measures for the Annual Appraisal of Senior Management and was determined by the Remuneration Committee.

In order to meet the needs of the development strategy, the Company, after considering its actual situation, implemented the share appreciation plan (which is "Virtual Share Option"), granting a certain number of "Virtual Share Options" to senior management according to the domestic laws and regulations and with reference to international practice, which was approved by the annual general meeting of the Company held on 9 June 2005. The grantees may receive the proceeds from the increase in the actual share price of the amount corresponding to the "virtual share option" within the prescribed time. However, the grantees do not own the ownership of the share. In the absence of special approval, the total amount of share appreciation rights granted is not more than 10% of the issued H shares. The share appreciation rights can be granted once a year. The amount of the first grant does not exceed 1% of H shares issued in principle.

The scope of the share appreciation rights plan shall be determined by the Board, which shall include the Directors, Supervisors and senior management including the president, deputy general managers, chief financial officer and the secretary of the Board as well as other parties approved by the Board.

Except for the occurrence of the grounds for early termination prescribed under the plan, the valid term of share appreciation rights for each grant shall be 10 years, with a lock-up period of 2 years from the date of grant, during which the grantees are restricted from exercising the rights. The proportion of all rights exercisable by the grantees in the third, fourth, fifth and sixth year since the date of grant shall not exceed 25%, 50%, 75% and 100% of the total share appreciation rights granted to such grantees respectively. The exercise prices of the share appreciation rights granted by the Company in 2005, 2006 and 2007 were HK$ 3.195, HK$ 3.588 and HK$ 9.540 respectively. During the Reporting Period, the Company did not have any exercise of share appreciation rights and did not grant a new round of share appreciation rights in the meanwhile. The share appreciation rights granted under the scheme will be void on 5 June 2017.

The management of the Company is, according to the 21st meeting of the fourth board of directors of the Company, studying the development of a new, long-term incentive mechanism that is attractive and competitive and in line with the development strategy in order to better realize the synergistic effect of integration, further improve the long-term incentive and restraint mechanisms of senior management, establish and improve the operational risk control mechanism, fully mobilize the enthusiasm, responsibility and committment of the employees of the Company.

Internal Control and Self-evaluation Report

According to the requirements of corporate internal control standard system, the Board is responsible for establishing, improving and effectively implementing the internal control, evaluating the effectiveness of the internal control and disclosing the internal control evaluation report truly. The supervisory committee shall supervise the internal control established and implemented by the Board. The management is responsible for organizing and leading the day-to-day operation of the internal control of the Company. The Board, the Supervisory Committee and the Directors, Supervisors and senior management officers of the Company confirm that information contained in this report is true, accurate, and complete without any false and misleading statements or material omissions, and assume several and joint liability for the above.

The objectives of the Company's internal control are to reasonably guarantee the authenticity and completeness of information of the compliance, asset security, financial report and relevant information of operation and management of the Company, improve the operating efficiency and results, and promote the realization of development strategies. Owing to the inherent limitations of the internal control, reasonable guarantees shall only be provided for realizing the above objectives. In addition, changes in situation may result in that the internal control becomes inappropriate or the extent to which the compliance with policies and process is lessened. There may be certain risks in presuming the effectiveness of future internal control according to the evaluation results of the internal control.

Directors' Report

The Company's self-evaluation of internal control in 2016:

1. On the reference date of the internal control evaluation report of the Company, there was no material defects of internal control in financial reporting.

2. Evaluation work on internal control: The Company completed the self-evaluation work on internal control within the year in an integrated manner of sampling evaluation by the headquarter and the self-evaluation by each unit. Units included in the evaluation were samples picked by the headquarter. All other units completed the self-evaluation in accordance with the requirement of the headquarter. Therefore, overall, the scope of the evaluation covered most of the units within the scope of the listing. The primary businesses and affairs included in the evaluation were governance structure, organizations, development strategies, internal audit, internal monitoring, corporate culture, risk management, information and communication, asset management, investment management, capital management, procurement management, connected transactions, freight forwarding business management (including foreign trade and domestic trade), ship business management, container management, marketing management, legal affair management, production and operation management, contract management, comprehensive budget management, financial report management, human resources management, information system management, and internal system management.

3. Defects of internal control and rectification: the rectification of the Company's defects of internal control from the last year was completed. This year's internal control is in good condition. The Company will continue to strengthen the daily monitoring and annual evaluation of internal control in the next year to ensure the effectiveness of internal control and continuously enhance the management standard of the Company through the establishment of internal control system and the evaluation of internal control.

The Company's self-evaluation report on internal control for 2016 was published on the website of Shanghai Stock Exchange and the website of the Company on 30 March 2017.

Audit report on internal control

In accordance with relevant requirements, such as the guidelines on internal control audit, the Company engaged Ruihua Certified Public Accountants, LLP to conduct an audit and prepare the audit report on the internal control of COSCO SHIPPING Holdings.

For details of the internal control audit report, please refer to the report of the Company released on 30 March 2017 on the website of Shanghai Stock Exchange.

I. Positions of current Directors, Supervisors and senior management and those who resigned during the reporting period

(I) Position in Shareholder-related entity

Name	Name of entity	Position	Date of appointment
WAN Min	China COSCO SHIPPING Corporation Limited	Director, General manager	January 2016
	Sino-Poland Joint Stock Shipping Company	Chinese delegate of management committee	March 2016
	Sino-Tanzania Joint Shipping Company	Chairman	March 2016
	COSCO SHIPPING (Hong Kong) Company Limited	Chairman	March 2016
HUANG Xiaowen	China COSCO SHIPPING Corporation Limited	Deputy general manager	January 2016
	COSCO SHIPPING Lines Co., Ltd.	Chairman	March 2016
	China Shipping International Ship Management Co., Ltd.	Chairman	July 2016
	COSCO SHIPPING Ports Limited	Chairman	March 2016
	COSCO SHIPPING Logistics Co., Ltd.	Chairman	December 2016
	China Shipping (Southeast Asia) Holdings Co., Ltd.	Chairman	March 2016
SUN Yueying	China COSCO SHIPPING Corporation Limited	Chief accountant	January 2016
	China Shipping Development Co., Ltd.	Chairman	March 2016
	COSCO Japan Co., Ltd.	Chairman	July 2010
	COSCO (Hong Kong) Company Limited	Vice chairman	August 2014
	Hainan COSCO Boao Co., Ltd.	Director	April 2015
	China Shipping Finance Co., Ltd	Chairman	August 2009
	Cosco Capital Co., Ltd	Chairman	November 2011
	COSCO Finance Co., Ltd.	Chairman	March 2016
	China Shipping Leasing Co., Ltd	Chairman	March 2016
SUN Jiakang	China COSCO SHIPPING Corporation Limited	Deputy general manager	January 2016
	COSCO SHIPPING Bulk Co., Ltd.	Chairman	August 2016
	COSCO SHIPPING Specialized Carriers Co., Ltd.	Chairman	April 2016
	COSCO SHIPPING Energy Transportation Co., Ltd.	Chairman	May 2016
	COSCO SHIPPING (Australia) Co., Ltd.	Chairman	January 2012
	China Shipping Passenger Liner Co., Ltd.	Chairman	March 2016
	China Shipping & Sinopec Suppliers Co., Ltd.	Vice chairman	March 2016
	China Shipping Car Carrier Co., Ltd	Chairman	March 2016
	China Shipping Group LNG Investment Company Limited	Chairman	March 2016
	China Ore Shipping Pte. Ltd.	Chairman	March 2016

Directors' Report

Name	Name of entity	Position	Date of appointment
YE Weilong	China COSCO SHIPPING Corporation Limited	Deputy general manager	January 2016
	COSCO SHIPPING (Guangzhou) Co., Ltd.	Chairman	March 2016
	Zhonghai International BVI Ltd.	Chariman of the board, executive director	March 2016
	China Shipping (West Asia) Holdings Co., Ltd.	Chairman	March 2016
	China Shipping (South America) Holdings Co., Ltd.	Chairman	March 2016
WANG Yuhang	China COSCO SHIPPING Corporation Limited	Deputy general manager	January 2016
	COSCO SHIPPING Heavy Industry Co., Ltd.	Chairman	December 2016
	China International Marine Containers (Group) Ltd.	Vice chairman	November 2015
	COSCO SHIPPING (Hong Kong) Co., Ltd.	Chairman	March 2016
	Cosco Corporation (Singapore) Ltd.	Chariman of the board	March 2016
XU Zunwu	COSCO SHIPPING Lines Co., Ltd.	Director	March 2016
	COSCO SHIPPING Ports Limited	Director	October 2016
WANG Haimin	China COSCO SHIPPING Corporation Limited	Employee representative director	April 2016
	COSCO SHIPPING lines	Director, general manager, deputy party secretary	March 2016
	COSCO SHIPPING Ports Limited	Director	January 2015
ZHANG Wei (張為)	COSCO SHIPPING Ports Limited	vice chairman of the board of directors, director, managing director	April 2016
	COSCO SHIPPING Lines Co., Ltd.	Director	April 2014
FENG Boming	China COSCO SHIPPING Corporation Limited	General manager of the strategic and corporate management department	February 2016
	COSCO SHIPPING Bulk Co., Ltd.	Director	August 2016
	COSCO SHIPPING Development Co., Ltd.	Director	June 2016
	COSCO SHIPPING Energy Transportation Co., Ltd.	Director	September 2016
	COSCO SHIPPING (Hong Kong)	Director	March 2016
	COSCO SHIPPING Financial Co., Ltd.	Director	March 2016
	COSCO SHIPPING Ports Limited	Director	October 2016
	Piraeus Port Authority S.A.	Director	August 2016
ZHANG Wei (張煒)	China COSCO SHIPPING Corporation Limited	General manager of the operation and management department	March 2017
	COSCO SHIPPING Bulk Co., Ltd.	Director	August 2016
	COSCO SHIPPING Energy Transportation Co., Ltd.	Director	September 2016
	COSCO SHIPPING Ports Limited	Director	October 2016
	COSCO SHIPPING Specialized Carriers Co., Ltd.	Director	October 2016
	COSCO SHIPPING Lines Co., Ltd.	Director	November 2016

Name	Name of entity	Position	Date of appointment
CHEN Dong	China COSCO SHIPPING Corporation Limited	Deputy general manager of the financial and management department (person in charge)	September 2016
	COSCO SHIPPING Ports Limited	Director	October 2016
	COSCO SHIPPING Development Co., Ltd.	Director	September 2016
	COSCO SHIPPING Specialized Carriers Co., Ltd.	Director	October 2016
	COSCO SHIPPING Bulk Co., Ltd.	Director	August 2016
HAO Wenyi	China COSCO SHIPPING Corporation Limited	Supervisor of audit and supervision department of COSCO SHIPPING/head of operation division of the disciplinary team of the communist party committee	January 2016
	China COSCO SHIPPING Corporation Limited	Deputy chief of the disciplinary team of the communist party committee	August 2016
	China COSCO SHIPPING Corporation Limited	Supervisor	April 2016
	COSCO SHIPPING Development Co., Ltd.	Supervisor	June 2016
	COSCO SHIPPING Specialized Carriers Co., Ltd.	Supervisor	October 2016
	COSCO SHIPPING Heavy Industry Co., Ltd.	Supervisor	December 2016
QIAN Weizhong	COSCO SHIPPING Lines Co., Ltd.	Director, party secretary, deputy general manager	March 2016
FANG Meng	COSCO SHIPPING Ports Limited	Director, party secretary, deputy general manager	April 2016
DENG Huangjun	COSCO SHIPPING Ports Limited	Director, deputy general manager	October 2015

Directors' Report

(II) Position in other entities

Name	Name of entity	Position	Date of appointment
WAN Min	China Bohai Bank Limited	Director	January 2016
SUN Yueying	China Merchants Securities Co., Ltd.	Director	March 2011
	China Merchants Bank Co., Ltd.	Director	March 2011
SUN Jiakang	China Marine Bunker (PetroChina) Co., Ltd	Chairman	September 2013
	China LNG Shipping (Holdings) Limited	Chairman	December 2011
	Yuanli Shipping Co., Ltd	Vice chairman	March 2016
YE Weilong	China Suzhou Industrial Park Company Limited	Vice chairman	March 2016

II. Remunerations of Directors, Supervisors and Senior Management

Determination of remuneration of Directors, Supervisors and senior management	Remuneration of Directors and Supervisors were determined by Shareholders' meeting. Determination of the remuneration of senior management is set out in the section headed "Appraisal system and the establishment and implementation of incentive mechanism for senior management during the reporting period" under the Directors' Report of this annual report.
Basis of remuneration of Directors, Supervisors and senior management	Remuneration of Directors and Supervisors were determined by Shareholders' meeting. Decision-making process of the remuneration of senior management is set out in the section headed "Appraisal system and the establishment and implementation of incentive mechanism for senior management during the reporting period" under the Directors' Report of this annual report.
Remuneration payable to Directors, Supervisors and senior management	The salaries of Directors and Supervisors shall be paid in accordance with the service contracts entered into by them. Remuneration of senior management shall be determined on annual basis taking into account the operating results and share price and in accordance with the Determination of the Remuneration of Senior Management (高管層薪酬管理辦法) of the Company approved by the Board.
Total actual remuneration of all Directors, Supervisors and senior management at the end of the reporting period	RMB17,091.5 thousand (before tax)

Directors' Report

III. Changes in Directors, Supervisors and Senior Management of the Company

Name	Position	Change	Reason of change
MA Zehua	Chairman, non-executive Director	Resigned	Resigned due to change of work positions
WAN Min	Chairman	Elected	Elected by the Board
HUANG Xiaowen	Vice chairman, executive Director	Elected	Elected by the Shareholders' general meeting and the Board
LI Yunpeng	Vice chairman, executive Director	Resigned	Resigned due to change of work positions
SUN Yueying	Non-executive Director	Resigned	Resigned due to change of work positions
SUN Jiakang	Executive Director	Resigned	Resigned due to change of work positions
YE Weilong	Executive Director	Resigned	Resigned due to change of work positions
WANG Yuhang	Non-executive Director	Resigned	Resigned due to change of work positions
GAO Ping	Supervisor of employees	Resigned	Resigned due to change of work positions
ZHANG Li	Supervisor of employees	Resigned	Resigned due to change of work positions
XU Zunwu	Executive director General manager	Elected Appointed	Elected by the Shareholders' general meeting Elected by the Board
MA Jianhua	Supervisor Non-executive Director Deputy general manager	Resigned Elected Appointed	Resigned due to change in job arrangement Elected by the Shareholders' general meeting Elected by the Board
TANG Runjiang	Chief financial officer	Resigned	Resigned due to change of work positions
DENG Huangjun	Chief financial officer	Appointed	Elected by the Board
WANG Xiaodong	Assistant to general manager	Resigned	Resigned due to change of work positions
WANG Haimin	Executive Director	Elected	Elected by the Shareholders' general meeting
ZHANG Wei (張為)	General manager Executive Director	Appointed Elected	Elected by the Board Elected by the Shareholders' general meeting
FENG Boming	Non-executive Director	Elected	Elected by the Shareholders' general meeting
ZHANG Wei (張煒)	Non-executive Director	Elected	Elected by the Shareholders' general meeting
CHEN Dong	Non-executive Director	Elected	Elected by the Shareholders' general meeting
HAO Wenyi	Supervisor	Elected	Elected by the Shareholders' general meeting
QIAN Weizhong	Supervisor of employees	Elected	Elected by employee representatives
FANG Meng	Supervisor of employees	Elected	Elected by employee representatives

1. Appointment of Directors and changes

On 20 January 2016, the Company convened the 22nd meeting of the fourth session of the Board, at which resolutions regarding the resignation of Ma Zehua as the chairman of the Board and the non-executive director of the Company due to change of work positions was approved, Wan Min was elected as chairman of the Board and the nomination of Xu Zunwu as the candidate of executive Director of the fourth session of the Board were submitted to the Shareholders' general meeting for consideration.

On 1 February 2016, the Company convened the first shareholders' extraordinary general meeting for 2016, at which Xu Zunwu was elected as an executive Director of the fourth session of the Board.

On 30 March 2016, the Company convened the 24th meeting of the fourth session of the Board, at which the resolution regarding the resignation of Li Yunpeng as the vice chairman of the Board, the executive Director and other positions of the Company was approved and the resolution regarding the appointment of Huang Xiaowen as an executive director and the candidate of the vice chairman of the Company was approved. The nomination of Huang Xiaowen as the candidate of executive Director of the fourth session of the Board were submitted to the Shareholders' general meeting for consideration.

On 24 May 2016, the Company convened the 2015 annual general meeting, at which the resolution regarding the appointment of Huang Xiaowen as an executive director of the Company was considered and approved. On that day, the Company subsequently held the 26th meeting of the fourth session of the Board in 2016 to elect Huang Xiaowen, an executive director of the Company, as the vice chairman of the Board of the fourth session of the Board.

On 25 August 2016, the Company convened the 28th meeting of the fourth session of the Board at which the resignation of Sun Yueying, Sun Jiakang, Ye Weilong and Wang Yuhang as directors and other positions was approved and has taken effect since the date on which the new directors were appointed in the Shareholders' general meeting to fill the vacancies arising from their resignation; at which the appointment of Wang Haimin and Zhang Wei (張為) as the candidates of executive Director and Feng Boming, Zhang Wei (張煒) and Chen Dong as the candidates of non-executive Director of the fourth session of the Board were submitted to the Shareholders' general meeting of the Company for further consideration.

On 28 October 2016, the Company convened the 31st meeting of the fourth session of the Board at which the appointment of Ma Jianhua as the candidate of non-executive Director of the fourth session of the Board was submitted to the shareholders' general meeting of the Company for further consideration.

On 16 December 2016, the Company convened the 3rd extraordinary shareholders' general meeting in 2016, at which Wang Haimin and Zhang Wei (張為) were elected as the executive Directors and Feng Boming, Zhang Wei (張煒) and Chen Dong as the non-executive Directors of the fourth session of the Board.

2. Appointment of Supervisors and changes

On 25 August 2016, the Company convened the 12th meeting of the fourth session of the Supervisory Committee at which the resignation of Ma Jianhua, Gao Ping and Zhang Li (the latter two were the employee Supervisors) as Supervisors were approved. It has taken effect since the date on which the new shareholder Supervisors and employee Supervisors were elected in Shareholders' General Meeting and meeting of the employees representatives to fill the vacancies arising from their resignation; the appointment of Hao Wenyi as the candidate of the Supervisor of the fourth session of the Supervisory Committee was approved and submitted to the shareholders' general meeting of the Company for further consideration; the labor union of the Company nominated Qian Weizhong and Fang Meng as the candidates for the employee Supervisors of the fourth session of the Supervisory Committee of the Company. It was submitted to the meeting of the employees representatives of the Company for consideration.

On 31 October 2016, approved by the meeting of the employees representatives of the Company, Qian Weizhong and Fang Meng were appointed as employee Supervisors of the fourth session of the Supervisory Committee of the Company. The resignation of Gao Ping and Zhang Li as Supervisors of the Company took effect as from that day.

On 16 December 2016, the Company convened the 3rd session of the extraordinary general meeting at which Hao Wenyi was elected as the Supervisor. The resignation of Ma Jianhua as the Supervisor of the Company took effect as from that day.

3. Appointment of senior management and changes

On 14 March 2016, the Company convened the 23rd meeting of the fourth session of the Board, at which the resignation of Tang Runjiang as the chief financial officer due to the change of work position, the resignation of Wang Xiaodong as the assistant to general manager due to change of position and the appointment of Deng Huangjun as the chief financial officer of the Company were approved.

On 28 April 2016, the Company convened the 25th meeting of the fourth session of the Board, at which the appointment of Zhang Wei (張為) as the deputy general manager of the Company was approved.

On 9 September 2016, the Company convened the 29th meeting of the fourth session of the Board, at which the appointment of of Xu Zunwu as the general manager of the Company was approved.

On 28 October 2016, the Company convened the 31st meeting of the fourth session of the Board, at which the appointment of Ma Jianhua as the deputy general manager of the Company was approved, which became effective on the date when he ceased to be a Supervisor.

IV. Penalty imposed by security regulatory authorities in recent three years

Not applicable.

V. Staff of the Company and subsidiaries

(1) Information of staff

Number of working staff of the Company	31
Number of working staff of major subsidiaries	20,759
Total number of working staff	20,790
Number of retired staff receiving retirement benefit from the Company and major subsidiaries	8,861
Qualification	
Class of qualification	**Number of staff**
Production	3,962
Sales	5,834
Technicians	1,010
Accounting	1,687
Administration	1,610
Other staff	6,687
Total	20,790
Education level	
Level of education	**Number of staff**
Secondary or below	4,495
Tertiary	6,272
Graduate	8,779
Master's degree or above	1,244
Total	20,790

Note: During the reporting period, the Group implemented and completed a material asset restructuring, pursuant to which the Company sold 100% equity interest in COSCO Bulk Group to COSCO Group and no longer operated bulk cargo transportation. As at the end of the Reporting Period, the total number of employees of the Group decreased accordingly.

(2) Remuneration policy

To allow all staff to enjoy the development results of the Company, the Company regularly improve its staff remuneration, benefit and insurance policy in accordance with the conditions of the Company and the external and internal business environment to facilitate the development of the Company and the building of a strong working team.

The Company also safeguard the legal rights of less privileged group of staff strictly in accordance with the laws and regulations of China. For entities operating in the PRC, we determine the minimum salary standard of staff in accordance with the requirements of the local governments. We have established retirement benefit scheme, medical insurance scheme, work injury insurance scheme, pregnancy and birth insurance scheme and unemployment insurance scheme for all staff. We have also established a housing provident fund. For entities operating outside China, we have established a remuneration policy strictly in accordance with the laws and policy of the local governments.

Directors' Report

(3) Training Program

By focusing on core tasks of the enterprise and maintaining the overall situation of reform, development and stability, the Company enhanced the comprehensiveness, pertinence and effectiveness of educational training, speeded up the reform and innovation of such work and continued to improve the scientific level of educational training under the people-oriented principle to safeguard the healthy, stable and sustainable development of the Company. In 2016, training was carried out mainly in the following two aspects: firstly, the Company focused on providing training for personnel at key positions and areas and coordinated training for personnel of all categories at all levels. Secondly, the Company has continuously innovated and improved the training mechanism and further enhanced the scientific level of trainings.

(4) Outsourcing

Total working hours outsourced	8,804,573.00 hours
Total cost of outsourcing	RMB311,998,059.86

VI. Repurchase, Sale or Redemption of the Company's Shares

During the reporting period, the Company did not redeem any of its listed shares. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares during the year.

VII. Sufficiency of Public Float

As at the latest practicable date prior to the issue of this report, based on information that is publicly available to the Company and within the knowledge of the Directors, the public float of the Company satisfied the requirement of the Listing Rules.

By order of the Board of Directors
Wan Min
Chairman

Shanghai, the PRC
30 March 2017

Report of Supervisory Committee

Dear All Supervisors:

The Company's supervisory committee conscientiously performs its duties and conducts its work diligently in accordance with the laws and regulations of the location where the Company's shares were listed, the Articles of Association, the Rules of Procedures of the Supervisory Committee and other legal regulations. In 2016, the Company convened five committee meetings, including three physical meetings and two meetings by circulation of documents. During the physical meetings, all members of supervisory committee attended the meetings in person or through video-conferencing.

Members of the supervisory committee were present at all general meetings, the board meetings and meetings of the supervisory committee to listen to work reports and financial reporting, review financial reports and audit reports. These were to perform its checks and balances on the procedural aspects and the resolutions of the board meetings and general meetings, the implementation of resolutions made at general meetings, the conduct of duties by the directors and the senior management, financial position of the Company, the implementation of the Company's internal control, the transactions of the material asset restructuring and the connected transactions so as to safeguard the interests of the shareholders and the Company legally.

The supervisory committee is of the opinion that the board of directors and the senior management of the Company have strictly complied with the Articles of Association and the relevant requirements of the applicable laws of the places of listing of the Company, and have to dutifully and diligently conduct the Company's operations within the relevant regulatory framework. The supervisory committee did not find that the directors and senior management of the Company had violated applicable laws, the Articles of Association of the Company or the interests of the Company. The supervisory committee has no objection to the supervision matters during the reporting period.

The supervisory committee carefully reviewed the Company's 2016 annual financial report, the annual profit distribution plan and the unqualified auditor's report issued by the Company's domestic and overseas auditors. The supervisory committee agreed with the unqualified auditors' report issued by Ruihua Certified Public Accountants LLP and PricewaterhouseCoopers.

The supervisory committee examined the transactions of the significant asset restructuring and the connected transactions that were carried out during the reporting period. The committee found no damage to shareholders' interests or interests of the Company, no insider trading, no damage to part of the shareholders' equity interest and no loss of assets of the Company.

The supervisory committee reviewed the "2016 Annual Evaluation Report of Internal Control" issued by the Board of Directors. The committee considered that the report truly reflected the basic situation of the Company's internal control and conformed to the relevant laws and regulations of the PRC and the requirements of the securities regulatory authorities.

Furthermore, the supervisory committee for 2016 revised the Rules of Procedure of the Supervisory Committee of COSCO SHIPPING Holdings Co., Ltd. in accordance with the new corporate structure and target tasks after the restructuring. This promoted the scientific supervision and standard operation of the supervisory committee. Reelection of the current supervisory committee was completed: two new employee supervisors were democratically elected and the proposal of the appointment and removal of one shareholder supervisor was approved by the general meeting. The supervisory committee also carried out on-site research on the container transportation business to understand the current serious situation of the frontline ship in the international shipping industry, how to improve the efficiency and cost-reduction of all items during the key period of the Company's reform and restructuring.

In 2017, the supervisory committee will continue to strictly adhere to the Articles of Association and the relevant requirements, strengthen the construction of the supervisory committee and to increase its supervision efforts to effectively safeguard and protect the legal interests of the Company and its shareholders.

Supervisory committee of COSCO SHIPPING Holdings Co., Ltd.

30 March 2017

Independent Auditor's Report

TO THE SHAREHOLDERS OF COSCO SHIPPING HOLDINGS CO., LTD.
(formerly known as CHINA COSCO HOLDINGS COMPANY LIMITED)
(Incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of COSCO SHIPPING Holdings Co., Ltd. (formerly known as China COSCO Holdings Company Limited) (the "Company") and its subsidiaries (together, "the Group") set out on pages 155 to 287, which comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (Continued)

Key audit matters identified in our audit are summarised as follows:

- Asset restructuring with China Ocean Shipping (Group) Company ("COSCO Group") and China Shipping (Group) Company ("China Shipping Group");
- Recoverability of carrying amounts of container vessels; and
- Recognition of container shipping revenue and costs for vessel vogages in progress at year end.

Key Audit Matter	How our audit addressed the Key Audit Matter
Asset restructuring with COSCO Group and China Shipping Group *Refer to notes 1, 2(b)(i), 36 and 40 to the consolidated financial statements*	
On 1 February 2016, the shareholders of the Company approved in the extraordinary general meeting several proposed major and connected transactions in connection with the asset restructuring with COSCO Group and China Shipping Group (the "Asset Restructuring"). The Asset Restructuring comprised: (1) the disposals of China COSCO Bulk Shipping (Group) Co., Ltd. ("COSCO Bulk") and Florens Container Holdings Limited ("FCHL") to COSCO Group and China Shipping Group respectively (the "Disposal Transactions"); (2) the acquisitions of certain agency companies and China Shipping Ports Development Co., Limited (together the "Acquired Entities") from COSCO Group and China Shipping Group (the "Acquisition Transactions"); and (3) the leasing of containers and container vessels from COSCO SHIPPING Development Co., Ltd. ("CSDL"), a subsidiary of China Shipping Group (the "Leasing Transactions"). We have identified the Asset Restructuring with COSCO Group and China Shipping Group as a key audit matter because of its financial significance to the consolidated financial statements and because the Transactions comprised a series of interrelated transactions with related parties which significantly affected the composition of the Group's businesses and activities, and also its related audit risk areas. Significant audit effort is required.	Our procedures in relation to the Asset Restructuring included the following: • participated in various meetings and discussions with external professional parties appointed by the Group and Group's management. • obtained and read the related share purchase agreements, lease agreements and related announcements made by the Group to assess the implications of these various transactions to the Group's consolidated financial statements. • checked the consideration paid and received by the Group to bank statements.
Disposal Transactions The Group recorded a loss of RMB2,430 million from the disposals of COSCO Bulk and FCHL. Details of the calculation of the loss is disclosed in note 36 to the Group's consolidated financial statements.	Disposal Transactions • tested the accuracy of the assets and liabilities of COSCO Bulk and FCHL, which were included in the calculation of the Loss on Disposal and related results disclosed within discontinued operations, by reconciling these amounts to the completion financial statements of these disposed groups.

Independent Auditor's Report

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Asset restructuring with COSCO Group and China Shipping Group (Continued) *Refer to notes 1, 2(b)(i), 36 and 40 to the consolidated financial statements*	
Acquisition Transactions The Acquisition Transactions have been accounted for in the consolidated financial statements as business combinations under common control using merger accounting as the Group and China Shipping Group are under the common control of the State-owned Assets Supervision and Administration Commission of State Council of the People's Republic of China. Details of the merger accounting method for common control combinations are disclosed in note 2(b)(i) to the consolidated financial statements. Statement of adjustments for the Acquisition Transactions are disclosed in note 40 to the consolidated financial statements.	Acquisition Transactions • assessed if the Acquisition Transactions fulfilled the requirements of business combinations under common control for applying merger accounting. • compared the accounting policies of the Acquired Entities against the Group's accounting policies and assessed the adjustments made to achieve consistency. • checked the intercompany balances and transactions between the Acquired Entities and the Group to assess the accuracy and completeness of the elimination adjustments. • reconciled the relevant historical carrying values of the assets and liabilities of the Acquired Entities to the historical audited financial statements of the respective entities. • tested balances of the assets and liabilities as at 1 January 2015 and 31 December 2015 and the financial performance and cash flows for the year ended 31 December 2015 of the Acquired Entities included in the consolidated financial statements under merger accounting to assess their accuracy.
Leasing Transactions Management has assessed the terms and arrangements of the Leasing Transactions and all the leases have been accounted for as operating leases.	Leasing Transactions • checked and considered the key terms and arrangements in the agreements by assessing the key terms and arrangements in the agreements against the lease classifications indicators. Based on the audit procedures performed, the accounting of the Asset Restructuring was supportable by the available evidence.

Key Audit Matters (Continued)

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td colspan="2">Recoverability of carrying amounts of container vessels
Refer to note 4(i) to the consolidated financial statements</td></tr>
<tr><td>As at 31 December 2016, the Group owned and/or finance leased container vessels totalling RMB27,850 million.

In 2016, the Group incurred a loss on its container shipping business due to slowdown in demand and oversupply of capacity in global container shipping industry. This factor, together with the challenging future market conditions, are considered as indicators of impairment. Management determined the recoverable amounts of container vessels based on value-in-use calculations which involve significant management judgements and assumptions in particular forecast freight rates, freight volumes, cost inflation rates and discount rates.

Management concluded that the container vessels were not impaired as at 31 December 2016 based on the results of their assessment.

We focused on this area because of the significance of container vessels balances and the inherent complexity of management judgements involved in determining the recoverable amounts.</td><td>Our procedures in relation to management's impairment assessments included the following:

• obtained an understanding of the key processes and controls by which the discounted cash flow forecasts and impairment assessments of the recoverable amounts of the container vessels were prepared.

• compared the future discounted cash flows to the latest 5 year budgets approved by the Board of Directors of the Company.

• assessed whether the future discounted cash flow forecasts have been prepared according to the asset grouped at the lowest level (cash-generating units).

• considered the reasonableness of key assumptions in respect of future container vessels demand/supply situation, future world trade growth rate as compared with industry reports on macro and micro economic outlook.

• involved our internal valuation specialists and assessed the discount rates used compared with comparable companies in the industry.

• checked the mathematical accuracy of the value in-use calculations.

• evaluated the sensitivity analysis performed by management on the key assumptions in response to the volatility of the industry to ascertain the extent of reasonable change in those assumptions, either individually or collectively, which would trigger an impairment of the container vessels.

Based on the audit procedures performed, we found key judgements and assumptions used in the impairment assessments to be supportable by the available evidence.</td></tr>
</table>

Independent Auditor's Report

Key Audit Matters (Continued)

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td colspan="2">Recognition of container shipping revenue and costs for vessel voyages in progress at year end
Refer to notes 4(iii) and 5 to the consolidated financial statements</td></tr>
<tr><td>For the year ended 31 December 2016, the Group recognised revenue and costs of RMB69,833 million and RMB70,383 million out of which RMB66,569 million and RMB68,380 million were related to freight revenue and costs from container shipping respectively.

The Group recognises freight revenue and costs on a percentage of completion basis, which is determined on the time proportion method of each individual vessel voyage with reference to the voyage details such as freight rates, costs tariff rates, voyage departure and arrival information.

We focused on the recognition of freight revenue and costs at year end due to the complex calculations involved in the estimation of freight revenue and costs for vessel voyages in progress at year end.</td><td>Our procedures in relation to management's estimation of freight revenue and costs for vessel voyages in progress at year end included:

• evaluated and tested the key controls that management has established in respect of recording freight revenue and voyage costs accruals, focusing on management's controls over the estimate of freight revenue and costs for vessel voyages which were still in progress at year end.

• tested the freight rates maintained in the Group's operation system on a sample basis by comparing with supporting documents such as customer contracts.

• tested the costs tariffs rates in the Group's system on a sample basis by comparing with the supporting documentation, such as supplier agreements and latest supplier invoices.

• checked the vessel voyage departure and arrival information (i.e. time and date) from the Group's IT system on a sample basis against the supporting documents such as terminal records.

• recomputed the estimated freight revenue and costs calculations of vessels voyages in progress recorded in the Group's operation system and reconciled to the accounting records.

Based on the audit procedures performed, we found the freight revenue and costs for vessel voyages in progress at year end were supportable by the available evidence we gathered.</td></tr>
</table>

Independent Auditor's Report

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mang Kwong Fung, Frederick.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2017

Consolidated Balance Sheet

As at 31 December 2016

	Note	2016 RMB'000	2015 RMB'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	6	**48,426,064**	86,219,295
Investment properties	7	**195,244**	313,579
Leasehold land and land use rights	8	**1,671,261**	1,866,303
Intangible assets	9	**157,036**	166,511
Joint ventures	11	**10,106,369**	10,094,493
Associates	12	**10,324,185**	11,050,961
Loans to joint ventures and an associate	13	**1,215,244**	574,791
Available-for-sale financial assets	14	**1,662,670**	2,514,923
Deferred income tax assets	15	**85,684**	129,454
Other non-current assets	16	**446,511**	919,729
Total non-current assets		**74,290,268**	113,850,039
Current assets			
Inventories	18	**1,564,690**	1,502,291
Trade and other receivables	19	**11,285,555**	10,643,992
Available-for-sale financial assets	14	**–**	270,000
Restricted bank deposits	17	**323,648**	330,033
Cash and bank balances	17	**32,188,572**	33,897,143
Total current assets		**45,362,465**	46,643,459
Total assets		**119,652,733**	160,493,498

The notes on pages 164 to 287 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2016

	Note	2016 RMB'000	2015 RMB'000 (Restated)
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	20	**10,216,274**	10,216,274
Reserves	21	**8,107,022**	18,343,275
		18,323,296	28,559,549
Non-controlling interests		**19,225,573**	24,611,526
Total equity		**37,548,869**	53,171,075
LIABILITIES			
Non-current liabilities			
Long-term borrowings	22	**47,468,924**	75,300,019
Provisions and other liabilities	23	**557,382**	1,260,442
Deferred income tax liabilities	15	**522,240**	586,721
Total non-current liabilities		**48,548,546**	77,147,182
Current liabilities			
Trade and other payables	24	**22,722,039**	18,092,973
Short-term borrowings	25	**3,246,917**	2,955,191
Current portion of long-term borrowings	22	**6,661,134**	8,216,400
Current portion of provisions and other liabilities	23	**12,624**	126,262
Tax payable		**912,604**	784,415
Total current liabilities		**33,555,318**	30,175,241
Total liabilities		**82,103,864**	107,322,423
Total equity and liabilities		**119,652,733**	160,493,498

The notes on pages 164 to 287 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 155 to 287 were approved by the Board of Directors on 30 March 2017 and were signed on its behalf.

Mr. Wan Min
Director

Mr. Xu Zunwu
Director

Consolidated Income Statement

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000 (Restated)
Continuing operations			
Revenues	5	**69,833,164**	55,148,297
Cost of services and inventories sold	27	**(70,382,845)**	(51,425,413)
Gross (loss)/profit		**(549,681)**	3,722,884
Other (expense)/income, net	26	**(470,193)**	1,460,646
Selling, administrative and general expenses	27	**(4,021,075)**	(3,452,013)
Operating (loss)/profit		**(5,040,949)**	1,731,517
Finance income	28	**499,728**	801,948
Finance costs	28	**(1,912,878)**	(1,860,813)
Net related exchange loss		**(401,579)**	(486,776)
Net finance costs		**(1,814,729)**	(1,545,641)
		(6,855,678)	185,876
Share of profits less losses of			
– joint ventures	11	**765,441**	761,978
– associates	12	**634,167**	794,242
(Loss)/profit before income tax from continuing operations		**(5,456,070)**	1,742,096
Income tax expense	29	**(506,439)**	(530,884)
(Loss)/profit for the year from continuing operations		**(5,962,509)**	1,211,212
Discontinued operations			
Loss on disposals of discontinued operations	36	**(2,430,262)**	–
(Loss)/profit from discontinued operations, net of tax	36	**(708,461)**	504,219
Reversal of provision	36	**–**	493,173
(Loss)/profit for the year from discontinued operations		**(3,138,723)**	997,392
(Loss)/profit for the year		**(9,101,232)**	2,208,604
(Loss)/profit attributable to:			
– Equity holders of the Company		**(9,906,003)**	469,302
– Non-controlling interests		**804,771**	1,739,302
		(9,101,232)	2,208,604
(Loss)/profit attributable to equity holders of the Company arising from:			
– Continuing operations		**(7,227,647)**	333,728
– Discontinued operations		**(2,678,356)**	135,574
		(9,906,003)	469,302

The notes on pages 164 to 287 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31 December 2016

	Note	**2016 RMB**	2015 RMB (Restated)
(Loss)/earnings per share attributable to equity holders of the Company:			
Basic and diluted (loss)/earnings per share			
– From continuing operations	32	**(0.71)**	0.03
– From discontinued operations	32	**(0.26)**	0.02
		(0.97)	0.05

The notes on pages 164 to 287 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	2016 RMB'000	2015 RMB'000 (Restated)
(Loss)/profit for the year	**(9,101,232)**	2,208,604
Other comprehensive income/(loss)		
Items that have been reclassified or may be reclassified subsequently to profit or loss		
Fair value loss on available-for-sale financial assets, net of tax	**(40,920)**	(13,134)
Impairment loss on available-for-sale financial assets charged to the consolidated income statement	**131,484**	3,532
Share of other comprehensive loss of joint ventures and associates	**(12,141)**	(32,357)
Recycling of currency translation differences upon disposals of discontinued operations	**3,368,688**	—
Currency translation differences	**917,880**	618,972
Item that will not be reclassified subsequently to profit or loss		
Remeasurements of post-employment benefit obligations	**120,520**	(51,330)
Total other comprehensive income	**4,485,511**	525,683
Total comprehensive (loss)/income for the year	**(4,615,721)**	2,734,287
Total comprehensive (loss)/income for the year attributable to:		
– Equity holders of the Company	**(5,984,589)**	523,594
– Non-controlling interests	**1,368,868**	2,210,693
	(4,615,721)	2,734,287
Total comprehensive (loss)/income attributable to equity holders of the Company arising from:		
– Continuing operations	**(6,302,049)**	(201,558)
– Discontinued operations	**317,460**	725,152
	(5,984,589)	523,594

The notes on pages 164 to 287 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to equity holders of the Company				
	Share capital RMB'000	Reserves RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2016, as previously reported	10,216,274	14,437,052	24,653,326	20,284,185	44,937,511
Adoption of merger accounting (note 40)	–	3,906,223	3,906,223	4,327,341	8,233,564
Balance at 1 January 2016, as restated	10,216,274	18,343,275	28,559,549	24,611,526	53,171,075
Comprehensive (loss)/income					
(Loss)/profit for the year	–	(9,906,003)	(9,906,003)	804,771	(9,101,232)
Other comprehensive (loss)/income:					
Fair value losses on available-for-sale financial assets, net of tax	–	(40,920)	(40,920)	–	(40,920)
Impairment loss on available-for-sale financial assets charged to the consolidated income statement (note 14(e))	–	131,484	131,484	–	131,484
Share of other comprehensive (loss)/gain of joint ventures and associates	–	(17,302)	(17,302)	5,161	(12,141)
Recycling of currency translation differences upon disposals of discontinued operations	–	3,033,856	3,033,856	334,832	3,368,688
Currency translation differences	–	693,776	693,776	224,104	917,880
Remeasurements of post-employment benefit obligations	–	120,520	120,520	–	120,520
Total other comprehensive income	–	3,921,414	3,921,414	564,097	4,485,511
Total comprehensive (loss)/income	–	(5,984,589)	(5,984,589)	1,368,868	(4,615,721)
Transactions with owners:					
Issue of shares on settlement of scrip dividend by a subsidiary	–	157,048	157,048	182,586	339,634
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	(2,030,348)	(2,030,348)
Acquisition of subsidiaries under common control	–	(4,564,186)	(4,564,186)	(3,992,137)	(8,556,323)
Disposal of subsidiaries	–	–	–	(669,124)	(669,124)
Capital injection from non-controlling interests of a subsidiary	–	–	–	57,123	57,123
Acquisition of equity interests from non-controlling interests	–	–	–	(378,247)	(378,247)
Others	–	155,474	155,474	75,326	230,800
Total transactions with owners	–	(4,251,664)	(4,251,664)	(6,754,821)	(11,006,485)
As at 31 December 2016	10,216,274	8,107,022	18,323,296	19,225,573	37,548,869

The notes on pages 164 to 287 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to equity holders of the Company				
	Share capital RMB'000	Reserves RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2015, as previously reported	10,216,274	14,162,888	24,379,162	18,578,796	42,957,958
Adoption of merger accounting (note 40)		3,888,137	3,888,137	4,069,145	7,957,282
Balance at 1 January 2015,as restated	10,216,274	18,051,025	28,267,299	22,647,941	50,915,240
Comprehensive income					
Profit for the year	—	469,302	469,302	1,739,302	2,208,604
Other comprehensive income/(loss):					
Fair value losses on available-for-sale financial assets, net of tax	—	24,730	24,730	(37,864)	(13,134)
Impairment loss on available-for-sale financial assets charged to the consolidated income statement (note 14(e))	—	3,532	3,532	—	3,532
Share of other comprehensive loss of joint ventures and associates	—	(14,126)	(14,126)	(18,231)	(32,357)
Currency translation differences	—	91,486	91,486	527,486	618,972
Remeasurements of post-employment benefit obligations	—	(51,330)	(51,330)	—	(51,330)
Total other comprehensive income	—	54,292	54,292	471,391	525,683
Total comprehensive income	—	523,594	523,594	2,210,693	2,734,287
Transactions with owners:					
Contributions from non-controlling interests of subsidiaries	—	—	—	293,613	293,613
Dividends paid to non-controlling interests of a subsidiary	—	—	—	(495,295)	(495,295)
Issue of shares on settlement of scrip dividend by a subsidiary	—	17,484	17,484	37,890	55,374
Acquisition of equity interests from non-controlling interests	—	—	—	(10,581)	(10,581)
Dividends paid to former shareholders of subsidiaries	—	(257,524)	(257,524)	—	(257,524)
Others	—	8,696	8,696	(72,735)	(64,039)
Total transactions with owners	—	(231,344)	(231,344)	(247,108)	(478,452)
As at 31 December 2015, as restated	10,216,274	18,343,275	28,559,549	24,611,526	53,171,075

The notes on pages 164 to 287 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000 (Restated)
Cash flows from operating activities			
Cash generated from operations	35	**1,377,068**	6,777,297
Interest received		**615,290**	889,423
Income tax paid		**(472,825)**	(549,027)
Net cash generated from operating activities		**1,519,533**	7,117,693
Cash flows from investing activities			
Purchase of property, plant and equipment, investment properties, leasehold land, land use rights and intangible assets		**(5,451,657)**	(7,281,509)
Acquisition of subsidiaries, net of cash acquired	35	**210,880**	—
Investments in jointly controlled entities and associates		**(478,326)**	(2,588,337)
Loans advanced to an associate		**(628,291)**	—
Purchase of available-for-sale financial assets		**(190,000)**	(962,221)
Proceeds from disposal of property, plant and equipment, investment properties, land use right, and intangible assets		**413,776**	468,294
Cash received from disposal of jointly controlled entities and associates		**18,964**	—
Cash received from disposal of available-for-sale financial assets		**460,000**	1,208,482
Net cash from disposals of subsidiaries	35	**9,534,864**	(32,860)
Repayments of loans granted to jointly controlled entities and an associate		**8,772**	490,774
Dividends received from jointly controlled entities		**495,784**	743,707
Dividends received from associates		**492,301**	561,116
Dividends received from available-for-sale financial assets		**41,974**	116,693
Decrease in restricted bank deposits		**—**	583,436
Acquisition of equity interests from non-controlling interests		**(378,247)**	(10,581)
Cash received from entrust loan and interest		**435,612**	—
Net cash generated from/(used in) investing activities		**4,986,406**	(6,703,006)

The notes on pages 164 to 287 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Note	2016 RMB'000	2015 RMB'000 (Restated)
Cash flows from financing activities			
Proceeds from borrowings		**25,444,304**	29,798,717
Repayments of borrowings		**(22,665,286)**	(35,107,398)
Dividends paid to non-controlling interests		**(1,847,762)**	(495,295)
Contributions from non-controlling shareholders of subsidiaries		**57,123**	293,613
Interest paid		**(2,243,179)**	(2,471,763)
Other incidental borrowing costs and charges paid		**(127,244)**	(297,404)
Acquisition of subsidiaries under common control		**(8,556,323)**	—
Dividends paid to former shareholders of subsidiaries		**—**	(184,902)
Increase in restricted bank deposits		**—**	(15,782)
Loans from a non-controlling shareholder of a subsidiary		**440,450**	—
Net cash used in financing activities		**(9,497,917)**	(8,480,214)
Net decrease in cash and cash equivalents		**(2,991,978)**	(8,065,527)
Cash and cash equivalents as at 1 January		**33,897,143**	40,948,946
Exchange gains		**1,283,407**	1,013,724
Cash and cash equivalents as at 31 December	17	**32,188,572**	33,897,143

The notes on pages 164 to 287 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

COSCO SHIPPING Holdings Co., Ltd. (formerly known as China COSCO Holdings Company Limited) (the "Company") was incorporated in the People's Republic of China (the "PRC") on 3 March 2005 as a joint stock company with limited liability under the Company Law of the PRC. The Company and its subsidiaries (the "Group") is principally engaged in provisions of a range of container shipping, managing and operating container terminals and container leasing services on a worldwide basis.

On 4 May 2016, the Company has received notification from China COSCO Holdings Corporation Limited ("COSCO Group") that State-owned Assets Supervision and Administration Commission of the State Council of the PRC ("SASAC") has transferred its entire equity interest in COSCO Group at nil consideration to China COSCO Shipping Corporation Limited ("COSCO Shipping"), a state-owned enterprise established in the PRC and wholly-owned and controlled by SASAC. With the completion of this equity transfer, the directors of the Company (the "Directors") regard COSCO Shipping as being the Company's parent company. COSCO Shipping and its subsidiaries (other than the Group) are collectively referred to as "COSCO Shipping Group".

On 4 November 2016, the Company changed its name from China COSCO Holdings Company Limited to COSCO SHIPPING Holdings Co., Ltd.

During the year, the Group completed the disposal of China COSCO Bulk Shipping (Group) Co., Ltd. ("COSCO Bulk") to COSCO Group and the disposal of Florens Container Holdings Limited ("FCHL") to China Shipping (Group) Company ("China Shipping Group") for considerations of RMB4.87 billion and RMB7.91 billion respectively. After the disposals, COSCO Bulk and FCHL ceased to be subsidiaries of the Group. The loss on disposals and the operation results of COSCO Bulk and FCHL are disclosed as discontinued operations in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as the dry bulk shipping and the container leasing businesses each constitutes a separate business segment within the Group. The comparative information in the consolidated income statement has been represented according to HKFRS 5.

During the year, the Group completed the acquisitions from COSCO Group and China Shipping Group of the equity interests in certain entities ("Acquired Entities") for considerations as further disclosed in note 40.

As both COSCO Group and China Shipping Group are wholly owned and controlled by SASAC, the aforesaid transactions were regarded as business combinations under common control. The comparative information in these consolidated financial statements has been restated accordingly under merger accounting.

On 29 February 2016, the Company and COSCO SHIPPING Development Co., Ltd. ("CSDL") entered into the lease agreement (the "Lease Agreement"), pursuant to which the Company conditionally agreed to lease from CSDL, and CSDL conditionally agreed to lease to the Company, vessels and containers owned or operated by CSDL. On 1 March 2016, the Company began the leasing arrangements with CSDL.

On 11 December 2015, CSDL conditionally agreed to make capital contribution to COSCO Finance Co., Ltd ("COSCO Finance") while the Company proposed not to exercise the right to contribute at the same proportion. Upon completion of the transaction, the equity interest held by the Group in COSCO Finance shall decrease from approximately 17.25% (without considering the equity interest held by the Group in COSCO Finance via COSCO Bulk, as COSCO Bulk had been disposed of) to 14.23%. As of 31 December 2016, the above transaction had not been completed. On 13 January 2017, the Group has announced that the proposed capital contribution by CSDL to COSCO Finance would not proceed after further negotiation of all parties involved. The Group is still holding approximately 17.25% equity interest of COSCO Finance and COSCO Finance is still an associate of the Company.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied to all the years presented unless otherwise mentioned.

(a) Basis of preparation

The Group's consolidated financial statements for the year ended 31 December 2016 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention except for available-for-sale financial assets and derivative financial instruments which have been stated at fair value. The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except where otherwise indicated.

(i) New standard and amendments to standards adopted by the Group

The following new standard and amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2016:

HKFRS 14	Regulatory deferral accounts
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants
Amendment to HKAS 27	Equity method in separate financial statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments from annual improvements 2014	Amendments to HKFRS 5, HKFRS 7, HKAS 19 and HKAS 34

The adoption of the above new amendments starting from 1 January 2016 did not give rise to any significant impact on the Group's results of operations and financial position for the year ended 31 December 2016.

(ii) New standards and interpretations not yet adopted

The following standards and amendments to existing standards, which are relevant to the operations of the Group, have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2017 but have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS16	Leases	1 January 2019
Amendments to HKAS 7	Disclosure initiative	1 January 2017

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) New standards and interpretations not yet adopted (Continued)

		Effective for annual periods beginning on or after
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses	1 January 2017
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint ventures	a date to be determined

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group has yet to undertake a detailed assessment of the classification and measurement of financial assets. The financial assets held by the Group include equity instruments currently classified as available-for-sale for which a fair value through other comprehensive income election is available. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It will apply to the Group's financial assets classified at amortised cost. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

HKFRS 15 will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

(1) Identify the contract(s) with customer;

(2) Identify separate performance obligations in a contract;

(3) Determine the transaction price;

(4) Allocate transaction price to performance obligations;

(5) Recognise revenue when performance obligation is satisfied.

Management is currently assessing the impact of applying HKFRS 15 on the Group's financial statements by reviewing the contracts, identifying the separate performance obligations in the contracts, evaluating the timing for revenue recognition against the 5-step approach of the new standard.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) New standards and interpretations not yet adopted (Continued)

HKFRS 16 will result in almost all leases being recognised on the balance sheet for lessee, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB73,082,398,000, see note 38.

The Group will adopt the above standards and amendments to existing standards as and when they become effective. The Group has already commenced the assessment of the impact to the Group and is not yet in a position to state whether these would have a significant impact on its results of operations and financial position.

(b) Group accounting

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(i) Merger accounting for common control combinations

Business combinations under common control are accounted for in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations". In applying merger accounting, the consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

2 Summary of significant accounting policies (Continued)

(b) Group accounting (Continued)

(ii) Purchase method of accounting for non-common control combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, other than the common control combinations (note 2(b)(i)). The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss.

(iii) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In the Company's balance sheet, the investments in subsidiaries are accounted for at cost less impairment (note 2(h)). For common control combination, the cost of investment is being either the cash consideration amount (for cash-settled transaction) or the amount of the net asset value of the subsidiary acquired at date of completion (for share-settled transaction). For non-common control combination, the cost of investment is being the amount of the fair value of the consideration for the subsidiary acquired at date of completion.

The results of subsidiaries are accounted by the Company on the basis of dividend income.

(iv) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2 Summary of significant accounting policies (Continued)

(b) Group accounting (Continued)

(v) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as joint venture, associate, or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(vi) Joint ventures/associates

HKFRS 11 classifies joint arrangements as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in joint ventures/associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in joint ventures/associates include goodwill identified on acquisition. The measurement of goodwill is the same as that of goodwill arising from the acquisition of subsidiaries. Appropriate adjustments to the Group's share of the profits or losses after acquisition are made to the consolidated financial statements based on the fair values of the assets and liabilities acquired at the date of acquisition.

If the ownership interest in a joint venture/an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

The Group's share of its joint ventures'/associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture/an associate equals or exceeds its interest in the joint ventures/associates, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint ventures/associates.

Dilution or partial disposal gains and losses arising in investments in joint ventures/associates are recognised in the consolidated income statement.

In the Company's balance sheet, the investments in the joint ventures/associates are stated at cost less provision for impairment losses (note 2(h)). The results of joint ventures/associates are accounted for by the Company on the basis of dividend received and receivable.

Accounting policies of subsidiaries, joint ventures and associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Intercompany transactions and balances between group companies are eliminated. Unrealised gains on transactions between group companies and between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest. Unrealised losses are also eliminated but unless the transaction provides evidence of an impairment of the asset transferred.

2 Summary of significant accounting policies (Continued)

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges.

Foreign exchange gains and losses that related to borrowings and cash and bank balances are presented in profit or loss within "finance income or cost". All other foreign exchange gains and losses are presented in profit or loss within "other income, net".

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the securities, and other changes in the carrying amount of the securities. Translation differences related to changes in the amortised cost are recognised in the consolidated income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

2 Summary of significant accounting policies (Continued)

(c) Foreign currency translation

(iii) Group companies (Continued)

(3) All resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange difference arising are recognised in equity.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in joint ventures or associates that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(d) Property, plant and equipment

(i) Assets under construction

Assets under construction represent primarily vessels and buildings under construction, and plant and equipment pending installation and are stated at cost less accumulated impairment losses. Cost includes all direct costs relating to the construction of the assets and acquisition. No depreciation is provided for assets under construction until such time as the relevant assets are completed and ready for intended use. Assets under construction are transferred to relevant categories of property, plant and equipment upon the completion of their respective construction.

(ii) Container vessels, dry bulk vessels and containers

Container vessels, dry bulk vessels and containers are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Container vessels, dry bulk vessels and containers are depreciated on a straight-line basis over their anticipated useful lives, after taking into account the estimated residual values.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(d) Property, plant and equipment

(ii) Container vessels, dry bulk vessels and containers

Container vessels	25 years
Dry bulk vessels for	
– Ocean transportation	20 years
– Coastal transportation	30 years (from the date of first registration)
Containers	15 years

When the containers cease to be used by the Group and are held for sale, these containers are transferred to inventories at their carrying amount.

Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next dry-docking are identified and their costs are depreciated over the period to the next estimated dry-docking date. Costs incurred on subsequent dry-docking of vessels are capitalised and depreciated over the period to the next estimated dry-docking date. When significant dry-docking costs incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off immediately.

(iii) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Other property, plant and equipment are depreciated at rates sufficient to write off their costs less accumulated impairment losses over their estimated useful lives to their respective residual values estimated by the Directors or management on a straight-line basis. The estimated useful lives of these assets are summarised as follows:

Buildings	25 to 50 years
Trucks, chassis and motor vehicles	5 to 10 years
Computer and office equipment	3 to 5 years

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in profit or loss during the period in which they are incurred.

The residual values of the property, plant and equipment and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(h)).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(e) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the entities in the Group, is classified as investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses. The cost less accumulated impairment and residual values of investment properties are depreciated on a straight-line basis over their estimated useful lives.

(f) Leasehold land and land use rights

Leasehold land and land use rights classified as prepaid operating lease payments are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the remaining lease term.

(g) Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries, joint ventures and associates and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years on a straight-line basis.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(h) Impairment of investments in subsidiaries, joint ventures, associates and non-financial assets

Assets that have an indefinite useful life are not subject to depreciation/amortisation and are tested annually for impairment. Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries, joint ventures or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, joint ventures or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(i) Assets under leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases.

(i) Where the Group is the lessee

(1) Operating leases

Payments made under operating leases (net of any incentives received from the leasing company) are expensed in profit or loss on a straight-line basis over the lease periods.

(2) Finance leases

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current liabilities. The finance charges are charged to profit or loss over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

For sales and leaseback transactions resulting in a finance lease, differences between sales proceeds and net book values are deferred and amortised over the minimum lease terms.

2 Summary of significant accounting policies (Continued)

(i) Assets under leases (Continued)

(ii) Where the Group is the lessor

(1) Operating leases

When assets are leased out under operating leases, the assets are included in the balance sheet according to their nature and where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in notes 2(d)(ii) and 2(d)(iii) above. Revenue arising from assets leased out under operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2(w)(iv) below.

(2) Finance leases

When assets are leased out under finance leases, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Revenue on containers leased out under finance leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2(w)(iv) below.

(j) Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets, (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out in note 2.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(k) Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: Financial assets at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of these assets at initial recognition.

(1) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of reporting period. These are classified as non-current assets. Loans and receivables are classified as loans to a joint venture and an associate, trade and other receivables, cash and bank balances and restricted bank deposits in the balance sheet (notes 2(m) and 2(n)).

(3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of reporting period.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(k) Financial assets (Continued)

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the assets. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in profit or loss, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement when the Group's right to receive payments is established.

(iii) Impairment

(1) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes to the Consolidated Financial Statements

2 Summary of significant accounting policies (Continued)

(k) Financial assets (Continued)

(iii) Impairment (Continued)

(1) Assets carried at amortised cost (Continued)

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(2) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the securities below its cost is also evidence that the assets are impaired. If any such evidence exist the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2 Summary of significant accounting policies (Continued)

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are calculated on a weighted average basis. Net realisable value of bunkers is the expected amount to be realised from use as estimated by the Directors/ management. Net realisable value of other inventories such as resaleable containers, general merchandises, spare parts and consumable stores and marine supplies is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(m) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited in profit or loss.

(n) Cash and bank balances

For the purpose of cash flow statement, cash and bank balances include cash in hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown in short-term borrowings on the balance sheet.

2 Summary of significant accounting policies (Continued)

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses. Provision for an onerous contract is recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil the contract.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period.

2 Summary of significant accounting policies (Continued)

(r) Government subsidies

Subsidies from the government are recognised at their fair value where there is a reasonable assurance that the subsidies will be received and the Group will comply with all attached conditions.

Government subsidies relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government subsidies as compensation for costs already incurred or for immediate financial support, with no future related costs, should be recognised as income in the period in which they are receivable.

Government subsidies relating to property, plant and equipment are included in non-current liabilities as deferred government subsidies and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(s) Employee benefits

(i) Post-retirement and early retirement benefit costs

The Group has both defined benefit and defined contribution plans in a number of territories. The assets of defined contribution plans are generally held in separate trustee-administered funds. The plans are generally funded by payments from employees and the relevant companies in the Group.

Contributions under the defined contribution plans are charged to profit or loss as expense when incurred.

The liability recognised in the balance sheet in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries/management using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement benefit liability. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements.

2 Summary of significant accounting policies (Continued)

(s) Employee benefits (Continued)

(i) Post-retirement and early retirement benefit costs (Continued)

Past-service costs are recognised immediately in income statements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income directly in the period in which they arise.

For defined contribution plans, the Group pays contributions to publicly or privately administered retirement benefit insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Employee early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date as approved by management. The related benefit payments are made from the date of early retirement through the normal retirement date.

(ii) Housing funds

All full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(iii) Housing subsidies

The Group has provided one-off cash housing subsidies based on PRC regulations to those eligible employees who have not been allocated with staff quarters at all or who have not been allocated with quarters up to the prescribed standards before 31 December 1998 when the staff quarter allocation schemes were terminated. The subsidies are determined based on staff member's years of service, position and other criteria. In addition, monthly cash housing allowances should be made to other employees following the withdrawal of allocation of staff quarters regulations, which are recognised as incurred.

The liability recognised in the balance sheet is the present value of the obligation of the one-off housing subsidies at the balance sheet date and the past-service costs are recognised immediately in profit or loss.

2 Summary of significant accounting policies (Continued)

(s) Employee benefits (Continued)

(iv) Share-based payments

The Group regularly entered into equity-settled or cash-settled share-based payment transactions with employees.

(1) Employee services settled in cash

Employee services received in exchange for cash-settled share-based payments, are recognised at the fair value of the liability incurred and are expensed over the vesting period, when consumed or capitalised as assets, which are depreciated or amortised. The liability is remeasured at each balance sheet date to its fair value, with all changes recognised immediately in profit or loss.

(2) Employee services settled in equity instruments

One of the Group's subsidiaries operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the share options of the subsidiary is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium of the subsidiary when the options are exercised.

2 Summary of significant accounting policies (Continued)

(s) Employee benefits (Continued)

(iv) Share-based payments (Continued)

(3) Modification and cancellation

If the terms of an equity-settled award are modified, at a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

If an equity award is cancelled by forfeiture, when the vesting conditions (other than market conditions) have not been met, any expense not yet recognised for that award, as at the date of forfeiture, is treated as if it had never been recognised. At the same time, any expense previously recognised on such cancelled equity awards are reversed from the accounts effective as at the date of forfeiture.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(4) Cash-settled share-based payment transactions

For cash-settled share-based payment transactions, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

The Group recognises the services received, and a liability to pay for those services, as the employees render service. For example, some share appreciation rights vest immediately, and the employees are therefore not required to complete a specified period of service to become entitled to the cash payment. In the absence of evidence to the contrary, the Group presumes that the services rendered by the employees in exchange for the share appreciation rights have been received. Thus, the Group recognises immediately the services received and a liability to pay for them. If the share appreciation rights do not vest until the employees have completed a specified period of service, the Group recognises the services received, and a liability to pay for them, as the employees render service during that period.

The liability shall be measured, initially and at the end of each reporting period until settled, at the fair value of the share appreciation rights, by applying an option pricing model, taking into account the terms and conditions on which the share appreciation rights were granted, and the extent to which the employees have rendered service to date.

2 Summary of significant accounting policies (Continued)

(t) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Summary of significant accounting policies (Continued)

(u) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(v) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(w) Recognition of revenues and income

Revenues comprise the fair value of the consideration received or receivable for merchandise sold or the provision of services in the ordinary course of the Group's activities. Revenues are shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenues when the amount of revenues can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Group recognises revenues and income on the following basis:

(i) Revenues from container shipping

Freight revenues from the operation of international and domestic containerised transportation business are recognised on a percentage-of-completion basis, which is determined on the time proportion method of each individual vessel voyage.

(ii) Revenues from dry bulk shipping

Revenues from time charter of dry bulk shipping are recognised on a straight-line basis over the period of each charter.

Revenues from voyage charter of dry bulk shipping are recognised on a percentage-of-completion basis, which is determined on the time proportion method of each individual voyage.

2 Summary of significant accounting policies (Continued)

(w) Recognition of revenues and income (Continued)

(iii) Revenues from container terminal operations

Revenues from container terminal operations are recognised when the services rendered are complete and the vessel leaves the berth.

(iv) Revenues from lease rental income

Rental income arising from assets leased out under operating leases is recognised on a straight-line basis over the period of each lease.

Revenues on assets leased out under finance leases are allocated to accounting period to give a constant periodic rate of return on the net investment in the lease in each period.

(v) Revenues from freight forwarding and shipping agency

Revenues are recognised when the services are rendered.

For freight forwarding business, it generally coincides with the date of departure for outward freights and the time of transfer of goods to the customers at the designated location for inward freight. For shipping agency services, it generally coincides with the date of departure of the relevant vessels from the port.

Where the Group effectively acts as a principal in arranging transportation of goods for customers, revenue recognised generally includes the carrier's charges to the Group. Where the Group effectively acts as an agent for the customers, revenue recognised comprises fees for services provided by the Group.

(vi) Revenues from sale of resaleable containers

Revenues from sale of resaleable containers are recognised on the transfer of risks and rewards of ownership, which generally coincides with the times when the resaleable containers are delivered to customers and title has passed. Direct costs relating to the lifting and storage of resaleable containers for sale are expensed as incurred.

(vii) Revenues from sale of merchandises

Revenues from the sale of merchandises are recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the merchandises and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the merchandises sold.

(viii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2 Summary of significant accounting policies (Continued)

(w) Recognition of revenues and income (Continued)

(ix) Dividend income

Dividend income is recognised when the right to receive payment is established.

(x) Other service income

Other service income is recognised when the services are rendered.

(x) Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's equity holders or Directors, where appropriate.

(y) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are charged to profit or loss in the year in which they are incurred.

(z) Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair value, and subsequently measured at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount required to be settled by the guarantor in respect of the financial guarantee contracts at the balance sheet date.

(aa) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

3 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including market freight rate risk, foreign exchange risk, interest rate risk and bunker price risk), credit and counterparty risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to mitigate certain risk exposures.

The Group's Risk Management Committee identifies the financial risks associated with the Group. The Risk Management Committee reviews the controls and procedures for managing the risks identified. The risk management controls and procedures are carried out by respective operating units under the risk management policies as approved by the Board of Directors.

(i) Market risk

(1) Market freight rate risk

The freight rates of the Group's shipping businesses are very sensitive to economic fluctuations. The Group's revenues from operations of container shipping may be impacted if freight rates will have any significant changes.

(2) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various non-functional currencies. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The actual foreign exchange risk faced by the Group therefore primarily with respect to non-functional currency bank balances, receivable and payable balances and bank borrowings (collectively "Non-Functional Currency Items").

Management monitors foreign exchange exposure and will consider hedging certain foreign currency exposure by using foreign exchange forward contracts when the need arises.

As at 31 December 2016, with all other variables held constant, if Non-Functional Currency Items had strengthened/weakened by 5%, the Group's net loss for the year would have increased/decreased by approximately RMB162,548,000 (2015: RMB548,826,000) and the equity as at 31 December 2016 would have decreased/increased by approximately RMB162,548,000 (2015: RMB548,826,000) respectively as a result of the translation of those Non-Functional Currency Items.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(3) Cash flow and fair value interest rate risk

Other than the deposits placed with banks and financial institutions, and loans to joint ventures and an associate (collectively the "Interest Bearing Assets"), the Group has no other significant interest bearing assets.

The Group's interest rate risk also arises from borrowings and certain balances payable to related parties (collectively the "Interest Bearing Liabilities"). Interest Bearing Assets and Interest Bearing Liabilities are primarily issued at variable rates which therefore expose the Group to cash flow interest rate risk.

As at 31 December 2016, with all other variables held constant, if the interest rate had increased/decreased by 50 basis points, the corresponding increase/decrease in net finance cost would have resulted in an increase/a decrease in the Group's net loss for the year by approximately RMB89,188,000 (2015: RMB215,627,000) and the equity as at 31 December 2016 would have decreased/increased by RMB89,188,000 (2015: RMB215,627,000).

Management monitors the capital market conditions and where appropriate, interest rate swap contracts with financial institutions will be used to achieve optimum ratio between fixed and floating rates borrowings.

(4) Bunker price risk

The Group is also exposed to fluctuations in bunker prices. Bunker cost is part of the voyage expenses and is a significant cost item to the Group. Management monitors the market conditions and bunker price fluctuations and where appropriate, bunker forward contracts are used to lock up the price of part of the Group's bunker requirements.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit and counterparty risk

The credit and counterparty risk mainly arises from deposits placed with banks and financial institutions, available-for-sale financial assets transacted with banks and financial institutions through brokers, loans to joint ventures and an associate, trade and other receivables and down payment to shipyards.

The Group has limited its credit exposure by restricting their selection of financial institutions on those state-owned PRC banks, overseas banks with good credit rating, and the associate, a state-owned financial institution with high credit rating.

The trade customers (including related parties), joint venture, associate and shipping companies are assessed and rated based on their credit quality, taking into account their financial position, past experience and other factors. Individual risk limits are set by management of the respective operating units.

The Group reviews the creditworthiness of the shipyards and considers obtaining refund guarantees from the shipyards if necessary. In addition, the Group monitors the construction progress and the financial positions of the shipyards on a regular basis.

Management does not expect any significant losses from non-performance by these relevant parties.

(iii) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due. The Group's cash management policy is to regularly monitor its current and expected liquidity positions to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all time so that the Group can meet its short-term and long-term funding requirements.

Management monitors rolling forecasts of the Group's liquidity reserve and cash and bank balances on the basis of expected cash flows. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

The Directors of the Company has reviewed the prevailing environment and believed that based on the Group's available unused banking facilities in excess of RMB9,838,535,000 and its cash and bank balances of RMB32,188,572,000 as at 31 December 2016, the Group has sufficient financial resources to satisfy its working capital requirements and payments of liabilities and its forthcoming future capital commitments as and when they fall due.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2016				
Bank and other borrowings	**11,741,717**	**16,079,541**	**19,236,500**	**17,228,851**
Trade and other payables (excluding advance from customers) (note 24)	**22,482,863**	**—**	**—**	**—**
As at 31 December 2015 (Restated)				
Bank and other borrowings	12,999,283	16,969,187	39,898,350	24,970,031
Trade and other payables (excluding advance from customers) (note 24)	17,662,331	—	—	—

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders/equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the net debt to total equity (capital and reserves attributable to equity holders of the Company and non-controlling interests) ratio and the compliance of covenants of its borrowings. Net debt is calculated as total borrowings less cash and bank balances. The Group aims to maintain a manageable net debt to equity ratio. As at 31 December 2016, the net debt to equity ratio is summarised as follows:

	2016 **RMB'000**	2015 RMB'000 (Restated)
Long-term borrowings (note 22)	**54,130,058**	83,516,419
Short-term borrowings (note 25)	**3,246,917**	2,955,191
Total borrowings	**57,376,975**	86,471,610
Less: Cash and bank balances (note 17)	**(32,188,572)**	(33,897,143)
Net debt	**25,188,403**	52,574,467
Total equity	**37,548,869**	53,171,075
Net debt to total equity ratio	**67.1%**	98.9%

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

(c) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

The following table presents the Group's assets that are measured at fair value as at 31 December 2016.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets (note 14)	**466,336**	**–**	**1,196,334**	**1,662,670**

The following table presents the Group's assets that are measured at fair value as at 31 December 2015.

(Restated)	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Available-for-sale financial assets (note 14)	821,328	–	1,963,595	2,784,923

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regular occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily listed equity investments classified as available-for-sale financial assets.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

– Quoted market prices or dealer quotes for similar instruments.

– Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Notes to the Consolidated Financial Statements

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

Movements of available-for-sale financial assets classified as level 3 recognised in the consolidated balance sheets are as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
As at 1 January	**1,963,595**	2,182,075
Additions	**190,000**	962,000
Disposals	**(304,700)**	(1,179,886)
Disposals of subsidiaries	**(652,557)**	—
Currency translation differences	**(4)**	(594)
As at 31 December	**1,196,334**	1,963,595

As at 31 December 2016, description of the valuation techniques and the inputs used in the fair value measurement in level 3 include:

– The fair value of financial investments in wealth management products are determined by using discounted cash flow method.

– The fair value of investments in unlisted property management companies and a hotel are determined using valuation techniques (including asset-based approach and market comparable approach). The inputs are mainly prices per square metre.

– The fair value of other unlisted available-for-sale financial assets is determined by reference to valuation report or the valuation performed by management using valuation techniques (including price/earnings multiple method and direct market quote). The inputs are mainly price/earnings multiples. Discount rates ranging from 20% to 30% are applied to compute the fair value on top of market price/earnings multiples.

Financial assets and liabilities approximate their carrying amounts including: trade and other receivables, cash and bank balances, restricted bank deposits, finance lease receivables, trade and other payables, other long term liabilities and borrowings.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Notes to the Consolidated Financial Statements

4 Critical accounting estimates and judgements (Continued)

(i) Estimated impairment of container vessels

The Group's major operating assets represent container vessels. At each period-end date or whenever a change in circumstances occurs, both internal and external sources of information are considered to assess whether there is an indication that the containers vessels are impaired. If such an indication exists, the recoverable amounts of container vessels are estimated using the higher of either (a) fair value less costs to sell or (b) value-in-use calculations as appropriate. If the carrying amounts of container vessels exceed their recoverable amounts, an impairment loss is recognised to reduce the container vessels to their recoverable amounts.

As at 31 December 2016, the Group owned and/or finance leased container vessels totaling RMB27,850 milion. Losses incurred by the container shipping business due to slowdown in demand and oversupply of capacity, together with the challenging future market conditions are considered by management as indicators of impairment and accordingly, an impairment assessment on the recoverable amounts of the container vessels was performed by management. The fair values less cost to sell of container vessels were determined by management based on market transactions at the balance sheet date which were lower than the recoverable amounts determined based on value-in-use calculations. The value-in-use calculations involved significant management judgement and assumptions in particular forecast freight rates, freight volumes, cost inflation rates and discount rates. Changes in any or all of the significant management assumptions could caused a material change in the results of the impairment assessment.

(ii) Estimated useful lives and residual values of container vessels

The Group's major operating assets represent container vessels. Management estimates useful lives of the container vessels by reference to the Group's business model, its assets management policy, the industry practice, expected usage of the vessels, expected repair and maintenance, and technical or commercial obsolescence arising from changes or improvements in the vessel market.

Management determines the estimated residual value for its container vessels by reference to all relevant factors (including the use of the current scrap values of steels in an active market) at each measurement date. The depreciation expense will change where the useful lives or residual value of container vessels are different from the previous estimate.

During the year ended 31 December 2016, management re-assessed the residual values of container vessels. Management concluded that the residual value for container vessels should be revised downward referring to the expected scrap value of steel in an active market to reflect more fairly the residual value of these assets. This change in accounting estimates has been accounted for prospectively with the effect from 1 October 2016. The net book value of container vessels as at 31 December 2016 has been decreased and the loss before income tax for the year ended 31 December 2016 has been increased by the same amount of approximately RMB14,035,000 by way of an increase in depreciation expenses for the year as a result of such change.

Had the useful lives been extended/shortened by 10% from management's estimates as at 31 December 2016 with all other variables held constant, the estimated depreciation expenses of container vessels for the year would have been decreased by RMB146,848,000 (2015:RMB126,751,000)or increased by RMB203,155,000 (2015: RMB162,553,000)for the year ended 31 December 2016.

Had the residual values been increased/decreased by 10% from management's estimates as at 31 December 2016 with all other variables held constant, the estimated depreciation expenses of container vessels for the year would have been decreased or increased by RMB19,220,000 (2015: RMB27,328,000) for the year ended 31 December 2016.

Changes in management's estimate of useful lives and residual values of container vessels could caused a material change in the depreciation expenses for the year.

Notes to the Consolidated Financial Statements

4 Critical accounting estimates and judgements (Continued)

(iii) Recognition of container shipping revenue and costs for vessel voyages in progress at year end

Freight revenues from container shipping are recognised on a percentage-of-completion basis, which is determined based on the time proportion method of each individual vessel voyage. For voyages in progress as at end of reporting period, revenues are estimated based on the proportion of voyage days already completed as at end of reporting period over the total estimated voyage days of each voyage. If the total estimated voyage days were different from the estimate, this would have an impact on the freight revenues in the following reporting period.

Invoices for voyage expenses are normally received several months after the transaction. For voyages completed or in progress as at end of reporting period, voyage expenses are estimated based on the latest quotation and voyage statistics obtained from vendors. If the actual voyage expenses were different from the estimate, this would have an impact on the voyage expenses in the following reporting period.

Had the freight revenue from voyages in progress at year end been decreased/increased by 10% from management's estimates for the year ended 31 December 2016, the revenue would have been RMB232,162,000 (2015: RMB110,077,000) lower or higher in the future periods.

Had the actual expenses of the voyages in progress at year end been decreased/increased by 10% from management's estimates for the year ended 31 December 2016, the voyage expenses would have been RMB147,064,000 (2015: RMB69,726,000) lower or higher in the future periods.

Changes in management's estimate of container shipping revenue and costs for vessel voyages in progress at year end could caused a material change in the revenue and voyage expenses recognised in the future periods.

(iv) Control over COSCO SHIPPING Ports Limited ("COSCO SHIPPING Ports")

During the year ended 31 December 2016, the Group' s equity interest in COSCO SHIPPING Ports, a non-wholly owned subsidiary of the Company, increased from 44.83% to 46.72%.

The Group remains as the single largest shareholder of COSCO SHIPPING Ports.

Management has exercised its critical judgement when determining whether the Group has control over COSCO SHIPPING Ports by considering the following:

(a) the Group has effective control of the board of COSCO SHIPPING Ports ;

(b) the Group has consistently and regularly held a majority of the voting rights exercised at COSCO SHIPPING Ports' shareholders' meetings and no other single shareholder directly or indirectly controls more voting rights than the Group; and

(c) the shareholding of other minority shareholders is dispersed, and the chance of all other shareholders getting together to vote against the Group is remote based on the historical records.

Based on management' s assessment, it is concluded that the Group has obtained control over COSCO SHIPPING Ports and the Group' s 46.72% equity interest in COSCO SHIPPING Ports is accounted for and consolidated into the consolidated financial statements as a subsidiary.

Notes to the Consolidated Financial Statements

4 Critical accounting estimates and judgements (Continued)

(v) Income taxes, business taxes, value-added taxes and withholding taxes

The Group is subject to income taxes, business taxes, value-added taxes and withholding taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes, business taxes, value-added taxes and withholding taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of overseas subsidiaries to be repatriated and distributed by way of dividends as the Directors consider that the timing of the reversal of the related temporary differences can be controlled or such profits will not be distributed and such temporary differences will not be reversed in the foreseeable future (note 15).

If those undistributed earnings of the overseas subsidiaries had been repatriated and distributed by way of dividends, the deferred income tax charge for the year and deferred income tax liabilities as at 31 December 2016 would have been increased by the same amount of RMB3,786,117,000 (2015: RMB3,623,968,000).

Recognition of deferred tax assets, which principally relate to temporary differences, depend on the management's expectation of the timing of reversal and the taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation or reversal may be different (note 15).

(vi) Impairment of trade and other receivables

The impairment of trade and other receivables is primarily assessed based on prior experience by taking into account the past due status, the financial position of debtors and the guarantees obtained for the outstanding debts. Should there be any change in the assumptions and estimates, revisions to the provision for impairment of trade and other receivables would be required.

(vii) Provision for claims

Management estimates the provision for claims mainly based on the status of the claims, the advice of legal counsel, the recoverable amounts from insurance companies and other available information. Should there be any change in the assumptions and estimates, revisions to the provision for claims would be required.

Notes to the Consolidated Financial Statements

5 Revenues and segment information

Operating segments

The chief operating decision-maker has been identified as the executive directors of the Group. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and analysed from a business perspective:

– Container shipping and related business

– Dry bulk shipping and related business (discontinued operations)

– Container terminal and related business

– Container leasing, management, sale and related business (discontinued operations)

– Corporate and other operations that primarily comprise investment holding, management services and financing

Segment assets are those operating assets that are employed by a segment in its operating activities. They exclude joint ventures, associates, loans to joint ventures and an associate, available-for-sale financial assets not related to the segment and unallocated assets. Segment liabilities are these operating liabilities that result from the operating activities of a segment.

Unallocated assets consist of deferred income tax assets. Unallocated liabilities consist of tax payables and deferred income tax liabilities.

Addition to non-current assets comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, investments in joint ventures and associates and other non-current assets (excluding finance lease receivables), including additions resulting from acquisitions through business combinations.

Notes to the Consolidated Financial Statements

5 Revenues and segment information (Continued)

Operating segments (Continued)

	Year ended 31 December 2016							
	Continuing operations					Discontinued operations		
	Container shipping and related business (#) RMB'000	Container terminal and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000	Dry bulk shipping and related business (#) RMB'000	Container leasing, management, sale and related business RMB'000	Total RMB'000
Income statement								
Total revenues	66,569,030	3,762,678	4,576	(503,120)	69,833,164	1,117,222	477,276	1,594,498
Comprising:								
– Inter-segment revenues	454	502,666	–	(503,120)	–	–	–	–
– Revenues (from external customers)	66,568,576	3,260,012	4,576	–	69,833,164	1,117,222	477,276	1,594,498
Segment (loss)/profit	(6,141,658)	1,495,297	(394,588)	–	(5,040,949)	(555,897)	82,591	(473,306)
Finance income					499,728			11,693
Finance costs					(1,912,878)			(183,503)
Net related exchange loss					(401,579)			(62,204)
Share of profits less losses of								
– joint ventures	21,152	744,289	–	–	765,441			5,233
– associates	11,307	585,445	37,415	–	634,167			(17)
Loss before income tax					(5,456,070)			(702,104)
Income tax expenses					(506,439)			(6,357)
Loss for the year					(5,962,509)			(708,461)
Loss on disposals of subsidiaries								(2,430,262)
Loss for the year from discontinued operations								(3,138,723)
Loss on disposals of property plant and equipment, net	1,024,742	2,178	346	–	1,027,266	–	–	–
Depreciation and amortisation	1,554,521	658,366	7,663	–	2,220,550	266,334	227,362	493,696
(Reversal of provision)/provision for impairment of trade and other receivables, net	(24,867)	1,936	–	–	(22,931)	6,393	509	6,902
Impairment loss on available-for-sale financial assets	–	131,484	–	–	131,484	–	–	–
Amortised amount of transaction costs on long-term borrowings	28,206	12,237	12,000	–	52,443	829	–	829
Additions to non-current assets	2,196,717	1,109,408	25,219	–	3,331,344	38,205	2,082,108	2,120,313

(#) Revenues for container shipping and related business and dry bulk shipping and related business include respective crew service income and other related income.

5 Revenues and segment information (Continued)

Operating segments (Continued)

	Year ended 31 December 2015 (Restated)							
	Continuing operations					Discontinued operations		
	Container shipping and related business [#] RMB'000	Container terminal and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000	Dry bulk shipping and related business [#] RMB'000	Container leasing, management, sale and related business RMB'000	Total RMB'000
Income statement								
Total revenues	52,051,186	3,495,356	20,728	(418,973)	55,148,297	9,008,258	1,966,876	10,975,134
Comprising:								
– Inter-segment revenues	703	418,270	–	(418,973)	–	–	–	–
– Revenues (from external customers)	52,050,483	3,077,086	20,728	–	55,148,297	9,008,258	1,966,876	10,975,134
Segment profit/(loss)	782,065	1,451,352	(501,900)	–	1,731,517	1,213,971	668,773	1,882,744
Finance income					801,948			155,382
Finance costs					(1,860,813)			(1,073,337)
Net related exchange loss					(486,776)			(492,466)
Share of profits less losses of								
– joint ventures	25,921	736,057	–	–	761,978			36,769
– associates	13,329	641,295	139,618	–	794,242			16,569
Profit before income tax					1,742,096			525,661
Income tax expenses					(530,884)			(21,442)
Profit for the year					1,211,212			504,219
Discontinued operations-reversal of provision								493,173
Profit for the year from discontinued operations								997,392
Loss/(gain) on disposals of property plant and equipment	352,782	(1,358)	–	–	351,424	91,002	(6,723)	84,279
Depreciation and amortisation	1,602,482	611,624	11,648	–	2,225,754	1,286,129	777,610	2,063,739
(Reversal of provision)/provision for impairment of trade and other receivables, net	(30,080)	569	–	–	(29,511)	19,619	1,844	21,463
Reversal for provision for litigation	–	–	–	–	–	33,643	–	33,643
Impairment loss on available-for-sale financial assets	–	–	–	–	–	3,532	–	3,532
Amortised amount of transaction costs on long-term borrowings	28,802	10,878	12,000	–	51,680	2,044	17,942	19,986
Additions to non-current assets	1,081,168	639,493	4,969	–	1,725,630	4,279,938	1,275,941	5,555,879

[#] Revenues for container shipping and related business and dry bulk shipping and related business include respective crew service income and other related income.

Notes to the Consolidated Financial Statements

5 Revenues and segment information (Continued)

Operating segments (Continued)

	As at 31 December 2016				
	Container shipping and related business RMB'000	Container terminal and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Balance sheet					
Segment assets	64,488,910	19,591,715	23,334,848	(11,156,892)	96,258,581
Joint ventures	331,831	9,774,538	–	–	10,106,369
Associates	125,685	9,752,277	446,223	–	10,324,185
Loans to joint ventures and an associate	–	1,215,244	–	–	1,215,244
Available-for-sale financial assets	573,987	1,088,683	–	–	1,662,670
Unallocated assets					85,684
Total assets					119,652,733
Segment liabilities	57,635,980	8,430,273	21,813,934	(7,211,167)	80,669,020
Unallocated liabilities					1,434,844
Total liabilities					82,103,864

	As at 31 December 2015 (Restated)						
	Container shipping and related business RMB'000	Dry bulk shipping and related business RMB'000	Container terminal and related business RMB'000	Container leasing, management, sale and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Balance sheet							
Segment assets	55,756,704	36,457,783	19,180,624	13,928,813	25,170,405	(14,635,453)	135,858,876
Joint ventures	301,011	616,700	9,176,782	–	–	–	10,094,493
Associates	47,589	1,252,119	8,931,784	–	819,469	–	11,050,961
Loans to joint ventures and an associate	–	–	574,791	–	–	–	574,791
Available-for-sale financial assets	574,326	825,081	1,115,516	–	270,000	–	2,784,923
Unallocated assets							129,454
Total assets							160,493,498
Segment liabilities	47,858,374	33,415,578	7,579,346	4,375,299	21,026,740	(8,304,050)	105,951,287
Unallocated liabilities							1,371,136
Total liabilities							107,322,423

5 Revenues and segment information (Continued)

Geographical information

(a) Revenues

The Group's businesses are managed on a worldwide basis. The revenues generated from the world's major trade lanes for container shipping business mainly include Trans-Pacific, Asia-Europe, Intra-Asia, PRC coastal, Trans-Atlantic and others which are reported as follows:

Geographical	Trade lanes
America	Trans-Pacific
Europe	Asia-Europe (including Mediterranean)
Asia Pacific	Intra-Asia (including Australia)
China domestic	PRC coastal
Other international market	Trans-Atlantic and others

The revenues generated from provision of dry bulk shipping business services are classified into international shipping and PRC coastal shipping only.

For the geographical information, freight revenues from container shipping and dry bulk shipping are analysed based on the outbound cargoes or goods transport to each geographical territory.

In respect of container terminals operations, corporate and other operations, revenues are based on the geographical locations in which the business operations are located.

In respect of container leasing, the movements of containers under operating leases or finance leases are known through reports from the lessees but the Group is not able to control the movements of containers except to the degree that the movements are restricted by the terms of the leases or where safety of the containers is concerned. It is therefore impracticable to present financial information by geographical area and thus the revenues of which are presented as unallocated revenues.

Notes to the Consolidated Financial Statements

5 Revenues and segment information (Continued)

Geographical information (Continued)

(a) Revenues (Continued)

	2016 RMB'000		
	Total revenue	Inter-segment revenue	External revenue
Continuing operations			
Container shipping and related business			
– America	17,477,804	–	17,477,804
– Europe	15,064,253	–	15,064,253
– Asia Pacific	11,186,567	11	11,186,556
– China domestic	17,701,930	443	17,701,487
– Other international market	5,138,476	–	5,138,476
Container shipping and related business (note a)	66,569,030	454	66,568,576
Container terminal and related business, corporate and other operations			
– Europe	1,176,694	–	1,176,694
– China domestic	2,590,560	502,666	2,087,894
Container terminal and related business, corporate and other operations	3,767,254	502,666	3,264,588
Total	70,336,284	503,120	69,833,164
Discontinued operations			
Dry bulk shipping and related business			
– International shipping	906,163	–	906,163
– PRC coastal shipping	211,059	–	211,059
Dry bulk shipping and related business	1,117,222	–	1,117,222
Container leasing and related business, corporate and other operations	477,276	–	477,276
Total	1,594,498	–	1,594,498

Notes to the Consolidated Financial Statements

5 Revenues and segment information (Continued)

Geographical information (Continued)

(a) Revenues (Continued)

	2015 RMB'000 (Restated)		
	Total revenue	Inter-segment revenue	External revenue
Continuing operations			
Container shipping and related business			
– America	15,520,873	92	15,520,781
– Europe	10,216,058	—	10,216,058
– Asia Pacific	9,226,299	—	9,226,299
– China domestic	14,075,839	611	14,075,228
– Other international market	3,012,117	—	3,012,117
Container shipping and related business (note a)	52,051,186	703	52,050,483
Container terminal and related business, corporate and other operations			
– Europe	993,850	—	993,850
– China domestic	2,522,234	418,270	2,103,964
Container terminal and related business, corporate and other operations	3,516,084	418,270	3,097,814
Total	55,567,270	418,973	55,148,297
Discontinued operations			
Dry bulk shipping and related business			
– International shipping	7,471,143	—	7,471,143
– PRC coastal shipping	1,537,115	—	1,537,115
Dry bulk shipping and related business	9,008,258	—	9,008,258
Container leasing and related business, corporate and other operations	1,966,876	—	1,966,876
Total	10,975,134	—	10,975,134

Notes:

(a) Revenue from container shipping under time charterhire agreements was RMB35,079,000 for the year ended 31 December 2016 (2015: RMB72,610,000).

Notes to the Consolidated Financial Statements

5 Revenues and segment information (Continued)

Geographical information (Continued)

(b) Non-current assets

The Group's non-current assets, other than financial instruments and deferred income tax assets ("Geographical Non-Current Assets"), consist of its property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, joint ventures, associates and other non-current assets (excluding finance lease receivables).

The container vessels, dry bulk vessels and containers (included in property, plant and equipment) are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, it is impractical to present the locations of the container vessels, dry bulk vessels and containers by geographical areas and thus the container vessels, dry bulk vessels, containers and vessels under construction are presented as unallocated non-current assets.

In respect of the remaining Geographical Non-Current Assets, they are presented based on the geographical locations in which the business operations/assets are located.

	As at 31 December 2016 RMB'000	As at 31 December 2015 RMB'000 (Restated)
China domestic	**29,813,152**	28,731,220
Non-China domestic	**11,208,365**	13,455,861
Unallocated	**30,305,153**	68,015,280
Total	**71,326,670**	110,202,361

Notes to the Consolidated Financial Statements

6 Property, plant and equipment

	Leasehold land and buildings RMB'000	Container vessels RMB'000	Dry bulk vessels RMB'000	Containers RMB'000	Trucks, chassis and motor vehicles RMB'000	Computer and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Cost								
As at 1 January 2016	12,039,500	38,035,520	42,411,394	15,441,879	765,333	7,351,011	5,032,568	121,077,205
Currency translation differences	45,780	1,809,241	209,282	(85,125)	492	53,743	148,345	2,181,758
Reclassification between categories and transfer to investment properties and intangible assets	1,002,484	592,582	–	–	(8)	171,907	(1,803,257)	(36,292)
Additions	33,823	–	23,593	2,089,904	16,349	638,518	2,288,605	5,090,792
Disposal of subsidiaries	(622,737)	–	(42,644,269)	(17,343,558)	(99,744)	(248,072)	(819,988)	(61,778,368)
Disposals/write-off	(811)	(4,689,517)	–	(103,100)	(110,489)	(140,553)	–	(5,044,470)
As at 31 December 2016	12,498,039	35,747,826	–	–	571,933	7,826,554	4,846,273	61,490,625
Accumulated depreciation and impairment								
As at 1 January 2016	1,903,998	9,548,539	16,334,896	3,894,319	454,372	2,721,786	–	34,857,910
Currency translation differences	22,185	332,408	56,152	(5,801)	1,473	20,932	–	427,349
Depreciation charge for the year	366,726	1,348,024	258,714	223,008	35,481	371,865	–	2,603,818
Disposal of subsidiaries	(242,156)	–	(16,649,762)	(4,080,713)	(93,183)	(200,993)	–	(21,266,807)
Disposals/write-off	(207)	(3,331,202)	–	(30,813)	(91,656)	(103,831)	–	(3,557,709)
As at 31 December 2016	2,050,546	7,897,769	–	–	306,487	2,809,759	–	13,064,561
Net book value								
As at 31 December 2016	10,447,493	27,850,057	–	–	265,446	5,016,795	4,846,273	48,426,064

Notes to the Consolidated Financial Statements

6 Property, plant and equipment (Continued)

	Leasehold land and buildings RMB'000	Container vessels RMB'000	Dry bulk vessels RMB'000	Containers RMB'000	Trucks, chassis and motor vehicles RMB'000	Computer and office equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Cost								
As at 1 January 2015(Restated)	12,235,178	38,062,681	40,250,561	13,437,116	648,715	7,126,008	4,223,358	115,983,617
Currency translation differences	(35,452)	1,529,071	1,430,856	865,231	1,010	(46,134)	71,631	3,816,213
Reclassification between categories and transfer to investment properties and intangible assets	196,735	–	1,050,005	–	100	190,221	(1,492,094)	(55,033)
Additions	56,157	65,106	3,065,937	1,275,690	186,855	188,792	2,510,706	7,349,243
Disposal of a subsidiary	(211,393)	–	–	–	(2,170)	(31,231)	–	(244,794)
Disposals/write-off	(201,725)	(1,621,338)	(3,385,965)	(38,322)	(69,177)	(76,645)	(281,033)	(5,674,205)
Transfer to inventories	–	–	–	(97,836)	–	–	–	(97,836)
As at 31 December 2015(Restated)	12,039,500	38,035,520	42,411,394	15,441,879	765,333	7,351,011	5,032,568	121,077,205
Accumulated depreciation and impairment								
As at 1 January 2015(Restated)	1,754,499	9,055,735	17,443,486	2,997,329	423,053	2,422,748	–	34,096,850
Currency translation differences	(9,497)	240,354	516,132	210,763	1,355	2,693	–	961,800
Depreciation charge for the year	324,775	1,352,562	1,246,668	768,925	100,321	384,291	–	4,177,542
Disposal of a subsidiary	(85,778)	–	–	–	(1,880)	(21,012)	–	(108,670)
Disposals/write-off	(80,001)	(1,100,112)	(2,871,390)	(22,938)	(68,477)	(66,934)	–	(4,209,852)
Transfer to inventories	–	–	–	(59,760)	–	–	–	(59,760)
As at 31 December 2015(Restated)	1,903,998	9,548,539	16,334,896	3,894,319	454,372	2,721,786	–	34,857,910
Net book value								
As at 31 December 2015(Restated)	10,135,502	28,486,981	26,076,498	11,547,560	310,961	4,629,225	5,032,568	86,219,295

Notes to the Consolidated Financial Statements

6 Property, plant and equipment (Continued)

Notes:

(a) The aggregate cost, accumulated depreciation and impairment of the leased assets, where the Group is the lessor/charterer under the operating lease/time charter arrangements, are set out below:

	Container vessels RMB'000	Dry bulk vessels RMB'000	Containers RMB'000	Total RMB'000
As at 31 December 2016				
Cost	**222,836**	**–**	**–**	**222,836**
Accumulated depreciation and impairment	**(138,329)**	**–**	**–**	**(138,329)**
	84,507	**–**	**–**	**84,507**
As at 31 December 2015 (Restated)				
Cost	434,852	16,607,457	9,198,983	26,241,292
Accumulated depreciation and impairment	(249,374)	(8,007,962)	(2,973,309)	(11,230,645)
	185,478	8,599,495	6,225,674	15,010,647

(b) As at 31 December 2016, container vessels and dry bulk vessels with aggregate net book values of RMB21,880,610,000 and Nil (2015: RMB20,776,276,000 and RMB14,370,471,000) respectively were pledged as security for loan facilities granted by banks (note 22(h) (i)).

(c) As at 31 December 2016, certain property, plant and equipment with net book value of RMB720,950,000 (2015: RMB375,067,000) were pledged as security for long-term bank loans (note 22(h) (i)).

(d) In 2006, the Group entered into agreements for finance lease. Two vessels with net book values of approximately RMB605,857,000 as at 31 December 2016 (2015: approximately RMB593,684,000) are accounted for as property, plant and equipment (note 22(h) (ii)).

As at 31 December 2016, the balance of approximately RMB191,565,000 (2015: approximately RMB215,743,000) in respect of such finance lease arrangements was included in bank loans under long-term borrowings (note 22).

(e) During the year, interest expenses of RMB104,035,000 (2015: RMB54,835,000) were capitalised in vessel costs during the vessel construction period (note 28).

(f) The accumulated impairment losses of property, plant and equipment as at 31 December 2016 amounted to RMB27,669,000 (2015: RMB294,443,000).

Notes to the Consolidated Financial Statements

7 Investment properties

	2016 RMB'000	2015 RMB'000 (Restated)
Cost	**451,292**	712,365
Accumulated depreciation	**(137,713)**	(233,837)
Net book value as at 1 January	**313,579**	478,528
Currency translation differences	**14,623**	(7,056)
Additions	**5,306**	10,434
Reclassification from/(to) property, plant and equipment (note 6)	**27,651**	(5,147)
Disposal	**(373)**	(148,317)
Disposal of subsidiaries	**(157,075)**	—
Depreciation	**(8,467)**	(14,863)
Net book value as at 31 December	**195,244**	313,579
Cost	**279,147**	451,292
Accumulated depreciation	**(83,903)**	(137,713)
Net book value as at 31 December	**195,244**	313,579

The fair value of the investment properties as at 31 December 2016 was RMB 651,418,000 (2015: RMB1,728,180,000). The fair value is estimated by management or independent professional property valuers. The valuations are derived using direct comparison method, discounted cash flow method and income capitalisation method respectively. Discounted cash flow method is based on net present value of estimated income stream by adopting an appropriate discount rate which reflects the risk profile and net operating income growth rate. Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. Income capitalisation method is based on the capitalisation of the net rental income derived from the existing leases and/or achievable in existing market with reversionary income potential by adopting appropriate capitalisation rates. Capitalisation is estimated by valuer based on the risk profile of the properties being valued.

Notes to the Consolidated Financial Statements

8 Leasehold land and land use rights

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values, are analysed as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
Cost	**2,190,665**	2,235,862
Accumulated amortisation	**(324,362)**	(288,801)
Net book value as at 1 January	**1,866,303**	1,947,061
Currency translation differences	**(144)**	(636)
Additions	**—**	18,659
Reclassification to investment properties	**(349)**	—
Disposal	**(19)**	(1,207)
Disposal of subsidiaries	**(150,749)**	(49,012)
Amortisation	**(43,781)**	(48,562)
Net book value as at 31 December	**1,671,261**	1,866,303
Cost	**2,003,011**	2,190,665
Accumulated amortisation	**(331,750)**	(324,362)
Net book value as at 31 December	**1,671,261**	1,866,303

Notes to the Consolidated Financial Statements

9 Intangible assets

	Computer software RMB'000	Goodwill RMB'000	Total RMB'000
Cost	**859,103**	**2,809**	**861,912**
Accumulated depreciation and impairment	**(695,401)**	**—**	**(695,401)**
Net book value as at 1 January 2016	**163,702**	**2,809**	**166,511**
Currency translation differences	**991**	**—**	**991**
Additions	**34,090**	**—**	**34,090**
Disposals	**(479)**	**—**	**(479)**
Disposal of subsidiaries	**(18,330)**	**—**	**(18,330)**
Amortisation	**(47,473)**	**—**	**(47,473)**
Reclassification from property, plant and equipment (note 6)	**8,990**	**—**	**8,990**
Acquisition of subsidiaries	**—**	**12,736**	**12,736**
Net book value as at 31 December 2016	**141,491**	**15,545**	**157,036**
Cost	**884,365**	**15,545**	**899,910**
Accumulated amortisation	**(742,874)**	**—**	**(742,874)**
Net book value as at 31 December 2016	**141,491**	**15,545**	**157,036**

	Computer software RMB'000	Goodwill RMB'000	Total RMB'000
Cost (restated)	763,967	2,809	766,776
Accumulated depreciation and impairment (restated)	(650,984)	—	(650,984)
Net book value as at 1 January 2015 (restated)	112,983	2,809	115,792
Currency translation differences	(234)	—	(234)
Additions	27,857	—	27,857
Disposals	(314)	—	(314)
Disposal of a subsidiary	(13)	—	(13)
Amortisation	(36,756)	—	(36,756)
Reclassification from property, plant and equipment (note 6)	60,179	—	60,179
Net book value as at 31 December 2015 (restated)	163,702	2,809	166,511
Cost	859,103	2,809	861,912
Accumulated amortisation	(695,401)	—	(695,401)
Net book value as at 31 December 2015 (restated)	163,702	2,809	166,511

Notes to the Consolidated Financial Statements

10 Subsidiaries

(a) Details of the principal subsidiaries that impose material influence on either the financial position or the financial performance of the Group as at 31 December 2016 are shown in note 41(a).

(b) Material non-controlling interests

The total non-controlling interest for the year is RMB19,225,573,000, of which RMB18,896,823,000 is for COSCO SHIPPING Ports.

Set out below are summarised financial information for COSCO SHIPPING Ports.

Summarised balance sheet

	COSCO SHIPPING Ports	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Current		
Assets	**6,905,838**	7,956,816
Liabilities	**(5,798,938)**	(4,333,413)
Total current net assets	**1,106,900**	3,623,403
Non-current		
Assets	**40,171,806**	49,580,667
Liabilities	**(8,218,325)**	(12,508,186)
Total non-current net assets	**31,953,481**	37,072,481
Net assets	**33,060,381**	40,695,884

Notes to the Consolidated Financial Statements

10 Subsidiaries (Continued)

(b) Material non-controlling interests (Continued)

Summarised income statement

	COSCO SHIPPING Ports	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Revenue	**3,694,685**	3,428,237
Profit before income tax from continuing operations	**1,710,668**	2,075,608
Income tax expense	**(319,878)**	(264,425)
Post-tax profit from continuing operations	**1,390,790**	1,811,183
Post-tax profit from discontinued operations	**441,914**	1,021,992
Other comprehensive loss	**(1,291,733)**	(1,489,238)
Total comprehensive income attributable to equity holders	**540,971**	1,343,937
Total comprehensive income attributable to non-controlling interests	**288,229**	745,347
Dividends paid to non-controlling interests	**72,615**	70,401

Notes to the Consolidated Financial Statements

10 Subsidiaries (Continued)

(b) Material non-controlling interests (Continued))

Summarised cash flows

	COSCO SHIPPING Ports	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Cash flows from operating activities		
Cash generated from operations	**2,082,112**	2,885,524
Interest received	**107,319**	146,235
Tax paid	**(192,206)**	(245,428)
Net cash generated from operating activities	**1,997,225**	2,786,331
Net cash generated from/(used in) investing activities	**6,413,930**	(3,430,786)
Net cash used in financing activities	**(9,044,397)**	(592,422)
Net decrease in cash and bank balances	**(633,242)**	(1,236,877)
Cash and bank balances at beginning of year	**5,994,703**	7,057,098
Exchange differences	**425,606**	174,482
Cash and bank balances at end of year	**5,787,067**	5,994,703

The information above is the amount before inter-company eliminations.

11 Joint ventures

	2016	2015
	RMB'000	RMB'000
		(Restated)
Investments in joint ventures – unlisted	**9,115,245**	9,166,126
Loans to joint ventures (note a)	**991,124**	928,367
	10,106,369	10,094,493

Notes:

(a) The loans to joint ventures were equity in nature, unsecured, and was not repayable within twelve months.

11 Joint ventures (Continued)

Notes: (Continued)

(b) The financial information below, after making adjustments to conform to the Group's significant accounting policies, represents the Group's respective interests in the joint ventures:

	Total assets RMB'000	Total liabilities RMB'000	Non-controlling interests RMB'000	Revenues RMB'000	Profits less losses after income tax RMB'000
31 December 2016	**16,602,610**	**(6,660,703)**	**(333,968)**	**3,712,420**	**765,441**
31 December 2015 (Restated)	16,558,339	(6,572,833)	(357,585)	3,848,055	761,978

(c) The Company has no directly owned joint ventures as at 31 December 2016 (2015: same). Details of the principal joint ventures as at 31 December 2016 are shown in note 41(b).

(d) Qingdao Qianwan Container Terminal Co., Ltd. ("QQCT") is a joint venture that is material to the Group. QQCT is a container terminal operator and developer of the port facilities in the Qingdao Qianwan Container Terminal. The information below reflects the amounts presented in the financial statements of the joint venture, adjusted for differences in accounting policies between the Group and the joint venture, and not the Group's share of those amounts.

QQCT is a private company and there is no quoted market price available for its shares.

Set out below are the summarised consolidated financial information for QQCT which is accounted for using the equity method:

	2016 RMB'000	2015 RMB'000 (Restated)
Summarised consolidated balance sheet		
Non-current		
Assets	**8,585,550**	7,890,341
Liabilities	**(1,982,796)**	(2,503,802)
Current		
Cash and bank balances	**1,457,790**	784,797
Other current assets	**1,010,520**	657,354
Total current assets	**2,468,310**	1,442,151
Financial liabilities (excluding trade and other payables)	**(1,995,331)**	(517,456)
Other current liabilities	**(473,069)**	(443,896)
Total current liabilities	**(2,468,400)**	(961,352)
Net assets	**6,602,664**	5,867,338

11 Joint ventures (Continued)

Notes: (Continued)

(d) (Continued)

Summarised consolidated statement of comprehensive income

	2016 RMB'000	2015 RMB'000 (Restated)
Revenue	3,206,819	2,887,780
Depreciation and amortisation	(308,384)	(315,373)
Interest income	27,167	87,959
Interest expense	(126,125)	(192,279)
Profit before income tax	2,131,033	1,769,450
Income tax expense	(526,820)	(442,442)
Profit and total comprehensive income for the year	1,604,213	1,327,008
Dividends received from the joint venture	196,084	252,867
Group's share of profits of joint venture	319,341	267,285

Reconciliation of summarised consolidated financial information

Reconciliation of summarised consolidated financial information presented to the carrying amount of the Group's interest in QQCT.

Summarised consolidated financial information

	2016 RMB'000	2015 RMB'000 (Restated)
Opening net assets	5,752,018	5,657,432
Profit and total comprehensive income for the year	1,596,689	1,329,233
Dividends	(953,931)	(1,241,803)
Other appropriations	(956)	(1,246)
Exchange difference	(1)	8,402
Closing net assets	6,393,819	5,752,018
Interest in joint venture at 20%	1,278,764	1,150,404
Goodwill	37,189	34,812
Carrying value	1,315,953	1,185,216

12 Associates

	2016 RMB'000	2015 RMB'000 (Restated)
Share of net assets		
Investment in associates – unlisted	10,012,020	10,758,749
Equity loan	312,165	292,212
	10,324,185	11,050,961

Notes:

(a) The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's respective interests in the associates:

	Total assets RMB'000	Total liabilities RMB'000	Non-controlling interests RMB'000	Revenues RMB'000	Profits less losses after income tax RMB'000
31 December 2016	15,421,189	(4,293,429)	(1,290,670)	3,389,221	634,167
31 December 2015 (Restated)	15,377,224	(3,493,077)	(1,192,841)	2,713,677	794,242

(b) The Company had no directly owned associates as at 31 December 2016 (2015: same). Details of the principal associates as at 31 December 2016 are shown in note 41(c).

(c) Sigma Enterprises Limited ("Sigma"), Wattrus Limited ("Wattrus") and their subsidiary companies (collectively "Sigma and Wattrus Group"), and COSCO Finance Co., Ltd ("COSCO Finance") are associates (note 41(c)) that are material to the Group. Sigma and Wattrus Group are engaged in the operation, management and development of container terminals and investment holding. COSCO Finance is engaged in financial services and investment in banking, securities, insurance and fund. Set out below are the summarised financial information, after fair value adjustments upon acquisition, for these associates which are accounted for using the equity method:

Summarised balance sheet

	Sigma and Wattrus Group 2016 RMB'000	2015 RMB'000 (Restated)
Non-current assets	27,875,245	25,797,988
Current assets	5,525,279	4,661,626
Non-current liabilities	(3,662,833)	(2,398,496)
Current liabilities	(4,367,126)	(4,900,311)

Notes to the Consolidated Financial Statements

12 Associates (Continued)

Notes: (Continued)

(c) (Continued)

Summarised statement of comprehensive income

	Sigma and Wattrus Group	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Revenues	**6,025,594**	5,989,846
Profit attributable to equity holders for the year	**1,652,949**	1,627,166
Group's share of profits of associates	**339,681**	334,383

Reconciliation of summarised financial information

Reconciliation of summarised financial information presented to the carrying amount of the Group's interest in these associates.

Summarised financial information

	Sigma and Wattrus Group	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Capital and reserves attributable to equity holders	**19,577,192**	17,757,360
Group's effective interest	**20.55%**	20.55%
Group's share of net assets	**4,023,113**	3,649,137
Adjustment to cost of investment	**325,068**	304,290
Carrying amount	**4,348,181**	3,953,427

Summarised balance sheet

	COSCO Finance	
	2016	2015
	RMB'000	RMB'000
		(Restated)
Assets	**34,530,998**	29,728,659
Liabilities	**(31,944,184)**	(27,106,357)

Notes to the Consolidated Financial Statements

12 Associates (Continued)

Notes: (Continued)

(c) (Continued)

Summarised statement of comprehensive income

	COSCO Finance 2016 RMB'000	2015 RMB'000 (Restated)
Revenues	**379,692**	705,680
Profit attributable to equity holders for the year	**233,229**	446,776
Group's share of profits of associates	**40,232**	139,618

Reconciliation of summarised financial information

Reconciliation of summarised financial information presented to the carrying amount of the Group's interest in this associate.

Summarised financial information

	COSCO Finance 2016 RMB'000	2015 RMB'000 (Restated)
Capital and reserves attributable to equity holders	**2,586,814**	2,622,302
Group's effective interest	**17.25%**	31.25%
Group's share of net assets	**446,225**	819,469
Carrying amount	**446,225**	819,469

Notes to the Consolidated Financial Statements

13 Loans to joint ventures and an associate

	2016 RMB'000	2015 RMB'000 (Restated)
Loans to joint ventures (note a)	417,875	396,806
Loans to associates (note b)	797,369	177,985
	1,215,244	574,791

Notes:

(a) Balance of RMB15,345,000 (2015: RMB19,761,000) is secured, which bears interest at 5% per annum above the 3 months Euro Interbank Offered Rate ("EURIBOR") and wholly repayable on or before December 2020. The remaining balance is unsecured and interest bearing at the rate of 5% above Hong Kong Interbank Offered Rate ("HIBOR") per annum quoted in respect of a one month's period, and wholly repayable on or before March 2018.

(b) Balance of RMB613,772,000 (2015: RMBNil) is unsecured, which bears interest at the aggregate of 2.3% per annum and EURIBOR with reference to Reuters or other rate mutually agreed. The remaining balance is unsecured, bears interest at 2.5% per annum above 10-year EURIBOR ICE swap rate (2015: 2% per annum above the 10-year Belgium prime rate) and has no fixed terms of repayment.

14 Available-for-sale financial assets

Available-for-sale financial assets represent the following:

	2016 RMB'000	2015 RMB'000 (Restated)
Listed investments in the PRC (note a)	466,336	821,328
Unlisted investments (note b)	1,196,334	1,963,595
	1,662,670	2,784,923
Less: current portion	–	(270,000)
	1,662,670	2,514,923

Notes:

(a) Listed investments represent equity interests in entities which are principally engaged in provision of port related services, securities services and retainer services.

(b) Unlisted investments mainly comprise wealth management products and equity interests in terminal operating companies, port information system engineering companies and property investment companies.

14 Available-for-sale financial assets (Continued)

Notes: (Continued)

(c) Available-for-sale financial assets are denominated in the following currencies:

	2016 RMB'000	2015 RMB'000 (Restated)
RMB	**1,592,140**	2,635,818
Korean WON	**–**	13,148
HK dollar	**70,530**	135,957
	1,662,670	2,784,923

(d) Movement of the available-for-sale financial assets during the year is as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
As at 1 January	**2,784,923**	3,024,166
Additions	**190,000**	962,094
Disposals	**(304,700)**	(1,195,463)
Disposals of subsidiaries	**(967,212)**	–
Net fair value loss	**(52,136)**	(29,274)
Currency translation differences	**11,795**	23,400
As at 31 December	**1,662,670**	2,784,923

(e) As at 31 December 2016, available-for-sale financial assets of carrying amount of RMB70,530,000 (2015: RMB13,148,000) were impaired with an impairment loss of RMB131,484,000 (2015: RMB3,532,000) and the debit reserves of RMB131,484,000 (2015: RMB3,532,000) were recycled to profit or loss.

15 Deferred income tax assets/(liabilities)

Deferred income tax is calculated in full on temporary differences under the liability method using taxation rates ranging from 16.5% to 43% for the year (2015: 16.5% to 41%).

The movement on the net deferred tax (liabilities)/assets is as follows:

	2016 **RMB'000**	2015 RMB'000 (Restated)
As at 1 January	**(457,267)**	(429,701)
Currency translation differences	**(22,754)**	(15,653)
Charged to consolidated income statement	**(40,509)**	(20,831)
Disposal of subsidiaries	**81,224**	—
Credited to other comprehensive income (note 29(c))	**2,750**	8,918
As at 31 December	**(436,556)**	(457,267)

Deferred income tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2016, the Group had tax losses of RMB38,703,167,000 (2015: RMB24,132,931,000) to carry forward, which were not recognised as deferred tax assets as the Directors considered that the utilisation of these tax losses in the foreseeable future is not probable, of which an amount of RMB38,315,817,000 (2015: RMB23,634,541,000) will expire through year 2021 (2015: year 2020) and an amount of RMB387,350,000 (2015: RMB498,390,000) has no expiry date.

As at 31 December 2016 the unrecognised deferred income tax liabilities were RMB3,786,117,000 (2015: RMB3,623,968,000), relating to income tax and withholding tax that would be payable for undistributed profits of certain overseas subsidiaries, as the Directors considered that the timing for the reversal of the related temporary differences can be controlled or such profits will not be distributed and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these overseas subsidiaries as at 31 December 2016 amounted to RMB16,632,180,000 (2015: RMB15,779,095,000).

Notes to the Consolidated Financial Statements

15 Deferred income tax assets/(liabilities) (Continued)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year was as follows:

Deferred income tax liabilities

	Undistributed profits of subsidiaries, joint ventures and associates RMB'000	Accelerated tax depreciation RMB'000	Fair value gain on AFS and derivative financial instruments RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2015 (Restated)	(299,012)	(188,762)	(32,517)	(43,910)	(564,201)
Currency translation differences	(15,754)	(2,402)	1,000	–	(17,156)
(Charged)/credited to consolidated income statement	(86,330)	71,500	(953)	1,501	(14,282)
Credited to other comprehensive income (note 29(c))	–	–	8,918	–	8,918
As at 31 December 2015 and 1 January 2016 (Restated)	(401,096)	(119,664)	(23,552)	(42,409)	(586,721)
Currency translation differences	**(22,228)**	**69**	**(1,113)**	**–**	**(23,272)**
(Charged)/credited to consolidated income statement	**(28,459)**	**744**	**996**	**262**	**(26,457)**
Disposal of subsidiaries	**–**	**104,723**	**2,945**	**3,792**	**111,460**
Credited to other comprehensive income (note 29(c))	**–**	**–**	**2,750**	**–**	**2,750**
As at 31 December 2016	**(451,783)**	**(14,128)**	**(17,974)**	**(38,355)**	**(522,240)**

15 Deferred income tax assets/(liabilities) (Continued)

Deferred income tax assets

	Tax loss	Staff benefit	Accelerated accounting depreciation	Onerous contracts	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2015 (Restated)	2,690	33,786	6,073	15,214	76,737	134,500
Currency translation differences	1,830	–	–	–	(327)	1,503
Credited/(charged) to consolidated income statement	8,077	4,585	(661)	(4,503)	(14,047)	(6,549)
As at 31 December 2015 and 1 January 2016 (Restated)	12,597	38,371	5,412	10,711	62,363	129,454
Currency translation differences	**19**	**–**	**–**	**–**	**499**	**1,080**
Charged to consolidated income statement	**(1,274)**	**(4,586)**	**(296)**	**(1,750)**	**(6,146)**	**(14,052)**
Disposal of subsidiaries	**(10,301)**	**–**	**–**	**–**	**(19,935)**	**(30,798)**
As at 31 December 2016	**1,041**	**33,785**	**5,116**	**8,961**	**36,781**	**85,684**

Notes to the Consolidated Financial Statements

15 Deferred income tax assets/(liabilities) (Continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance and a net basis. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2016	2015
	RMB'000	RMB'000
		(Restated)
Deferred income tax assets		
Deferred income tax assets to be recovered after more than 12 months	**78,646**	113,040
Deferred income tax assets to be recovered within 12 months	**7,038**	16,414
	85,684	129,454
Deferred income tax liabilities		
Deferred income tax liabilities to be settled after more than 12 months	**(156,646)**	(315,890)
Deferred income tax liabilities to be settled within 12 months	**(365,594)**	(270,831)
	(522,240)	(586,721)
Deferred income tax liabilities, net	**(436,556)**	(457,267)

16 Other non-current assets

	2016	2015
	RMB'000	RMB'000
		(Restated)
Prepaid operating lease payments (note)	**298,920**	364,590
Prepayment for land use rights	**147,591**	126,629
Financial lease receivables	**–**	263,930
Value-added tax receivable	**–**	211,297
	446,511	966,446
Less: current portion of financial lease receivables	**–**	(46,717)
	446,511	919,729

Note:

The amount mainly represents the unamortised upfront concession fee payments in respect of the concession agreement with Piraeus Port Authority S.A. ("PPA") for the concession of Pier 2 and 3 of the Piraeus Port in Greece of COSCO SHIPPING Ports, the Company listed subsidiary, for a term of 35 years ("Concession"). The Concession commenced on 1 October 2009.

Notes to the Consolidated Financial Statements

17 Cash and bank balances

	2016 RMB'000	2015 RMB'000 (Restated)
Restricted bank deposits (note a)	**323,648**	330,033
Balances placed with COSCO Finance (note b)	**6,942,100**	7,455,717
Balances placed with China Shipping Finance Company Limited ("CS Finance") (note c)	**111,252**	778,070
Bank balances and cash - unpledged	**25,135,220**	25,663,356
Total bank deposits and cash and cash equivalents (note d)	**32,512,220**	34,227,176
Less:		
Restricted bank deposits	**(323,648)**	(330,033)
Cash and bank balances	**32,188,572**	33,897,143

Notes:

(a) Restricted bank deposits mainly held as security for borrowings and bank guarantees and facilities (note 22(h) (v)).

(b) Balances placed with COSCO Finance bear interest at prevailing market rates.

(c) CS Finance is a finance company owned by China Shipping Group and balances placed with CS Finance bear interest at prevailing market rates.

(d) The carrying amounts of bank deposits and cash and bank balances are denominated in the following currencies:

	2016 RMB'000	2015 RMB'000 (Restated)
US dollar	**19,991,752**	12,530,077
RMB	**10,276,919**	19,816,169
EURO	**984,175**	394,288
HK dollar	**422,551**	470,843
Other currencies	**836,823**	1,015,799
	32,512,220	34,227,176

(e) The effective interest rates on time deposits as at 31 December 2016 were in the range of 0.20% to 5.40% per annum (2015: 0.15% to 5.23% per annum). The deposits earn interests at floating rates based on prevailing market rates.

Notes to the Consolidated Financial Statements

18 Inventories

	2016 RMB'000	2015 RMB'000 (Restated)
Voyage supplies, resaleable containers, consumables and others	**1,564,690**	1,502,291

19 Trade and other receivables

	2016 RMB'000	2015 RMB'000 (Restated)
Trade receivables (note a)		
– third parties	**5,367,815**	4,562,033
– fellow subsidiaries	**457,019**	1,544,762
– joint ventures	**9,941**	79,253
– associates	**110**	3,758
– other related companies	**96,859**	75,044
	5,931,744	6,264,850
Bills receivables (note a)	**253,996**	222,949
	6,185,740	6,487,799
Prepayments, deposits and other receivables		
– third parties (note b)	**3,774,199**	2,952,192
– fellow subsidiaries (note d)	**376,564**	605,980
– joint ventures (note d)	**663,153**	238,353
– associates (note d)	**120,862**	32,188
– other related companies (note d)	**165,037**	280,762
	5,099,815	4,109,475
Current portion of financial lease receivables	**–**	46,718
Total	**11,285,555**	10,643,992

19 Trade and other receivables (Continued)

Notes:

(a) Trading balances with related parties are unsecured, interest free and have similar credit periods as third party customers. The normal credit period granted to the trade receivables of the Group is generally within 90 days. Trade receivables primarily consisted of voyage-related receivables. As at 31 December 2016, the ageing analysis of trade and bills receivables on the basis of the date of relevant invoice or demand note is as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
1-3 months	5,874,942	6,265,709
4-6 months	200,776	193,647
7-12 months	109,957	55,959
Over 1 year	71,625	193,381
Trade and bills receivables, gross	6,257,300	6,708,696
Less: impairment of		
1-3 months	(21,184)	(63,686)
4-6 months	(2,871)	(14,683)
7-12 months	(2,857)	(5,236)
Over 1 year	(44,648)	(137,292)
Provision for impairment	(71,560)	(220,897)
	6,185,740	6,487,799

As at 31 December 2016, the Group's trade and bills receivables of RMB 5,853,758,000 (2015: RMB5,663,771,000) were considered fully collectible by management. Trade and bills receivables that were fully collectible mainly represent those due from customers with good credit history and low default rate.

19 Trade and other receivables (Continued)

Notes: (Continued)

(a) (Continued)

As at 31 December 2016, trade receivables of RMB 54,962,000 (2015: RMB586,012,000) were past due but were considered not impaired by management. The ageing analysis of these trade receivables is as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
1-3 months	38,202	538,252
4-6 months	11,210	4,315
7-12 months	1,894	6,820
Over 1 year	3,656	36,625
	54,962	586,012

As at 31 December 2016, trade receivables of RMB386,782,000 (2015: RMB458,913,000) were considered as impaired by management, of which amounts of RMB 71,560,000(2015: RMB 220,897,000) were provided for.

Movements on the provision for impairment of trade receivables are as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
As at 1 January	220,897	241,839
Provision for receivable impairment	12,796	38,617
Receivables written off during the year as uncollectible	(12,058)	(15,228)
Reversal of provision	(39,514)	(42,709)
Disposal of subsidiaries	(113,120)	—
Currency translation differences	2,559	(1,622)
As at 31 December	71,560	220,897

The creation and release of provision for impaired receivables have been included in the consolidated income statement (note 26). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Management considered that there is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

19 Trade and other receivables (Continued)

Notes: (Continued)

(b) Prepayments, deposits and other receivables due from third parties

	2016 RMB'000	2015 RMB'000 (Restated)
Prepayments and deposits	**2,869,706**	1,807,400
Claims receivables	**45,661**	111,881
Other receivables less provision (note c)	**858,832**	1,032,911
	3,774,199	2,952,192

(c) As at 31 December 2016, the Group's net other receivables of RMB858,832,000 (2015: RMB1,032,911,000) were considered fully collectible by management. As at 31 December 2016, the Group's other receivables of RMB78,310,000(2015: RMB193,702,000) were impaired and full provision was made by management.

Movements on the provision for impairment of other receivables are as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
As at 1 January	**193,702**	220,798
Provision for receivable impairment	**4,200**	4,946
Receivables written off during the year as uncollectible	**(7,043)**	(4,773)
Reversal of provision	**(2,398)**	(28,148)
Currency translation differences	**83**	879
Disposal of subsidiaries	**(110,234)**	—
As at 31 December	**78,310**	193,702

(d) The amounts due from related companies are unsecured, interest free and have no fixed terms of repayment.

Notes to the Consolidated Financial Statements

19 Trade and other receivables (Continued)

Notes: (Continued)

(e) The carrying amount of trade and other receivables (excluding prepayments and deposits) are denominated in the following currencies:

	2016 RMB'000	2015 RMB'000 (Restated)
US dollar	3,412,922	2,908,576
RMB	2,024,341	4,399,196
EURO	1,093,174	390,741
HK dollar	23,521	352,878
Other currencies	1,861,891	785,201
	8,415,849	8,836,592

(f) The carrying amounts of trade and other receivables (excluding prepayments and deposits) approximate their fair values.

(g) Management considered the maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

20 Share capital and equity linked benefits

(a) Share capital

	2016		2015	
	Number of shares (thousands)	Nominal value RMB'000	Number of shares (thousands)	Nominal value RMB'000
Registered, issued and fully paid				
H-Shares of RMB1.00 each	2,580,600	2,580,600	2,580,600	2,580,600
A-Shares of RMB1.00 each	7,635,674	7,635,674	7,635,674	7,635,674
As at 31 December	10,216,274	10,216,274	10,216,274	10,216,274

As at 31 December 2016, the A-Shares rank pari passu, in all material respects, with H-Shares.

Notes to the Consolidated Financial Statements

20 Share capital and equity linked benefits (Continued)

(b) Share appreciation rights

The Group has adopted a cash-settled, share-based payment scheme (the "Plan") which was approved on 9 June 2005. The Plan provides for the grant of share appreciation rights ("SARs") to eligible participants as approved by the Company's Board of Directors (collectively the "Grantees"). The Plan will remain in force unless otherwise cancelled or amended.

Under the Plan, the holders of SARs are entitled the rights to receive an amount in respect of the appreciation in market value of the Company's H-Shares from the date of grant of SARs to the date of exercise. No shares will be issued under the Plan and therefore the Company's equity interests will not be diluted as a result of the issuance of SARs. The initial grant of SARs was limited to 10% of the Company's H-Shares in issue at the date of grant. The maximum number of unexercised SARs permitted to be granted under the Plan is, upon their exercise, limited to 10% of the Company's H-Shares in issue at any time during each year. The maximum number of SARs granted to any eligible participant (including share appreciation rights granted prior to this Plan) is limited to 25% of the total number of SARs in issue at any time. Any further grant of SARs in excess of the above limits is subject to the approval of the Company's board of Directors.

Movements in the number of SARs granted by the Company during the year ended 31 December 2016 and 2015 are set out below.

			For the year ended 31 December 2016 Number of units of SARs				
Date of grant	Exercisable period	Exercise price	Outstanding as at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2016
5 October 2006 ("2006 SARs)	between 5 October 2008 to 4 October 2016	HK$3.588	19,070,000	–	–	(19,070,000)	–
4 June 2007 ("2007 SARs)	between 4 June 2009 to 3 June 2017	HK$9.540	24,250,000	–	–	(85,000)	24,165,000
			43,320,000	–	–	(19,155,000)	24,165,000

Notes to the Consolidated Financial Statements

20 Share capital and equity linked benefits (Continued)

(b) Share appreciation rights (Continued)

Date of grant	Exercisable period	Exercise price	Outstanding as at 1 January 2015	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2015
			For the year ended 31 December 2015 Number of units of SARs (Restated)				
16 December 2005 ("2005 SARs)	between 16 December 2007 to 15 December 2015	HK$3.195	15,210,750	–	–	(15,210,750)	–
5 October 2006 ("2006 SARs)	between 5 October 2008 to 4 October 2016	HK$3.588	19,070,000	–	–	–	19,070,000
4 June 2007 ("2007 SARs)	between 4 June 2009 to 3 June 2017	HK$9.540	24,300,000	–	–	(50,000)	24,250,000
			58,580,750	–	–	(15,260,750)	43,320,000

The 2006 SARs were expired on 4 October 2016. The amount that was recognised in the consolidated income statement and included in other income for the year in relation to the expiration of the 2006 SARs was a credit of RMB13,385,000 (2015: Credit of RMB9,397,000).

The fair values of 2007 SARs as at 31 December 2016 was determined using the binomial valuation model at HK$0 per unit (2015: HK$0.05 per unit to HK$0.78 per unit). The significant inputs into the model were spot price of HK$2.71 as at 31 December 2016, vesting period, volatility of the underlying stock, risk-free interest rate, forfeiture rate, dividend yield and sub-optional exercise factor. The expected volatility of 5.21% for 2007 SARs (2015: 56.27% for 2007 SARS) are estimated based on past H-Shares share prices of the Company at year end.

The amount, that was recognised in the consolidated income statement and included in other income for the year in relation to the fair value changes of 2007 SARs, was a debit of RMB1,827,000 (2015: a credit of RMB3,282,000).

As at 31 December 2016, the total carrying amount of the liabilities arising from SARs transactions included in other payables in the consolidated balance sheet amounted to RMB20,802,000 (2015: RMB36,538,000) and the total intrinsic value of the exercisable SARs was RMB0 (2015: RMB3,866,000).

Notes to the Consolidated Financial Statements

20 Share capital and equity linked benefits (Continued)

(c) Share options of a subsidiary

The Group's subsidiary, COSCO SHIPPING Ports, operates share option schemes whereby options are granted to eligible employees and directors or any participants (as defined in the relevant share option schemes) of the Group, to subscribe for its shares. All the outstanding options were vested and exercisable as at 31 December 2016 and 2015. COSCO SHIPPING Ports has no legal or constructive obligation to repurchase or settle the options in cash.

Movements of the share options granted by COSCO SHIPPING Ports during the year ended 31 December 2016 and 2015 are set out below:

			For the year ended 31 December 2016 Number of share options					
Date of grant	**Exercisable period**	**Exercise price**	**Outstanding as at 1 January 2016**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**Lapsed during the year**	**Outstanding as at 31 December 2016**
During the period from 17 April 2007 to 19 April 2007	Note (i)	HK$19.30	**12,980,000**	**–**	**–**	**–**	**(3,040,000)**	**9,940,000**

			For the year ended 31 December 2015 Number of share options					
Date of grant	Exercisable period	Exercise price	Outstanding as at 1 January 2015	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2015
During the period from 17 April 2007 to 19 April 2007	Note (i)	HK$19.30	13,240,000	–	–	–	(260,000)	12,980,000

Notes to the Consolidated Financial Statements

20 Share capital and equity linked benefits (Continued)

(c) Share options of a subsidiary (Continued)

Notes:

(i) The share options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee under the 2003 Share Option Scheme from 17 April 2007 to 19 April 2007. The share options will be expired during the period 17 April 2017 to 19 April 2017.

(ii) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2016		2015	
	Average exercise price per share HK$	**Number of share options**	Average exercise price per share HK$	Number of share options
As at 1 January	**19.30**	**12,980,000**	19.30	13,240,000
Lapsed	**19.30**	**(3,040,000)**	19.30	(260,000)
As at 31 December	**19.30**	**9,940,000**	19.30	12,980,000

21 Reserves

	Capital Reserve RMB'000	Hedging Reserve RMB'000	Other reserves RMB'000	Statutory reserve fund RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Accumulated loss RMB'000	Total RMB'000
Balance at 1 January 2016, as previously reported	39,068,412	1,970	(800,726)	851,456	9,408	(7,884,621)	(16,808,847)	14,437,052
Adoption of merger accounting (note 40)	3,491,387	–	33,572	–	(59,469)	(14,199)	454,932	3,906,223
Balance at 1 January 2016	42,559,799	1,970	(767,154)	851,456	(50,061)	(7,898,820)	(16,353,915)	18,343,275
Comprehensive loss								
Loss for the year	–	–	–	–	–	–	(9,906,003)	(9,906,003)
Other comprehensive (loss)/income								
Fair value losses on available-for-sale financial assets, net of tax	–	–	–	–	(40,920)	–	–	(40,920)
Impairment loss on available-for-sale financial assets charged to the consolidated income statement (note 14(e))	–	–	–	–	131,484	–	–	131,484
Share of other comprehensive loss of joint ventures and associates	–	–	17,244	–	–	(34,546)	–	(17,302)
Recyling of currency translation differences upon disposals of subsidiaries	–	–	–	–	–	3,033,856	–	3,033,856
Release of reserve upon disposal of subsidiaries	(5,347,157)	–	(3,874,438)	(1,056,309)	–		10,277,904	–
Currency translation differences	–	–	–	–	–	693,776	–	693,776
Remeasurements of post-employment benefit obligations	–	–	120,520	–	–	–	–	120,520
Total other comprehensive (loss)/income	(5,347,157)	–	(3,736,674)	(1,056,309)	90,564	3,693,086	10,277,904	3,921,414
Total comprehensive income/(loss) for the year ended 31 December 2016	(5,347,157)	–	(3,736,674)	(1,056,309)	90,564	3,693,086	371,901	(5,984,589)
Total contributions by and distributions to owners of the Company recognised directly in equity:								
Issue of shares on settlement of scrip dividend by a subsidiary	–	–	157,048	–	–	–	–	157,048
Acquisition of subsidiaries under common control	(4,564,186)	–	–	–	–	–	–	(4,564,186)
Transfer of reserve upon lapse of share options	–	–	(12,836)	–	–	–	12,836	–
Others	–	–	155,474	–	–	–	–	155,474
Total contributions by and distributions to owners of the Company	(4,564,186)	–	299,686	–	–	–	12,836	(4,251,664)
As at 31 December 2016	32,648,456	1,970	(4,204,142)	(204,853)	40,503	(4,205,734)	(15,969,178)	8,107,022

Notes to the Consolidated Financial Statements

21 Reserves (Continued)

	Capital Reserve RMB'000	Hedging Reserve RMB'000	Other reserves RMB'000	Statutory reserve fund RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Accumulated loss RMB'000	Total RMB'000
Balance at 1 January 2015, as previously reported	39,068,412	8,127	(761,856)	851,456	66,606	(7,978,311)	(17,091,546)	14,162,888
Adoption of merger accounting (note 40)	3,491,387	–	15,365	–	(145,160)	–	526,545	3,888,137
Balance at 1 January 2015, restated	42,559,799	8,127	(746,491)	851,456	(78,554)	(7,978,311)	(16,565,001)	18,051,025
Comprehensive income								
Profit for the year	–	–	–	–	–	–	469,302	469,302
Other comprehensive (loss)/income								
Fair value losses on available-for-sale financial assets, net of tax	–	–	–	–	24,730	–	–	24,730
Impairment loss on available-for-sale financial assets charged to the consolidated income statement (note 14(e))	–	–	–	–	3,532	–	–	3,532
Share of other comprehensive income/(loss) of joint ventures and associates	–	–	1,153	–	–	(15,279)	–	(14,126)
Currency translation differences	–	–	–	–	–	91,486	–	91,486
Remeasurements of post-employment benefit obligations	–	–	(51,330)	–	–	–	–	(51,330)
Total other comprehensive (loss)/income	–	–	(50,177)	–	28,262	76,207	–	54,292
Total comprehensive income/(loss) for the year ended 31 December 2015	–	–	(50,177)	–	28,262	76,207	469,302	523,594
Total contributions by and distributions to owners of the Company recognised directly in equity:								
Issue of shares on settlement of scrip dividend of a subsidiary	–	–	15,122	–	231	3,284	(1,153)	17,484
Dividends paid to former shareholders of subsidiaries	–	–	–	–	–	–	(257,524)	(257,524)
Others	–	(6,157)	14,392	–	–	–	461	8,696
Total contributions by and distributions to owners of the Company	–	(6,157)	29,514	–	231	3,284	(258,216)	(231,344)
As at 31 December 2015	42,559,799	1,970	(767,154)	851,456	(50,061)	(7,898,820)	(16,353,915)	18,343,275

21 Reserves (Continued)

Notes:

(a) Statutory reserve fund

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to allocate 10% of net profit of the Company, as determined in accordance with the China Accounting Standards ("CAS"), to the statutory reserve fund until such statutory reserve fund reaches 50% of the registered capital of the Company. The appropriation to the statutory reserve fund must be made before any distribution of dividends to equity holders. The statutory reserve fund can be used to offset previous year's losses, if any, and part of the statutory reserve fund can be capitalised as the Company's share capital provided that the amount of such statutory reserve fund remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

(b) In accordance with the articles of association of the Company, the profit available for appropriation by the Company for the purpose of dividend payments is based on the lesser of (i) the net profit determined in accordance with the CAS; and (ii) the net profit determined in accordance with HKFRSs. Profit distribution is made after the appropriation to statutory reserve fund and recovery of previous years' losses.

(c) Other reserves of the Group as at 31 December 2016 represented capital reserve and other reserves of joint ventures and associates, and remeasurements of post-employment benefit obligations.

(d) Capital reserve mainly represents the capitalisation of the reserves of the acquired subsidiaries from the parent company upon the incorporation of the Company on 3 March 2005 and the share premium (net with share issuance expenses) arising upon issuance of the Company's H-shares and A-shares in 2005 and 2007.

22 Long-term borrowings

	2016 RMB'000	2015 RMB'000 (Restated)
Bank loans		
– secured (note h)	14,109,094	21,596,481
– unsecured	21,701,128	42,727,083
Loans from COSCO Finance		
– unsercured	167,000	324,928
Loans from CS Finance		
– unsecured	98,402	105,002
Notes/bonds (note b)	17,852,399	17,241,379
Loans from non-controlling shareholders of subsidiaries	2,212	1,521,546
Loans from a fellow subsidiary	199,823	—
Total long-term borrowings	54,130,058	83,516,419
Current portion of long-term borrowings	(6,661,134)	(8,216,400)
	47,468,924	75,300,019

Notes to the Consolidated Financial Statements

22 Long-term borrowings (Continued)

Notes:

(a) As at 31 December 2016, the long-term borrowings were repayable as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
Bank loans		
– within one year	**6,485,534**	8,081,713
– in the second year	**10,480,235**	15,055,381
– in the third to fifth years	**11,636,115**	31,091,246
– after the fifth year	**7,208,338**	10,095,224
	35,810,222	64,323,564
Loans from COSCO Finance		
– within one year	**167,000**	127,924
– in the second year	**–**	169,000
– in the third to fifth years	**–**	28,004
	167,000	324,928
Loan from CS Finance		
– within one year	**8,600**	6,600
– in the second year	**10,242**	8,600
– in the third to fifth years	**34,760**	33,000
– after the fifth year	**44,800**	56,802
	98,402	105,002
Notes		
– in the second year	**3,977,000**	–
– in the third to fifth years	**4,944,673**	8,894,585
– after the fifth year	**8,930,726**	8,346,794
	17,852,399	17,241,379
Loans from non-controlling shareholders of subsidiaries		
– within one year	**–**	163
– in the second year	**2,192**	185
– in the third to fifth years	**–**	1,196,521
– after the fifth year	**20**	324,677
	2,212	1,521,546
Loans from a fellow subsidiary		
– in the second year	**67,303**	–
– in the third to fifth year	**107,654**	–
– after the fifth year	**24,886**	–
	199,823	–
	54,130,058	83,516,419

Notes to the Consolidated Financial Statements

22 Long-term borrowings (Continued)

(b) Details of the notes as at 31 December 2016 are as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
Principal amount	**17,174,650**	17,174,650
Discount on issue	**(90,439)**	(90,439)
Notes issuance cost	**(424,183)**	(424,183)
Proceeds received	**16,660,028**	16,660,028
Currency translation differences	**985,284**	414,035
Accumulated amortised amounts of		
– discount on issue	**34,342**	25,624
– notes issuance cost	**172,745**	141,692
	17,852,399	17,241,379

(i) Notes issued by the Company

Notes with principal amount of RMB5,000,000,000 and RMB4,000,000,000, which bear interest at a fixed rate of 4.35% and 5.45% per annum, were issued by the Company to investors on 3 September 2010 and 29 November 2011 respectively at a price equal to the principal amount. The notes will mature at their principal amount on 6 September 2020 and 30 November 2018 respectively.

(ii) Notes and bonds issued by subsidiaries

On 3 December 2012, COSCO Finance (2011) Limited, a subsidiary of the Company, issued bonds with an aggregate principal amount of US$1,000,000,000 (equivalent to approximately RMB6,493,600,000). The bonds carry a fixed interest yield of 4.00% per annum and were issued at a price of 98.766% of their principal amount. The bonds bear interest from 3 December 2012, payable semi-annually in arrears. The bonds are guaranteed by an irrevocable standby letter of credit issued by Bank of China Limited, Beijing Branch. The bonds have been listed on The Stock Exchange of Hong Kong Limited.

Unless previously redeemed or repurchased by COSCO Finance (2011) Limited, the bonds will mature on 3 December 2022 at their principal amount. The bonds are subject to redemption in whole, at the option of COSCO Finance (2011) Limited at any time in the event of certain changes affecting the taxes of certain jurisdictions at their principal amount together with accrued interest, or at any time after 3 December 2017 at a redemption price.

Notes to the Consolidated Financial Statements

22 Long-term borrowings (Continued)

(b) Details of the notes as at 31 December 2016 are as follows: (Continued)

(ii) Notes and bonds issued by subsidiaries (Continued)

10-year notes with principal amount of US$300,000,000 (equivalent to approximately RMB 1,948,080,000) were issued by a subsidiary of the Company to investors on 31 January 2013. The notes carried a fixed interest yield of 4.46% per annum and were issued at a price of 99.320 per cent of their principal amount with a fixed coupon rate of 4.375% per annum, resulting in a discount on issue of US$2,040,000 (equivalent to approximately RMB13,247,000). The notes bear interest from 31 January 2013, payable semi-annually in arrear on 31 January and 31 July of each year, commencing on 31 July 2013. The notes are guaranteed unconditionally and irrevocably by the Company and listed on the Stock Exchange. Unless previously redeemed or repurchased by the Company, the notes will mature on 31 January 2023 at their principal amount. The notes are subject to redemption in whole, at their principal amount, together with accrued interest, at the option of the Company at any time in the event of certain changes affecting the taxes of certain jurisdictions.

(c) As at 31 December 2016, all the loans from non-controlling shareholders of subsidiaries are unsecured, interest free and not due for repayment in the next 12 months. As at 31 December 2015, balance of non-controlling shareholder's loan of US$184,240,000 (equiralent to approximately RMB1,196,381,000) was unsecured, bore interest at 4% per annum and wholly repayable on of before May 2018.

(d) The exposure of the Group's long-term borrowings to interest rate changes and the contractual repricing dates at balance sheet date are as follows:

	Less than one year RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2016				
Total borrowings	**6,661,134**	**31,260,174**	**16,208,750**	**54,130,058**
As at 31 December 2015 (Restated)				
Total borrowings	8,216,400	56,476,522	18,823,497	83,516,419

22 Long-term borrowings (Continued)

(e) The effective interest rates per annum of the long-term borrowings as at 31 December 2016 were as follows:

	2016		
	US dollar	**RMB**	**EURO**
Bank loans	**1.3% to 3.3%**	**3.8% to 5.5%**	**0.5% to 5.2%**
Loans from COSCO Finance	**—**	**3.6% to 4.3%**	**—**
Loans from CS Finance	**—**	**3.9%**	**—**
Notes	**4.0% to 4.4%**	**4.4% to 5.5%**	**—**
Loans from non-controlling shareholders of subsidiaries	**—**	**—**	**1.5%**
Loans from a fellow subsidiary	**—**	**4.4% to 6.0%**	**—**

	2015 (Restated)		
	US dollar	RMB	EURO
Bank loans	1.4% to 3.3%	3.1% to 6.6%	0.8% to 5.5%
Loans from COSCO Finance	2.4%	3.6% to 4.8%	—
Loans from CS Finance	—	3.9%	—
Notes	4.0% to 4.4%	4.4% to 5.5%	—
Loans from non-controlling shareholders of subsidiaries	1.9% to 4.0%	—	—

As at 31 December 2016, balance of RMB33,468,169,000 (2015: RMB61,593,778,000) of bank loans bore floating interest rates.

(f) The carrying amounts and fair values of the long-term borrowings are as follows:

	Carrying amounts		Fair values	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		(Restated)
Bank loans	**35,810,222**	64,323,564	**34,320,297**	63,060,725
Loans from COSCO Finance	**167,000**	324,928	**167,000**	296,924
Loans from CS Finance	**98,402**	105,002	**98,402**	105,002
Notes	**17,852,399**	17,241,379	**18,270,862**	17,581,419
Loans from non-controlling shareholders of subsidiaries	**2,212**	1,521,546	**2,212**	1,521,546
Loans from a fellow subsidiary	**199,823**	—	**199,823**	—
	54,130,058	83,516,419	**53,058,596**	82,565,616

The fair values are based on cash flows discounted by respective rates as set out in note 22(e) above.

Notes to the Consolidated Financial Statements

22 Long-term borrowings (Continued)

(g) The carrying amounts of the long-term borrowings are denominated in the following currencies:

	2016 RMB'000	2015 RMB'000 (Restated)
US dollar	**31,988,587**	66,787,604
RMB	**16,437,619**	12,269,730
EURO	**5,703,852**	4,458,839
Other	**–**	246
	54,130,058	83,516,419

(h) The secured bank loans as at 31 December 2016 are secured, inter alia, by one or more of the following:

(i) First legal mortgage over certain property, plant and equipment with aggregate net book value of RMB 22,601,560,000 (2015: RMB35,521,814,000) (notes 6(b) and 6(c));

(ii) Two vessels with aggregate net book value of RMB605,857,000 (2015: RMB593,684,000) under Vessel Financing Lease Share capital Arrangements (note 6(d));

(iii) Assignments of the charter, rental income and earnings, requisition compensation and insurance relating to certain container vessels;

(iv) Shares of certain subsidiaries; and

(v) Bank accounts of certain subsidiaries (note 17(a)).

Notes to the Consolidated Financial Statements

23 Provisions and other liabilities

	Retirement benefit obligations RMB'000 (note a)	Provision for onerous contracts RMB'000	Provision for one-off housing subsidies RMB'000	Deferred income and others RMB'000	Total RMB'000
For the year ended 31 December 2016					
As at 1 January 2016	**1,009,769**	**75,686**	**79,913**	**221,336**	**1,386,704**
Decrease during the year	**(44,599)**	**(70,504)**	**(9,001)**	**(2,120)**	**(126,224)**
Provisions for the year	**17,463**	**155,493**	**24**	**17,146**	**190,126**
Currency translation differences	**822**	**798**	**–**	**19,761**	**21,381**
Disposals of subsidiaries	**(681,198)**	**(161,473)**	**(30,954)**	**(28,356)**	**(901,981)**
As at 31 December 2016	**302,257**	**–**	**39,982**	**227,767**	**570,006**
Less: current portion of provisions and other liabilities	**(12,624)**	**–**	**–**	**–**	**(12,624)**
Non-current portion of provisions and other liabilities	**289,633**	**–**	**39,982**	**227,767**	**557,382**
For the year ended 31 December 2015 (Restated)					
As at 1 January 2015	1,067,986	385,927	78,468	238,133	1,770,514
Decrease during the year	(126,526)	(392,832)	(1,799)	(25,979)	(547,136)
Provisions for the year	67,407	76,222	3,244	1,393	144,666
Currency translation differences	902	9,969	–	7,789	18,660
As at 31 December 2015	1,009,769	75,686	79,913	221,336	1,386,704
Less: current portion of provisions and other liabilities	(49,154)	(75,686)	–	(1,422)	(126,262)
Non-current portion of provisions and other liabilities	960,615	–	79,913	219,914	1,260,442

Notes to the Consolidated Financial Statements

23 Provisions and other liabilities (Continued)

Notes:

(a) Retirement benefit obligations

	2016 RMB'000	2015 RMB'000 (Restated)
Balance sheet obligations for:		
Multi-employer defined benefits plans for US employees (note (i))	11,494	14,579
Early-retirement benefits for PRC employees (note (ii))	31,154	109,568
Post-retirement benefits for PRC employees (note (ii))	259,609	885,622
	302,257	1,009,769
Expensed in income statement for:		
Early-retirement benefits for PRC employees (note (ii))	6,156	(3,030)
Post-retirement benefits for PRC employees (note (ii))	28,277	55,763
	34,383	52,733

(i) Multi-employer defined benefit plan

As the actuary is unable to provide sufficient information to the Group's proportional share of the defined benefit obligation and the assets and expenses associated with the multi-employer plan and there is no agreement on the future allocation of surplus/shortfall from the plan, the multi-employer defined benefit plan has been accounted for as a defined contribution plan.

(ii) Retirement benefits for PRC employees

The Group recognises a liability for the present value of the unfunded obligations relating to retirement benefits payable to certain normal retired or early retired employees in the consolidated balance sheet. The liability related to the benefit obligations for eligible retired employees existing at year end is calculated by independent actuaries, using the projected unit credit method. The actuarial liabilities of early retirement and post retirement as at 31 December 2016 totalled RMB290,763,000 (2015: RMB995,190,000). If the discount rate used to increase/decrease by 0.25% from management's estimates with all other variables held constant, the carrying amount of retirement benefit obligations as at 31 December 2016 would have been RMB6,110,000 lower or RMB6,360,000 higher.

23 Provisions and other liabilities (Continued)

Notes: (Continued)

(a) Retirement benefit obligations (Continued)

(ii) Retirement benefits for PRC employees (Continued)

Movements of the net liabilities recognised in the consolidated balance sheets are as follows:

	2016			2015 (Restated)		
	Early retirement RMB'000	**Post retirement RMB'000**	**Total RMB'000**	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000
As at 1 January	**109,568**	**885,622**	**995,190**	177,491	873,384	1,050,875
Charged/(credited) to the consolidated income statement	**6,156**	**163,207**	**169,363**	(3,030)	55,763	52,733
Remeasurements of post-employment benefit obligations	**—**	**(120,520)**	**(120,520)**	—	51,330	51,330
Benefits paid	**(23,370)**	**(48,703)**	**(72,073)**	(64,893)	(94,855)	(159,748)
Disposal of subsidaries	**(61,200)**	**(619,997)**	**(681,197)**	—	—	—
As at 31 December	**31,154**	**259,609**	**290,763**	109,568	885,622	995,190

The amounts of retirement benefit costs recognised in the consolidated income statement comprise:

	2016			2015 (Restated)		
	Early retirement RMB'000	**Post retirement RMB'000**	**Total RMB'000**	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000
Interest cost	**7,026**	**(3,992)**	**3,034**	4,216	(20,499)	(16,283)

The principal actuarial assumptions used were as follows:

	2016		2015	
	Early retirement	**Post retirement**	Early retirement	Post retirement
Discount rate	**3.00%**	**3.25%**	2.50%	3.00%
Retirement benefits inflation rates	**3.00%-4.50%**	**0.00%-8.00%**	3.00%-4.50%	0.00%-8.00%

Notes to the Consolidated Financial Statements

24 Trade and other payables

	2016 RMB'000	2015 RMB'000 (Restated)
Trade payables (note a)		
– third parties	**5,345,658**	4,953,490
– fellow subsidiaries	**1,970,808**	1,990,242
– joint ventures	**226,094**	92,644
– associates	**53,153**	17,560
– other related companies	**82,341**	51,782
	7,678,054	7,105,718
Bills payables (note a)	**26,000**	115,770
	7,704,054	7,221,488
Advances from customers	**239,176**	430,642
Other payables and accruals (note b)	**12,811,738**	8,989,426
Due to related companies		
– fellow subsidiaries	**362,013**	311,468
– joint ventures (note d)	**297,384**	329,597
– associates (note e)	**121**	15,092
– other related companies (note f)	**1,307,553**	795,260
	1,967,071	1,451,417
Total	**22,722,039**	18,092,973

Notes:

(a) As at 31 December 2016, the ageing analysis of trade and bills payables on the basis of the date of relevant invoice or demand note is as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
1-6 months	**6,356,481**	5,886,902
7-12 months	**1,273,350**	75,676
1-2 years	**38,853**	1,174,922
2-3 years	**10,101**	27,606
Above 3 years	**25,269**	56,382
	7,704,054	7,221,488

Trade balances with related companies are unsecured, interest free and have similar terms of repayment as those of third party suppliers.

24 Trade and other payables (Continued)

Notes: (Continued)

(b) Other payables and accruals

	2016 RMB'000	2015 RMB'000 (Restated)
Salary and welfare payables	1,163,301	1,606,114
Accruals for voyages costs	5,998,999	1,844,157
Accruals for vessel costs	2,993,305	2,479,466
Interest payables	216,309	232,367
Others	2,439,824	2,827,322
	12,811,738	8,989,426

(c) The carrying amounts of trade and other payables (excluding advances from customers) are denominated in the following currencies:

	2016 RMB'000	2015 RMB'000 (Restated)
US dollar	11,318,641	9,401,921
RMB	7,431,512	6,220,154
EURO	1,134,132	699,841
HK dollar	550,508	403,153
Other currencies	2,048,070	937,262
Total	22,482,863	17,662,331

(d) The balance including loans from a joint venture of US$40,147,000 (equivalent to approximately RMB278,499,739) (2015: US$30,030,000, (equivalent to approximately RMB195,002,808)) are unsecured, bear interest at 2.3% (2015: 3.5%) per annum and repayable within twelve months.

(e) The amounts due to related companies are unsecured and interest free and have no fixed term of repayment.

(f) The balance including loans from non-controlling shareholders of subdisidaries are unsecured and repayable within twelve months. Balance of US$8,534,000 (equivalent to approximately RMB59,200,000) (2015: US$8,395,000,000 (equivalent to approximately RMB54,514,000)) bears interest at 0.6% above 1-year US dollar LIBOR per annum. Balance of US$49,681,000 (equivalent to approximately RMB344,637,000) (2015:US$49,681,000 (equivalent to approximately RMB322,609,000)) is interest free. Balance of US$57,661,000 (equivalent to approximately RMB399,994,000) (2015:US$15,400,000 (equivalent to approximately RMB106,830,000)) bears interest at 3.9% (2015:6%) per annum. Balance of US$ 51,896,000(equivalent to approximately RMB360,003,000) (2015: US$30,799,000(equivalent to approximately RMB199,996,000)) bears interest at 3.5% (2015:4.1%) per annum.

(g) The carrying amounts of trade and other payables (excluding advances from customers) approximate their fair values.

Notes to the Consolidated Financial Statements

25 Short-term borrowings

	2016 RMB'000	2015 RMB'000 (Restated)
Bank loans – unsecured	**1,800,000**	1,794,244
COSCO Finance – unsecured	**763,807**	1,040,947
Loan from COSCO Group	**563,110**	—
Other loans – unsecured	**120,000**	120,000
	3,246,917	2,955,191

Notes:

(a) The effective interest rates of short-term borrowings as at 31 December 2016 were in the range of 2.50% to 3.92% (2015: 1.93% to 4.44%) per annum.

(b) The carrying amounts of short-term borrowings approximate their fair values. The carrying amounts of the short-term borrowings are denominated in the following currencies:

	2016 RMB'000	2015 RMB'000 (Restated)
US dollar	**–**	935,076
RMB	**3,246,917**	2,020,115
	3,246,917	2,955,191

Notes to the Consolidated Financial Statements

26 Other (expense)/income, net

	2016 RMB'000	2015 RMB'000 (Restated)
Dividend income from listed and unlisted investments	**40,385**	90,767
Government subsidy for demolition of vessels and other subsidies included in other income, net (note a)	**540,913**	1,936,552
(Loss)/gain on disposal of/write off property, plant and equipment, net		
– container vessels	**(1,038,656)**	(236,945)
– others	**11,390**	(114,479)
Reversal of provision for impairment of trade and other receivables	**32,614**	59,674
Provision for impairment of trade and other receivables	**(9,683)**	(30,163)
Net exchange gain/(loss), net	**114,726**	(264,006)
Compensation expense	**(56,513)**	(7,867)
Compensation income	**10,724**	1,033
Donations	**(444)**	(497)
Gain on fair value change on share appreciation rights	**15,213**	6,115
Impairment of available-for-sale financial assets	**(131,484)**	–
Others	**622**	20,462
Total	**(470,193)**	1,460,646

Note:

(a) In 2016, the Company received a subsidy of approximately RMB189.5 million (2015: approximately RMB1,548.7 million) from the Ministry of Finance ("MoF") through COSCO in respect of the demolition of vessels in accordance with the "Implementation Plan for Early Retirement and Replacement of Obsolete and Worn-out Transportation Vessels And Single-hull Oil Tankers" (《老舊運輸船舶和單殼油輪提前報廢更新實施方案》) and "Administrative Measure For The Special Subsidies Given By The Central Finance To Encourage Retirement And Replacement Of Obsolete and Worn-out Transportation Vessels And Single-hull Oil Tankers" (《老舊運輸船舶和單殼油輪報廢更新中央財政補助專項資金管理辦法》) jointly promulgated by MoF, the Ministry of Transport, the Development and Reform Commission, and the Ministry of Industry and Information Technology of China.

Notes to the Consolidated Financial Statements

27 Expenses by nature

	2016 RMB'000	2015 RMB'000 (Restated)
Cost of services and inventories sold (note a)		
Container shipping and related business		
– Equipment and cargo transportation costs	35,273,700	23,419,633
– Voyage costs (note b)	11,776,780	9,329,295
– Vessel costs (note c)	14,202,625	9,668,479
	61,253,105	42,417,407
Freight forwarding and shipping agency costs	8,190,230	8,529,171
Elimination within container shipping and related business	(1,062,898)	(1,343,343)
Cost of services related to container shipping and related business	68,380,437	49,603,235
Terminal operating and other direct costs	2,384,520	2,195,151
Other business costs	182	303
Elimination between different businesses	(503,237)	(421,046)
Tax and surcharges	120,943	47,770
Total	70,382,845	51,425,413
Selling, administrative and general expenses		
Administrative staff costs	2,751,558	2,343,768
Depreciation and amortisation	164,016	147,410
Rental expense	246,661	272,723
Office expense	56,317	47,668
Transportation and travelling expense	85,449	83,117
Legal and professional fees	192,172	74,766
Auditors' remuneration	41,267	42,578
Telecommunication and utilities	101,011	72,530
Repair and maintenance expense	74,814	46,945
Others	307,810	320,508
Total	4,021,075	3,452,013

Notes:

(a) It included depreciation and amortisation expenses of RMB2,056,534,000 (2015: RMB2,078,344,000) and operating lease rentals of RMB10,927,378,000 (2015: RMB5,707,631,000) respectively.

(b) Voyage costs mainly comprised bunkers, port charges and commission expenses.

(c) Vessel costs mainly comprised operating lease rentals and depreciation of vessels.

Notes to the Consolidated Financial Statements

28 Finance income and costs

	2016 RMB'000	2015 RMB'000 (Restated)
Finance income		
Interest income from:		
– deposits in COSCO Finance (note 17(b))	**73,913**	88,112
– deposits in CS Finance (note 17(c))	**2,421**	7,113
– loans to joint ventures and an associate (note 13)	**32,067**	41,213
– banks	**391,327**	665,510
	499,728	801,948
Finance costs		
Interest expenses on:		
– bank loans	**(913,119)**	(832,361)
– other loans (note 25)	**(3,431)**	(3,883)
– loans with fellow subsidiaries (note 22)	**(1,381)**	(13,271)
– loans with non-controlling shareholders of subsidiaries (note 22)	**(18,541)**	(33,939)
– loans with a joint venture	**(5,791)**	(6,511)
– loans with COSCO Shipping	**(1,295)**	—
– loans with COSCO Finance (notes 22 and 25)	**(57,625)**	(14,058)
– loans with CS Finance	**(4,287)**	(5,335)
– finance lease obligations	**(18,806)**	(26,484)
– notes/bonds (note 22(b))	**(788,557)**	(766,293)
	(1,812,833)	(1,702,135)
Amortised amount of transaction costs on long-term borrowings	**(52,443)**	(51,680)
Amortised amount of discount on issue of notes	**(1,534)**	(1,576)
Other incidental borrowing costs and charges	**(150,103)**	(160,257)
Less: amount capitalised in construction in progress (note 6(e))	**104,035**	54,835
	(1,912,878)	(1,860,813)
Net related exchange loss	**(401,579)**	(486,776)
Net finance costs	**(1,814,729)**	(1,545,641)

Notes to the Consolidated Financial Statements

29 Income tax expenses

	2016 **RMB'000**	2015 RMB'000 (Restated)
Current income tax (note a)		
– PRC enterprise income tax	**269,195**	259,930
– Hong Kong profits tax	**10,896**	15,893
– Overseas taxation	**169,016**	161,135
Under/(over) provision in prior years	**17,046**	(4,131)
	466,153	432,827
Deferred income tax	**40,286**	98,057
	506,439	530,884

Notes:

(a) Current income tax

Taxation has been provided at the appropriate rate of taxation prevailing in the countries in which the Group operates. These rates range from 12.5% to 43% (2015: 12.5% to 46%).

The statutory rate for PRC enterprise income tax is 25% and certain PRC companies enjoy preferential tax treatment with the reduced rates ranging from 12.5% to 25% (2015: 12.5% to 25%).

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits derived from or arising in Hong Kong for the year.

29 Income tax expenses (Continued)

Notes: (Continued)

(b) The taxation on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
(Loss)/profit before income tax	(5,456,070)	1,742,096
Less: Share of profits less losses of joint ventures and associates	(1,399,608)	(1,556,220)
	(6,855,678)	185,876
Calculated at a tax rate of 25% (2015: 25%)	(1,713,919)	46,469
Effect of different tax rates of domestic and overseas entities	(129,184)	3,344
Income not subject to income tax	(267,521)	(438,152)
Expenses not deductible for taxation purposes	627,830	615,823
Utilisation of previously unrecognised tax losses	(66,562)	(48,776)
Tax losses not recognised	1,949,750	266,089
Reversal of previously recognised deferred tax liabilities	(44,674)	(38,686)
Withholding income tax upon distribution of profits and payment of interest	129,817	120,641
Other temporary differences not recognised	3,856	8,263
Under/(over) provision in prior years	17,046	(4,131)
Income tax expense	506,439	530,884

29 Income tax expenses (Continued)

Notes: (Continued)

(c) The tax credit/(expense) relating to components of other comprehensive income are as follows:

	2016			2015 (Restated)		
	Before tax RMB'000	**Tax RMB'000**	**After tax RMB'000**	Before tax RMB'000	Tax RMB'000	After tax RMB'000
Fair value losses on available-for-sale financial assets, net of tax	**(43,670)**	**2,750**	**(40,920)**	(22,052)	8,918	(13,134)
Share of other comprehensive loss of joint ventures and associates	**(12,141)**	**–**	**(12,141)**	(32,357)	–	(32,357)
Recycling of currency translation differences upon disposals of subsidiaries	**3,368,688**	**–**	**3,368,688**	–	–	–
Currency translation differences	**917,880**	**–**	**917,880**	618,972	–	618,972
Remeasurements of post-employment benefit obligations	**120,520**	**–**	**120,520**	(51,330)	–	(51,330)
Impairment loss on available-for-sale financial assets charged to the consolidated income statement	**131,484**	**–**	**131,484**	3,532	–	3,532
Other comprehensive income for the year	**4,482,761**	**2,750**	**4,485,511**	516,765	8,918	525,683
Deferred tax (note 15)		**2,750**			8,918	
Total		**2,750**			8,918	

30 Loss attributable to equity holders of the Company

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB22,327,640,000 (2015: RMB593,585,000).

31 Dividend

The Board of Directors did not recommend the payment of interim or final dividend for the year ended 31 December 2016 and the year ended 31 December 2015.

32 (Loss)/earnings per share

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the number of ordinary shares in issue during the year.

	2016	2015 (Restated)
(Loss)/profit from continuing operations attributable to equity holders of the Company (RMB)	(7,227,647,000)	333,728,000
(Loss)/profit from discontinued operations attributable to equity holders of the Company (RMB)	(2,678,356,000)	135,574,000
	(9,906,003,000)	469,302,000
Number of ordinary shares in issue	10,216,274,357	10,216,274,357
Basic (Loss)/earnings per share (RMB)		
From continuing operations	(0.71)	0.03
From discontinued operations	(0.26)	0.02
	(0.97)	0.05

(b) Diluted

The outstanding share options granted by a subsidiary of the Company did not have any dilutive effect on the (loss)/earnings per share for the year ended 31 December 2016, and the diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share for the year ended 31 December 2016 (2015: same).

Notes to the Consolidated Financial Statements

33 Staff costs

An analysis of staff costs, including Directors', supervisors' and key management's emoluments, is set out below:

	2016 RMB'000	2015 RMB'000 (Restated)
Wages, salaries and crew expenses (including bonus and share-based payments)	**3,993,115**	3,545,840
Housing benefits (note a)	**229,217**	225,325
Retirement benefits costs		
– defined benefit plans (including multi-employer defined benefit plans) (note 23(a))	**25,060**	30,528
– defined contribution plans (note b)	**822,953**	707,614
Welfare and other expenses	**1,266,531**	1,125,819
	6,336,876	5,635,126

Notes:

(a) These include contributions to PRC government sponsored housing funds (at rates ranging from 7% to 30% of the employees' basic salaries) for full time employees in the PRC during the year.

(b) The employees of the subsidiaries in the PRC participate in various retirement contribution plans organised by the relevant municipal and provincial governments in the PRC under which the Group was required to make monthly contributions to these plans at rates ranging from 5% to 22%, depending on the applicable local regulations, of the employees' basic salaries for the year.

In addition, the Group participates in various defined contribution retirement schemes for its qualified employees in certain countries outside the PRC. Employees' and employers' contributions are calculated based on various percentages of employees' gross salaries or fixed sums and length of service. The assets of the schemes are held separately from those of the administered funds independently.

No forfeited contributions were available as at 31 December 2016 and 2015 to reduce future contributions.

Contributions totalling RMB545,713,000 (2015 restated: RMB426,938,000) payable to various retirement benefit plans as at 31 December 2016 are included in trade and other payables.

(c) The staff costs disclosed above do not include staff quarters provided to the Directors, supervisors and the Group's key managements during the year. Further details of the Directors, supervisors and key management's emoluments are disclosed in note 34 of the consolidated financial statements.

34 Emoluments of Directors, supervisors and senior management

(a) Directors', supervisors' and senior management's emoluments

Details of the emoluments paid and payable to the Directors, supervisors and senior management of the Company by the Group in respect of their services rendered for managing the business of the Group during the year are as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
Independent non-executive directors		
– fees	1,928	1,938
Executive and other non-executive directors		
– salaries and allowances	5,743	1,499
– benefits in kind	105	(415)
– retirement benefit contributions	185	45
	6,033	1,129
Supervisors		
– salaries and allowances	1,873	3,579
– benefits in kind	60	92
– retirement benefit contributions	75	113
	2,008	3,784
Senior management		
– salaries and allowances	5,462	11,160
– benefits in kind	51	283
– retirement benefit contributions	152	273
	5,665	11,716
	15,634	18,567

Benefits in kind for the year ended 31 December 2016 disclosed above included amortised cost, change in fair value and cancellation with a net credit of RMB100,000 (2015: RMB597,000) on outstanding SARs not yet exercised by Directors, supervisors and senior management (note 20(b)).

Notes to the Consolidated Financial Statements

34 Emoluments of Directors, supervisors and senior management (Continued)

(b) Directors', chief executive's and supervisors emoluments

Details of the remuneration of each of the Directors, the chief executive and the supervisors are set out below:

Name	Year ended 31 December 2016 Fees RMB'000	Salaries and allowances RMB'000	Benefits in kind RMB'000	Retirement benefit contributions RMB'000	Total RMB'000
Mr. Wan Min	–	–	(20)	–	(20)
Mr. Ma Zehua	–	–	–	–	–
Mr. Li Yunpeng	–	–	–	–	–
Mr. Huang Xiaowen	–	–	–	–	–
Ms. Sun Yueying	–	–	–	–	–
Mr. Sun Jiakang	–	–	–	–	–
Mr. Ye Weilong	–	–	–	–	–
Mr. Wang Yuhang	–	–	–	–	–
Mr. Xu Zunwu	–	960	60	89	1,109
Mr. Ma Jianhua	–	240	(21)	20	239
Mr. Wang Haimin	–	950	62	76	1,088
Mr. Zhang Wei（張為）	–	3,593	30	–	3,623
Mr. Feng Boming	–	–	(3)	–	(3)
Mr. Zhang Wei（張煒）	–	–	(4)	–	(4)
Mr. Chen Dong	–	–	–	–	–
Ms. Fan Hsu Lai Tai Rita	478	–	–	–	478
Mr. Kwong Che Keung Gordon	490	–	–	–	490
Mr. Peter Guy Bowie	474	–	–	–	474
Mr. Yang Liang Yee Philip	486	–	–	–	486
Mr. Fu Xiangyang	–	–	(6)	–	(6)
Mr. Hao Wenyi	–	–	–	–	–
Mr. Fang Meng	–	351	–	–	351
Mr. Qian Weizhong	–	193	9	12	214
Mr. Gao Ping		713	58	63	834
Ms. Zhang Li	–	–	–	–	–
Mr. Meng Yan	–	314	–	–	314
Mr. Zhang Jianping	–	302	–	–	302
	1,928	7,616	165	260	9,969

Notes to the Consolidated Financial Statements

34 Emoluments of Directors, supervisors and senior management (Continued)

(b) Directors', chief executive's and supervisors emoluments (Continued)

Details of the remuneration of each of the Directors, the chief executive and the supervisors are set out below:

Name	Year ended 31 December 2015 (As restated) Fees RMB'000	Salaries and allowances RMB'000	Benefits in kind RMB'000	Retirement benefit contributions RMB'000	Total RMB'000
Mr. Wan Min	—	—	—	—	—
Mr. Ma Zehua	—	—	—	—	—
Mr. Li Yunpeng	—	—	(175)	—	(175)
Ms. Sun Yueying	—	—	(175)	—	(175)
Mr. Sun Jiakang	—	—	(146)	—	(146)
Mr. Ye Weilong	—	—	26	—	26
Mr. Wang Yuhang	—	—	—	—	—
Mr. Jiang Lijun	—	1,499	55	45	1,599
Ms. Fan Hsu Lai Tai Rita	480	—	—	—	480
Mr. Kwong Che Keung Gordon	492	—	—	—	492
Mr. Peter Guy Bowie	477	—	—	—	477
Mr. Yang Liang Yee Philip	489	—	—	—	489
Mr. Fu Xiangyang	—	—	(47)	—	(47)
Mr. Ma Jianhua	—	—	26	—	26
Mr. Gao Ping	—	1,446	29	57	1,532
Ms. Zhang Li	—	1,482	84	56	1,622
Mr. Meng Yan	—	312	—	—	312
Mr. Zhang Jianping	—	339	—	—	339
	1,938	5,078	(323)	158	6,851

Note:

(i) During the year, no emoluments were paid by the Group to any of the Directors as an inducement to join or upon joining the Group or as compensation for loss of office. No Directors of the Company waived or agreed to waive any emoluments during the year.

34 Emoluments of Directors, supervisors and senior management (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year are as follows:

	Number of individuals	
	2016	2015 (Restated)
Directors	**1**	—
Employees	**4**	5
	5	5

The details of emoluments paid to the five highest paid individuals, have included one (2015: nil) Directors of the Company as disclosed in note 34(b) above. Details of emoluments paid to the remaining four (2015: five) highest paid non-director individuals for the year ended 31 December 2016 are as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
- Salaries and allowances	**12,723**	12,418
- Benefits in kind	**—**	—
- Discretionary bonuses	**2,493**	2,442
- Retirement benefit contributions	**86**	58
- Others	**57**	—
	15,359	14,918

The emoluments of the above non-director individuals fell within the following bands:

	Number of individuals	
	2016	2015 (Restated)
HK$2,500,001 to HK$3,000,000 (equivalent to approximately RMB2,240,000 to RMB2,680,000)	**—**	2
HK$3,000,001 to HK$3,500,000 (equivalent to approximately RMB2,680,000 to RMB3,130,000)	**3**	2
HK$3,500,001 to HK$4,000,000 (equivalent to approximately RMB3,130,000 to RMB3,580,000)	**1**	—
HK$4,000,001 to HK$4,500,000 (equivalent to approximately RMB3,580,000 to RMB4,030,000)	**—**	—
HK$6,000,001 to HK$6,500,000 (equivalent to approximately RMB5,370,000 to RMB5,810,000)	**—**	1
	4	5

35 Notes to the consolidated cash flow statement

(a) Reconciliation of (loss)/profit before income tax to cash generated from operations:

	2016 RMB'000	2015 RMB'000 (Restated)
(Loss)/profit before income tax	**(8,588,441)**	2,267,758
Depreciation		
- property, plant and equipment	**2,603,818**	4,177,542
- investment properties	**8,467**	14,863
Amortisation		
- intangible assets	**47,473**	36,756
- leasehold land and land use rights	**43,781**	48,562
- concession	**10,707**	11,770
Amortised amount of transaction costs on long-term borrowings and discount on issue of notes/bonds	**55,649**	73,242
Dividend income from listed and unlisted investments	**(40,385)**	(214,135)
Share of profits less losses of		
- joint ventures	**(770,674)**	(798,747)
- associates	**(634,150)**	(810,811)
Interest expenses	**1,977,127**	2,641,527
Interest income	**(511,421)**	(957,330)
Net loss on disposal of property, plant and equipment	**1,027,266**	435,703
Provision for impairment of available-for-sale financial asset	**131,484**	3,532
Net gain on disposal of jointly controlled entities and associates, net	**–**	(4,139)
Net loss/(gain) on disposal of subsidiaries	**2,430,262**	(615,118)
Other incidental borrowing costs and charges	**167,640**	274,216
Provision for onerous contracts	**–**	72,622
Net exchanges loss	**349,038**	416,302
(Increase)/decrease in inventories	**(557,226)**	591,116
(Increase)/decrease in trade and other receivables	**(3,851,974)**	1,110,215
Increase/(decrease) in trade and other payables	**7,273,321**	(1,467,012)
Increase in finance lease receivales	**–**	(62,255)
Decrease/(increase) in provision and other liablities	**198,921**	(450,930)
Decrease/(increase) in restricted bank deposits	**6,385**	(17,952)
Cash generated from operations	**1,377,068**	6,777,297

Notes to the Consolidated Financial Statements

35 Notes to the consolidated cash flow statement (Continued)

(b) Acquisition of subsidiaries

In 2016, the Group entered into agreements to purchase certain equity interests as below:

(i) 50% equity interests in Cosco Contaner Lines (Netherlands) B.V.

(ii) 35% equity interests in Cosco Shipping Lines (Vietnam).

Details of the share of net assets acquired:

	RMB'000
Share of fair values of net assets acquired	5,588
Goodwill	12,736
Purchase consideration	18,324
Cash and cash equivalents in subsidiaries acquired	(229,204)
Cash inflow on acquisition	210,880

These subsidiaries contributed revenues of RMB125,537,000 and net profit of RMB19,962,000 to the Group for the period from acquisition day to 31 December 2016.

The acquisitions of subsidiaries under common control by the Group are set out in note 40.

(c) Disposal of a subsidiary

On 4 November 2016, the Group disposed of its 100% equity interest in Chongqing COSCO Chemical Logistics Co., Ltd., a wholly owned subsidiary for a consideration of RMB78,073,000.

Net cash inflow in respect of disposal of a subsidiary is analysed as follows:

	RMB'000
Net assets disposed of	70,378
Sales proceeds - cash received from disposal	78,073
Less: cash and cash equivalents of subsidiary disposed of	(2,198)
Net cash inflow on disposal of subsidiary	75,875

The cash flows of disposal of a subsidiary from discontinued operations are set out in note 36(d).

Notes to the Consolidated Financial Statements

36 Discontinued operations

In the current year, the loss on disposals and the operations results of COSCO Bulk and FCHL are disclosed as discontinued operations in accordance with HKFRS "Non-current Assets Hold for sale and Discontinued Operations":

	2016 RMB'000	2015 RMB'000 (Restated)
Loss on disposals of subsidiaries (notes a, b and c)	(2,430,262)	–
(Loss)/profit from discontinued operations (note d)	(708,461)	504,219
Write back of provision (note e)	–	493,173
(Loss)/profit from discontinued operations	(3,138,723)	997,392

(a) Disposal of 100% equity interest in COSCO Bulk

The disposal of 100% equity interest in COSCO Bulk to COSCO Group was completed on 15 March 2016 for a total consideration of RMB4,873,281,000. Since COSCO Bulk represented a separate business line prior to the disposal, its business and cash flow could be identified independently and had been classified as discontinued operations in the consolidated financial statements.

(b) Disposal of 100% equity interest in FCHL

On 24 March 2016, COSCO SHIPPING Ports, a non-wholly owned subsidiary of the Company, completed the disposal of the entire equity interests in FCHL (equivalent to the Group's container leasing, management and sales and related businesses) for a total consideration of US$1,223,725,000 (approximately RMB7.91 billion). FCHL's shareholders' loans in an aggregated amount of US$285,000,000 (approximately RMB1.94 billion) were transferred to China Shipping Group on the same date for a consideration of US$285,000,000 (approximately RMB1.94 billion). Since FCHL represented a separate business line prior to the disposal, its business and cash flow could be identified independently, FCHL had been classified as discontinued operations in the consolidated financial statements.

Notes to the Consolidated Financial Statements

36 Discontinued operations (Continued)

(c) The details of the net assets of discontinued operations on disposals are as follows:

		RMB'000
Property, plant and equipment		40,511,561
Investment properties		157,075
Leasehold land and land use rights		150,749
Intangible assets		18,330
Finance lease receivables		562,157
Joint ventures		622,852
Associates		1,252,283
Available-for-sale financial assets		967,212
Other non-current assets		238,283
Deferred income tax assets		30,236
Restricted bank deposits		20,851
Inventories		494,827
Trade and other receivables		3,210,410
Cash and cash equivalents		5,261,355
Trade and other payables		(2,604,553)
Long-term borrowings		(34,257,380)
Other non-current liabilities		(612,258)
Short-term borrowings		(489,811)
Loan from immediate holding company		(1,940,329)
Provisions and other liabilities		(901,981)
Deferred income tax liabilities		(111,460)
Tax payable		(112,159)
Net assets		12,468,250
Non-controlling interests		(626,661)
Net assets disposed of		11,841,589
Sales proceeds	- cash received from disposals	14,576,373
	- price adjustment	(1,796,358)
Assignment of shareholder's loan		1,940,329
Less: cash and cash equivalents of disposed of		(5,261,355)
Net cash inflow on disposals of discontinued operations		9,458,989

36 Discontinued operations (Continued)

(d) The results and cash flows of discontinued operations are as follows:

	For the period from 1 January 2016 to Completion Date RMB'000	Year ended 31 December 2015(#) RMB'000
Revenues	1,594,498	10,975,134
Expenses	(2,296,602)	(10,449,473)
(Loss)/profit before income tax from discontinued operations	(702,104)	525,661
Income tax expense	(6,357)	(21,442)
(Loss)/profit for the period/year after tax of discontinued operations	(708,461)	504,219
Sales proceeds – cash received from disposals	14,576,373	—
– price adjustment	(1,796,358)	—
Net assets disposed of	(11,841,589)	—
Release of reserves upon disposals	(3,368,688)	—
Net loss on disposals of subsidiaries	(2,430,262)	—
Discontinued operations reversal of provision	—	493,173
(Loss)/profit for the period/year from discontinued operations	(3,138,723)	997,392
Attributable to:		
Equity holders of the Company	(3,145,822)	683,355
Non-controlling interests	7,099	314,037
(Loss)/profit for the period/year from discontinued operations	(3,138,723)	997,392
Net cash (used in)/generated from operating activities	(295,019)	1,978,245
Net cash used in investing activities	(1,794,706)	(5,121,604)
Net cash generated from financing activities	1,006,007	1,526,736
Net decrease in cash and cash equivalents	(1,083,718)	(1,616,623)
Cash and cash equivalents at beginning of period/year	6,338,558	7,825,321
Effect of exchange rate changes	6,515	129,860
Cash and cash equivalents at end of period/year	5,261,355	6,338,558

Notes to the Consolidated Financial Statements

36 Discontinued operations (Continued)

On 2 December 2015, Tianjin Ocean Shipping Co., Ltd ("COSCO Tianjin"), a wholly owned subsidiary of the Company, entered into an agreement with Shanghai Ocean Industrial Company ("Shanghai Ocean Industrial"), a wholly owned subsidiary of COSCO Group, pursuant to which Shanghai Ocean Industrial agreed to provide additional capital contribution of RMB1,196,611,000 to Tianjin Ocean Plaza Co., Ltd. ("Tianjin Ocean Plaza"), a then wholly owned subsidiary of COSCO Tianjin. Following the capital contribution, COSCO Tianjin's equity interests in Tianjin Ocean Plaza were diluted to 49% and such interests were reclassified as investment in an associate. On 10 December 2015, the contribution was completed and resulted in a gain on disposal of RMB615,118,000. COSCO Tianjin is an associate of COSCO Bulk and is therefore considered as part of discontinued operations, the gain on disposal in the comparative information has been reclassified into discontinued operations.

(e) Discontinued operations include the write back of transaction cost provision in relation to the disposal of the entire 21.8% equity interest in China International Marine Containers (Group) Co., Ltd. ("CIMC"), a then associate of the Group under container manufacturing business segment in year 2013. As CIMC was an associate of FCHL and therefore considered as part of discontinued operations, the write back of transaction cost provision in the comparative information has been reclassified into discontinued operations.

37 Contingent liabilities and financial guarantee

(a) The Group was involved in a number of claims and lawsuits, including but not limited to, the claims and lawsuits arising from damage to vessels during transportation, loss of goods, delay in delivery, collision of vessels, early termination of vessel chartering contracts, and dispute during impawning supervision business.

As at 31 December 2016, the Group is unable to ascertain the likelihood and amounts of the above mentioned claims. However, based on advice of legal counsel and/or information available to the Group, the Directors are of the opinion that the related claims amounts should not be material to the Group's consolidated financial statements for the year ended 31 December 2016.

(b) Guarantee

	2016	2015
	RMB'000	RMB'000
		(Restated)
Bank guarantee to a joint venture at face value	**63,200**	16,000

A subsidiary of COSCO SHIPPING Ports provided corporate guarantee to a joint venture in respect of banking facilities of the joint venture. The Directors consider that it is not probable for a claim to be made against the Group and the fair value of the guarantee contract is not significant to the Group, and has not been recognised at the balance sheet date.

As at 31 December 2016, the Company provided guarantees for credit facilities and notes granted to its subsidiaries of RMB9,224,474,000 (2015: RMB20,880,451,000).

Notes to the Consolidated Financial Statements

38 Commitments

(a) Capital commitments

	2016 RMB'000	2015 RMB'000 (Restated)
Contracted but not provided for		
Containers vessels	14,797,488	15,553,990
Dry bulk vessels	–	6,475,030
Terminal equipment	4,099,356	2,043,724
Buildings	4,746	127,273
Other property, plant and equipment	7,896	14,492
Investments in terminals and other companies	4,671,059	3,624,075
Intangible assets	17,614	20,633
	23,598,159	27,859,217

Amounts of capital commitments relating to the Group's interest in the joint ventures not included in the above are as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
Contracted but not provided for	417,059	36,598

Notes to the Consolidated Financial Statements

38 Commitments (Continued)

(b) Operating lease commitments - where the Group is the lessee

As at 31 December 2016, the Group had future aggregate minimum payments under non-cancellable operating leases/time charter arrangements as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
Containers vessels		
- not later than one year	**9,578,427**	3,660,354
- later than one year and no later than five years	**24,559,999**	8,864,579
- later than five years	**1,621,059**	3,785,959
	35,759,485	16,310,892
Dry bulk vessels		
- not later than one year	**–**	1,687,252
- later than one year and no later than five years	**–**	4,924,814
- later than five years	**–**	179,853
	–	6,791,919
Concession (note 16)		
- not later than one year	**372,378**	304,408
- later than one year and no later than five years	**2,304,305**	1,788,266
- later than five years	**29,205,811**	15,007,725
	31,882,494	17,100,399
Containers		
- not later than one year	**1,613,705**	970,992
- later than one year	**3,038,213**	1,369,967
- no later than five years	**254,036**	419
	4,905,954	2,341,378
Leasehold land, buildings and other property, plant and equipment		
- not later than one year	**269,473**	361,298
- later than one year and no later than five years	**211,003**	352,876
- later than five years	**53,989**	104,284
	534,465	818,458
	73,082,398	43,363,046

Notes to the Consolidated Financial Statements

39 Significant related party transactions

The Company is controlled by COSCO Shipping, the parent company and a state-owned enterprise established in the PRC.

COSCO Shipping itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. Government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include COSCO Shipping and its subsidiaries (other than the Group), other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO Shipping as well as their close family members.

For the purpose of the related party transaction disclosures, the Directors believe that it is meaningful to disclose the related party transactions with COSCO Shipping group companies for the interests of financial statements users, although certain of those transactions which are individually or collectively not significant, are exempted from disclosure. The Directors believe that the information of related party transactions has been adequately disclosed in the consolidated financial statements.

In addition to the related party information and transactions disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties during the year.

Notes to the Consolidated Financial Statements

39 Significant related party transactions (Continued)

	2016 RMB'000	2015 RMB'000 (Restated)
Continuing operations		
Transactions with COSCO Group		
Revenues		
Management fee income	4,646	20,732
Expenses		
Sub-charter expenses	123,498	116,512
Rental expenses	13,473	53,892
Transactions with subsidiaries and the related entities of COSCO Shipping (including joint ventures and associates)		
Revenues		
Container shipping income	306,091	486,474
Freight forwarding and shipping agency income	22,453	61,314
Vessel services income	34,971	23,114
Crew service income	53,385	44,430
Expenses		
Vessel costs		
Sub-charter expenses	303,653	319,261
Vessel leasing expenses	5,057,983	145,281
Vessel services expenses	302,413	243,834
Crew expenses	2,111	17,442
Voyage costs		
Bunker costs	3,764,136	4,750,464
Port charges	1,237,823	807,908
Equipment and cargo transportation costs		
Commission and rebates	276,472	159,272
Cargo and transhipment and equipment and repositioning expenses	56,579	77,262
Freight forwarding expenses	44,751	63,156
General service expenses	63,291	60,973
Rental expenses	107,937	94,671
Container leasing expense	1,641,211	—

Notes to the Consolidated Financial Statements

39 Significant related party transactions (Continued)

	2016 RMB'000	2015 RMB'000 (Restated)
Continuing operations (Continued)		
Transactions with joint ventures of the Group		
Revenues		
Management fee and service fee income	**25,679**	27,247
Crew service income	**13,064**	2,580
Expenses		
Port charges	**1,119,646**	735,465
Freight forwarding expenses	**6,246**	6,369
Rental expenses	**3,915**	3,508
Transactions with associates of the Group		
Expenses		
Port charges	**482,802**	349,535
Transactions with non-controlling shareholders of subsidiaries		
Revenues		
Terminal handling and storage income	**320,950**	262,350
Expenses		
Container handling and logistics services fee	**96,966**	102,777
Electricity and fuel expenses	**54,248**	31,938
Others		
Port construction fee and high-frequency communication fee	**554**	799

Note:

These transactions were conducted either (i) based on terms as governed by the master agreements and subsisting agreements entered into between the Group and COSCO Group or between the Group and China Shipping Group; or (ii) based on terms as set out in the underlying agreements, statutory rates or market prices or actual cost incurred, or as mutually agreed between the Group and the parties in concern.

As at 31 December 2016 and 31 December 2015, majority of the Group's bank balances and bank borrowings are with state-owned banks.

Notes to the Consolidated Financial Statements

39 Significant related party transactions (Continued)

	2016 RMB'000	2015 RMB'000 (Restated)
Discontinued operations		
Transactions with subsidiaries of COSCO Shipping and its related entities (including jointly controlled entities and associates of COSCO Shipping)		
Revenues		
Vessel service income	**1,005**	8,659
Manning income	**4,504**	32,933
General service income	**19,410**	6,408
Expenses		
Vessel costs		
Charterhire expense	**4,304**	30,976
Vessel services expense	**29,953**	378,527
Crew expenses	**848**	11,420
Voyage costs		
Bunker cost	**167,438**	1,748,643
Freight forwarding expenses	**340**	5,471
General service expense	**3,219**	19,800
Rental expenses	**9,754**	26,510
Logistics related expenses	**1,568**	3,608
Agency fee	**2,103**	22,373
Purchase of containers	**–**	1,021,106
Transactions with joint ventures of the Group		
Revenues		
Charterhire income	**5,857**	60,246
Manning income	**1,666**	10,429

Notes to the Consolidated Financial Statements

40 Business combinations under common control

During the year, the Group completed the acquisitions from COSCO Group and China Shipping Group of the equity interests in the Acquired Entities for considerations as set out below:

(a) The Group completed its acquisition of all the shares in China Shipping Ports Development Co., Limited at a total consideration of RMB7.625 billion;

(b) The Group completed its acquisitions of certain agency companies at a total consideration of RMB0.799 billion.

(c) The Group completed the acquisition of equity interests in various offshore agency companies at a total consideration of RMB132 million. Details of the acquisitions are as disclosed as below:

Acquired Entities	**Consideration** (RMB'000)
China Shipping (Romania) Agency Co. Ltd. SRL	1,738
COSCO Poland Sp. Z o.o.	689
COSCO Russia Ltd.	14,918
Cosren Shipping Agency (Pty) Ltd.	311
Golden Sea Shipping Pte. Ltd.	33,899
COSCO Lanka (Pvt) Ltd.	242
COSCO Cambodia Pte. Ltd.	555
China Shipping México, S. de R.L. de C.V	1,301
China Shipping Acentaligi A.S.	3,318
COSCO Saeed Karachi (Private) Limited	435
China Shipping (Myanmar) Company Limited	2,034
COSCO GREECE S.A.	50,550
Cosco Shipping Lines (Ukraine) Co., Ltd.	928
China Shipping Egypt S.A.E.	499
COSCO (India) Shipping Pvt. Ltd.	1,519
Penta Holding A/S	18,839

As both COSCO Group and China Shipping Group are wholly owned and controlled by SASAC, the aforesaid transactions were regarded as business combinations under common control. The comparative information in these consolidated financial statements has been restated accordingly under merger accounting.

Notes to the Consolidated Financial Statements

40 Business combinations under common control (Continued)

Statements of adjustments for business combinations under common control on the Group's financial position as 31 December 2015 and 2016, and the results for the year ended 31 December 2015 and 2016 are summarised as follows:

	The Group before the Acquired Entities RMB'000	Acquired Entities RMB'000	Note	Adjustments RMB'000	Total RMB'000
Year ended 31 December 2016 Continuing operations					
Revenues	63,575,954	8,342,798	(i)	(1,692,000)	69,833,164
(Loss)/profit before income tax	(6,273,199)	823,203	(ii)	(6,074)	(5,456,070)
Income tax expenses	(403,419)	(107,314)	(ii)	4,294	(506,439)
(Loss)/profit for the year	(6,676,618)	715,889		(1,780)	(5,962,509)
As at 31 December 2016					
ASSETS					
Non-current assets	75,601,038	7,269,291	(iii) (iv)	(8,580,061)	74,290,268
Current assets	43,226,181	3,758,492	(iv)	(1,622,208)	45,362,465
Total assets	118,827,219	11,027,783		(10,202,269)	119,652,733
EQUITY					
Capital and reserves					
Share capital	10,216,274	8,688,156	(iii)	(8,688,156)	10,216,274
Reserves	9,175,899	(754,596)	(iii)	(314,281)	8,107,022
	19,392,173	7,933,560		(9,002,437)	18,323,296
Non-controlling interests	18,402,354	486,346	(iii)	336,873	19,225,573
Total equity	37,794,527	8,419,906		(8,665,564)	37,548,869
LIABILITIES					
Non-current liabilities	48,297,817	245,103	(iii) (iv)	5,626	48,548,546
Current liabilities	32,734,873	2,362,776	(iv)	(1,542,331)	33,555,318
Total liabilities	81,032,690	2,607,879		(1,536,705)	82,103,864
Total equity and liabilities	118,827,217	11,027,785		(10,202,269)	119,652,733

Notes to the Consolidated Financial Statements

40 Business combinations under common control (Continued)

	As previously reported RMB'000	Acquired Entities RMB'000	Note	Adjustments RMB'000	Total RMB'000
Year ended 31 December 2015 **Continuing operations**					
Revenues	46,428,800	9,266,610	(i)	(547,113)	55,148,297
Profit before income tax	1,230,144	504,602	(ii)	7,350	1,742,096
Income tax expenses	(436,032)	(91,562)	(ii)	(3,290)	(530,884)
Profit for the year	794,112	413,040		4,060	1,211,212
As at 31 December 2015					
ASSETS					
Non-current assets	106,345,870	7,452,634	(iii) (iv)	51,535	113,850,039
Current assets	41,847,279	5,303,517	(iv)	(507,337)	46,643,459
Total assets	148,193,149	12,756,151		(455,802)	160,493,498
EQUITY					
Capital and reserves					
Share capital	10,216,274	8,212,255	(iii)	(8,212,255)	10,216,274
Reserves	14,437,052	(529,874)	(iii)	4,436,097	18,343,275
	24,653,326	7,682,381		(3,776,158)	28,559,549
Non-controlling interests	20,284,185	479,315	(iii)	3,848,026	24,611,526
Total equity	44,937,511	8,161,696		71,868	53,171,075
LIABILITIES					
Non-current liabilities	76,880,205	263,151	(iii) (iv)	3,826	77,147,182
Current liabilities	26,375,433	4,331,304	(iv)	(531,496)	30,175,241
Total liabilities	103,255,638	4,594,455		(527,670)	107,322,423
Total equity and liabilities	148,193,149	12,756,151		(455,802)	160,493,498

Notes:

(i) Adjustments to eliminate the inter-group transactions for the year ended 31 December 2016 and 31 December 2015.

(ii) Adjustments to adjust the profit and tax in relation to reclassification of certain investments after acquisition of the Acquired Entities.

(iii) Adjustments to eliminate the investment costs and share capital of the Acquired Entities against reserves and non-controlling interests.

(iv) Adjustments to eliminate the inter-group balance as at 31 December 2016 and 31 December 2015.

No other significant adjustments were made to the net (loss)/profit of any entities as a result of the common control combinations to achieve consistency of accounting policies.

Notes to the Consolidated Financial Statements

41 Particulars of principal subsidiaries, joint ventures and associates

At 31 December 2016, the Group had the following principal subsidiaries, joint ventures and associates which, in the opinion of the Directors, materially affect the results and/or assets of the Group.

(a) Subsidiaries

As at 31 December 2016, the Group had direct and indirect interests in the following principal subsidiaries:

Name	Place of incorporation/ establishment and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2016	2015 (Restated)
Capital held directly					
COSCO SHIPPING Lines Limited (formly known as COSCO Container Lines Co., Ltd.)	PRC/Worldwide	Container transportation	RMB15,961,763,082	100.00%	100.00%
China COSCO (Hong Kong) Company Limited	Hong Kong	Investment holding	RMB64,100	100.00%	100.00%
Capital held indirectly					
Shanghai Pan Asia Shipping Company Limited	PRC	Container transportation	RMB1,259,983,844	100.00%	100.00%
Shanghai COSCO Information & Technology Co., Ltd.	PRC	Design and manufacture computer software, providing technology service and solution	RMB2,069,685	100.00%	100.00%
Tianjin Binhai COSCO Container Logistics Co., Ltd.	PRC	Container stack, cargo storage and cargo Transportation	RMB190,000,000	56.10%	56.10%
Shanghai COSCON Development Co., Ltd.	PRC	Container stack, cargo storage and cargo Transportation	RMB403,000,000	100.00%	100.00%
COSCO SHIPPING Container Lines Agencies Limited	Hong Kong	Shipping agency	RMB1,063,700	100.00%	100.00%
COSCO International Freight Co., Ltd.	PRC	Freight forwarding and transportation	RMB377,170,094	100.00%	100.00%
COSCO SHIPPING Lines (Shanghai) Co., Ltd.	PRC	Freight forwarding and transportation	RMB114,003,453	100.00%	100.00%
COSCO Ningbo International Freight Co., Ltd.	PRC	Freight forwarding and transportation	RMB5,000,000	100.00%	100.00%
COSCO Ningbo Container Shipping Agency Co., Ltd.	PRC	Shipping agency	RMB1,000,000	100.00%	100.00%
COSCO Qingdao International Freight Co., Ltd.	PRC	Freight forwarding and transportation	RMB24,295,332	100.00%	100.00%
COSCO Tianjin International Freight Co., Ltd.	PRC	Freight forwarding and transportation	RMB62,825,653	100.00%	100.00%
COSCO Wuhan International Freight Co., Ltd.	PRC	Freight forwarding and transportation	RMB 44,681,134	100.00%	100.00%

Notes to the Consolidated Financial Statements

41 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2016	2015 (Restated)
Capital held indirectly (Continued)					
COSCO Wuhan Logistics Co., Ltd.	PRC	Logistics	RMB109,400,000	51.00%	51.00%
COSCO Dalian International Freight Co., Ltd.	PRC	Freight forwarding and transportation	RMB 20,000,000	100.00%	100.00%
COSCO Xiamen International Freight Co., Ltd.	PRC	Freight forwarding and transportation	RMB15,000,000	100.00%	100.00%
COSCO Container Shipping Agency Co., Ltd.	PRC	Shipping agency	RMB84,717,009	100.00%	100.00%
COSCO Xiamen Container Shipping Agency Co., Ltd.	PRC	Shipping agency	RMB10,000,000	100.00%	100.00%
COSCO Qingdao Container Shipping Agency Co., Ltd.	PRC	Shipping agency	RMB10,000,000	100.00%	100.00%
COSCO Shanghai Container Shipping Agency Co., Ltd.	PRC	Shipping agency	RMB10,000,000	100.00%	100.00%
COSCO Southern China International Freight Co., Ltd.	PRC	Freight forwarding and transportation	RMB50,000,000	100.00%	100.00%
COSCO Hainan International Freight Co., Ltd.	PRC	Freight forwarding and transportation	RMB5,500,000	100.00%	100.00%
COSCO SHIPPING Lines (Korea) Co., Ltd.	South Korea	Freight forwarding and shipping agency	RMB1,989,543	100.00%	100.00%
COSCO SHIPPING Lines Americas, Inc.	United States of America	Shipping agency	RMB23,965,890	100.00%	100.00%
COSCO Container Lines Europe GmbH	German/Europe	Shipping agency	RMB16,548,150	100.00%	100.00%
COSCO (Hong Kong) Shipping Co., Ltd.	Hong Kong	Freight forwarding and shipping agency	RMB1,066,100	100.00%	100.00%
COSCO SHIPPING (Oceania) Pty Ltd.	Australia	Shipping agency, freight forwarding and other international sea transport services	RMB384,830	100.00%	100.00%
COHEUNG SHIPPING Co., Ltd.	Hong Kong	Container transportation	RMB24,627,018	100.00%	100.00%
COSCO (CAYMAN) Mercury Co., Ltd.	Cayman Islands/Hong Kong	Vessel chartering	RMB413,825	100.00%	100.00%
COSCO SHIPPING Lines (Japan)	Japan	Marine services	RMB3,224,240	100.00%	100.00%

Notes to the Consolidated Financial Statements

41 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2016	2015 (Restated)
Capital held indirectly (Continued)					
New Golden Sea Shipping Pte. Co., Ltd.	Singapore	Freight forwarding	RMB119,182,788	100.00%	100.00%
Shanghai COSCON Document Services Co.,Ltd.	PRC	Document services	RMB1,000,000	100.00%	100.00%
COSCO SHIPPING Lines (Brazil)	Brazil	Freight forwarding and shipping agency	RMB2,208,692	100.00%	100.00%
COSCO SHIPPING Lines (PANAMA) INC.	Panama	Freight forwarding and shipping agency	RMB83,174	100.00%	100.00%
Shanghai Ocean Shipping Co., Ltd.	PRC	Vessel management and manning service	RMB482,843,450	100.00%	100.00%
Golden Sea Shipping Pte. Co., Ltd.	Singapore	Shipping Lines	RMB66,824,874	100.00%	100.00%
China Shipping Container Lines Dalian Co., Ltd.	PRC	Freight forwarding	RMB10,000,000	100.00%	100.00%
China Shipping Container Lines Tianjin Co., Ltd.	PRC	Freight forwarding	RMB10,000,000	100.00%	100.00%
China Shipping Container Lines Qingdao Co., Ltd.	PRC	Cargo and liner agency	RMB10,000,000	100.00%	100.00%
China Shipping Container Lines Shanghai Co., Ltd.	PRC	Cargo and liner agency	RMB71,140,000	100.00%	100.00%
China Shipping Container Lines Xiamen Co., Ltd.	PRC	Cargo and liner agency	RMB10,655,000	100.00%	100.00%
China Shipping Container Lines Guangzhou Co., Ltd.	PRC	Cargo and liner agency	RMB10,050,000	100.00%	100.00%
China Shipping Container Lines Hainan Co., Ltd.	PRC	Freight forwarding and shipping agency	RMB10,000,000	100.00%	100.00%
China Shipping Container Lines (Dalian) Data Processing Co., Ltd.	PRC	Computer date processing	RMB2,000,000	100.00%	100.00%
Yangpu Cosco Shipping Refrigeration Storage & Transportation Co., Ltd.	PRC	Transportation, storage and other services	RMB6,000,000	100.00%	100.00%
Cosren Shipping Agency (Pty) Co., Ltd.	South Africa	Cargo and liner agency	RMB226	100.00%	100.00%
COSCO SHIPPING Lines West Asia FZE	United Arab Emirates	Cargo and liner agency	RMB5,667,006	100.00%	100.00%
COSCO Shipping Ports Limited	Bermuda	Investment holding	HKD400,000,000	46.72%	44.83%
COSCO Investment Limited	British Virgin Islands/ Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
COSCO Assets Management Limited	Hong Kong	Vessel owning	10,000 shares of US$1 each	100.00%	100.00%

Notes to the Consolidated Financial Statements

41 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(b) Joint ventures

As at 31 December 2016, the Company had indirect interests in the following principal joint ventures:

Name	Place of incorporation/ establishment and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company	
				2016	2015 (Restated)
Qingdao Qianwan Container Terminal Co., Ltd.	PRC	Operation of container terminal	USD308,000,000	9.34%	8.97%
Yingkou Container Terminals Co., Ltd.	PRC	Operation of container terminal	RMB8,000,000	23.35%	22.42%
COSCO-PSA Terminal Private Limited	Singapore	Operation of container terminal	SGD65,900,000	22.88%	21.97%
Ningbo Yuan Dong Terminals Ltd.	PRC	Operation of container terminal	RMB2,500,000,000	9.34%	8.97%
Tianjin Port Euroasia International Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB1,260,000,000	14.01%	13.45%
Panama International Terminals, S.A.	Panama	Inactive	300 shares of non-denominated ordinary shares	23.35%	22.42%
COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	Operation of container terminal	HK$20 divided into 2 "A" ordinary sharesHK$20 divided into 2 "B" ordinary shares HK$40 divided into 4 non-voting 5% deferred shares	23.35%	22.42%
Shanghai Pudong International Container Terminals Limited	PRC	Operation of container terminal	RMB1,900,000,000	14.01%	13.45%
Piraeus Consolidation & Distribution Centre S.A.	Greece	Storage, consolidation and distribution	EUR1,000,000	23.35%	22.42%

Notes to the Consolidated Financial Statements

41 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(b) Joint ventures (Continued)

As at 31 December 2016, the Company had indirect interests in the following principal joint ventures: (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company	
				2016	2015 (Restated)
Xiamen Haicang Free Trade Port Zone Container Inspection Co., Ltd.	PRC	Container stevedoring, storage, inspection and auxiliary services	RM10,000,000	**10.46%**	10.04%
Qingdao Port Dongjiakou Ore Terminals Co., Ltd.	PRC	Operation of container terminal	RMB1,400,000,000	**11.68%**	11.21%
Asia Container Terminals Holdings Limited	Cayman Islands	Investment Holding	HK$1 divided into 1,000 ordinary shares	**9.34%**	8.97%
COSCO-HPHT ACT Limited	British Virgin Islands	Investment Holding	1,000 ordinary shares of par value US $ 1 each	**23.35%**	22.42%
Euro-Asia Oceangate S.a.r.l	Luxembourg	Investment Holding	USD30,000	**18.68%**	17.93%
Dalian International Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB1,400,000,000	**18.68%**	17.94%
Dalian Dagang China Shipping Container Co., Ltd.	PRC	Operation of container terminal	RMB7,500,000	**16.35%**	15.69%
Yingkou New Century Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB40,000,000	**18.68%**	17.94%
Lianyungang Port Railway International Container Multimodal Transport Co., Ltd.	PRC	Logistics	RMB3,400,000	**14.01%**	13.45%
Nansha Stevedoring Corporation Limited of Port of Guangzhou	PRC	Operation of container terminal	RMB1,260,000,000	**18.68%**	17.94%
Guangxi Qin Zhou International Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB500,000,000	**18.68%**	17.94%
Qingdao Qianwan Intelligent Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB642,000,000	**9.34%**	8.97%

Notes to the Consolidated Financial Statements

41 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(c) Associates

As at 31 December 2016, the Company had indirect equity interests in the following principal associates:

Name	Place of incorporation/ establishment and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2016	2015 (Restated)
COSCO Finance Co., Ltd.	PRC	Banking and related financial services	RMB1,600,000,000	**17.25%**	31.25%
Dalian Automobile Terminal Co., Ltd.	PRC	Construction and operation of automobile terminals	RMB320,000,000	**11.21%**	13.45%
Dalian Port Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB730,000,000	**9.34%**	8.97%
Antwerp Gateway NV	Belgium	Operation of container terminal	EURP17,900,000	**9.34%**	8.97%
Dawning Company Limited	British Virgin Islands/PRC	Investment Holding	200 "A" shares of US $1 each and 800 "B" shares of US $1 each	**9.34%**	8.97%
Suez Canal Container Terminal S.A.E.	Egypt	Operation of container terminal	1,856,250 ordinary shares of US$ 100 each	**9.34%**	8.97%
Wattrus Limited	British Virgin Islands/PRC	Investment holding	32 "A" shares of US$1 each and 593 "B" shares of US$1 each	**2.39%**	2.30%
Sigma Enterprises Ltd.	British Virgin Islands/PRC	Investment holding	2,005 "A" shares of US$1 each and 8,424 "B "shares of US$1 each	**7.70%**	7.39%
Taicang International Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB450,800,000	**18.23%**	17.50%
Tianjin Five Continents International Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB1,145,000,000	**13.08%**	12.56%
Kao Ming Container Terminal Corp.	PRC	Operation of container terminals	TWD6,800,000,000	**9.34%**	8.97%

41 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(c) Associates

As at 31 December 2016, the Company had indirect equity interests in the following principal associates: (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2016	2015 (Restated)
COSCO Shipping Terminals (USA) LLC	United States	Investment holding	US$200,000	**18.68%**	17.94%
APM Terminals Zeebrugge NV	Belgium	Operation of container terminal	3,500,001 ordinary shares of Euro10 each	**11.21%**	10.76%
Jiangsu Yantze Petrochemical Co., Ltd.	PRC	Operation of bulk liquid storage	RMB219,635,926	**14.20%**	13.63%
Qinhuangdao Port New Habour Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB400,000,000	**14.01%**	13.45%
Shanghai Mingdong Container Terminals Limited	PRC	Operation of container terminal	RMB4,000,000,000	**9.34%**	8.97%
Ningbo Meishan Bonded Port New Habour Terminal Operating Co., Ltd	PRC	Operation of container terminal	RMB200,000,000	**9.34%**	8.97%
Nanjing Port Longtan Container Co., Ltd.	PRC	Operation of container terminal	RMB1,544,961,839	**7.54%**	8.97%
Euromax Terminal Rotterdam B.V	Netherlands	Operation of container terminal	65,000 "A" shares of Euro1 each and 35,000 "B" shares of Euro1 each	**16.35%**	15.69%
Damietta International Port Company S.A.E	Egypt	Operation of container terminal	20,000,000 ordinary shares of US$10 each	**9.34%**	8.97%

Notes:

(i) The English names of certain subsidiaries, joint ventures and associates referred to in the consolidated financial statements represent management's best efforts at translating the Chinese names of these companies as no English names have been registered.

(ii) Although the Group held less than 50% or 20% effective equity interests in some subsidiaries and associates as disclosed above, respectively, the Group owns indirectly, through its non-wholly owned subsidiaries, more than 50% of the voting power of those subsidiaries and more than or equal to 20% of the voting power of those associates.

(iii) Although the Group's equity interests in some joint ventures as disclosed above are more than 50%, the Group does not have unilateral control over these joint ventures.

42 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	Note	As at 31 December 2016 RMB'000	2015 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**772**	625
Intangible assets		**4,773**	4,723
Subsidiaries		**30,304,624**	52,301,720
Loans to subsidiaries		**4,966,331**	4,951,242
Total non-current assets		**35,276,500**	57,258,310
Current assets			
Prepayments, deposits and other receivables		**–**	3,107
Advances to and amounts due from subsidiaries		**1,136,167**	67,946
Available-for-sale financial assets		**–**	270,000
Cash and bank balances		**636,744**	1,304,374
Total current assets		**1,772,911**	1,645,427
Total assets		**37,049,411**	58,903,737
EQUITY			
Share capital		**10,216,274**	10,216,274
Reserves	note (a)	**16,596,399**	38,924,039
Total equity		**26,812,673**	49,140,313
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**8,921,674**	8,894,585
Current liabilities			
Trade and other payables		**279,823**	354,883
Amounts due to subsidiaries		**–**	38,629
Short-term borrowings		**563,110**	–
Tax payable		**472,131**	475,327
Total current liabilities		**1,315,064**	868,839
Total liabilities		**10,236,738**	9,763,424
Total equity and liabilities		**37,049,411**	58,903,737

The balance sheet of the Company was approved by the Board of Directors on 30 March 2017 and was signed on its behalf.

Mr. Wan Min
Director

Mr. Xu Zunwu
Director

Notes to the Consolidated Financial Statements

42 Balance sheet and reserve movement of the Company (Continued)

(a) Reserve movement of the Company

	Capital reserve RMB'000	Statutory reserve fund RMB'000	Retained profits/ (accumulated losses) RMB'000	Exchange reserve RMB'000	Total RMB'000
As at 1 January 2016	**39,134,574**	**913,032**	**2,219,225**	**(3,342,792)**	**38,924,039**
Loss for the year	**—**	**—**	**(22,327,640)**	**—**	**(22,327,640)**
As at 31 December 2016	**39,134,574**	**913,032**	**(20,108,415)**	**(3,342,792)**	**16,596,399**

	Capital reserve RMB'000	Statutory reserve fund RMB'000	Retained profits RMB'000	Exchange reserve RMB'000	Total RMB'000
As at 1 January 2015	39,134,574	913,032	2,812,810	(3,342,792)	39,517,624
Loss for the year	—	—	(593,585)	—	(593,585)
As at 31 December 2015	39,134,574	913,032	2,219,225	(3,342,792)	38,924,039

43 Event after balance sheet date

On 20 January 2017, Shanghai China Shipping Terminal Development Co., Ltd. ("SCSTD", a wholly-owned subsidiary of COSCO SHIPPING Ports) and Qingdao Port International Co., Ltd. ("QPI") entered into an agreement, pursuant to which SCSTD has conditionally agreed to subscribe for 1,015,520,000 non-circulating domestic shares in QPI at a total consideration of RMB5,798,619,000 (equivalent to approximately US$835,897,000, being RMB5.71 per share), of which RMB3,198,651,000 (equivalent to approximately US$461,100,000) will be settled by the transfer of a 20% equity interest in Qingdao Qianwan Container Terminal Co., Ltd. ("Qingdao Qianwan Terminal") to QPI and the remaining RMB2,599,968,000 (equivalent to approximately US$374,797,000) will be settled in cash. As at the date of this report, the subscription and disposal were not completed.

Five Year Financial Summary

For the year ended 31 December 2016

	2016	2015 (Restated)	2014	2013	2012
Revenue	**69,833,164**	55,148,297	66,901,438	66,137,861	68,267,510
(Loss)/profit before tax	**(5,456,070)**	1,742,096	507,287	(1,513,596)	(8,591,164)
Income tax	**(506,439)**	(530,884)	1,043,534	(299,472)	(519,086)
(Loss)/profit from continuing operations for the year	**(5,962,509)**	1,211,212	1,550,821	(1,813,068)	(9,110,250)
(Loss)/profit from discontinued operations for the year	**(3,138,723)**	997,392	—	4,692,490	972,819
(Loss)/profit for the year	**(9,101,232)**	2,208,604	1,550,821	2,879,422	(8,137,431)
(Loss)/profit attributable to:	**(9,101,232)**	2,208,604	1,550,821	2,879,422	(8,137,431)
– Equity holders of the Company	**(9,906,002)**	(469,302)	(362,529)	(235,470)	9,559,141
– Non-controlling interests	**804,771**	1,739,302	1,188,292	2,643,952	1,421,710
Total asset	**119,652,733**	160,493,498	148,788,454	161,862,107	165,259,530
Total liabilities	**(82,103,864)**	(107,322,423)	(105,830,496)	(119,748,300)	(123,559,329)
Total amount of equity	**37,548,869**	53,171,075	42,957,958	42,113,807	41,700,201

Notes:

(a) The financial figures for the year 2015 and 2016 were extracted from the Consolidated Financial Statements.

(b) The financial figures for the year 2012 to 2014 were extracted from the 2015 annual report, which have also been reclassified to conform with the current year's presentation format. No retrospective adjustments for the common control combinations during the year were made on the financial figures for the year 2012 to 2014.

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