中遠海運發展股份有限公司

COSCO SHIPPING Development Co.,Ltd.

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

Stock Code: 2866

ANNUAL REPORT **2016**

GOING FURTHER

Company Profile

COSCO SHIPPING Development Co., Ltd. (the "Company" or "COSCO SHIPPING Development"), formerly known as China Shipping Container Lines Company Limited, is a subsidiary of China COSCO SHIPPING Corporation Limited ("China COSCO SHIPPING") specialized in supply-chain financial services. The Company was established in 1997, with head office in Shanghai, the People's Republic of China (the "PRC"), and is listed both in Hong Kong and Shanghai. The registered capital of the Company is RMB11.68 billion.

On 1 February 2016, the Company, with the approval of the shareholders at the general meeting, carried out a material asset restructuring. Through restructuring transactions, the Company is expected to experience a strategic transformation, and change from a container liner operator into an integrated financial services platform with leasing businesses such as vessel leasing, container leasing and non-shipping leasing as core and shipping financing as feature.

The Company aims to bring into play to advantages in shipping logistics industry and integrated shipping industry chain with shipping finance as the foundation; to develop industrial cluster with leasing, investment, insurance and banking as the core; and to develop into a "one-stop" financial service platform by combining industry with finance, integrating various financial functions, and synergy of various businesses, featuring market mechanism, differentiated advantages and international vision.

As at 31 December 2016, the Company has a container fleet of 102 vessels, with total operating capacity of 737,000 TEU; 4 bulk cargo vessels of 64,000 DWT each; and an inventory of containers of approximately 3.7 million TEU. In terms of non-shipping leasing, the Company focuses on the development of financial leasing businesses in the areas of medical services, education, new energy, construction and industrial equipment. In addition to the diversified leasing business, the Company also focuses on the development of other integrated financial services, takes good advantage of its experience in the shipping industry as well as the existing resources of the financial service industry to promote the development of the emerging industries, optimize its business models and achieve the diversified development of its financial business.

As the shipping financing platform, the Company will integrate premium resources and give full play to its advantages in the shipping industry. Synergic development will be pursued for various financial businesses in an attempt to become China's leading and the world's first-class player boasting an integrated supply-chain financial service platform with distinct shipping logistic features.

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Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS

Ms. Sun Yueying *(Chairman)*
Mr. Wang Daxiong
Mr. Liu Chong
Mr. Xu Hui

NON-EXECUTIVE DIRECTORS

Mr. Feng Boming
Mr. Huang Jian
Mr. Chen Dong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cai Hongping
Mr. Tsang Hing Lun
Ms. Hai Chi Yuet
Mr. Graeme Jack

SUPERVISORS

Mr. Ye Hongjun *(Chairman)*
Mr. Hao Wenyi
Mr. Gu Xu
Ms. Zhang Weihua
Mr. Zhu Donglin
Mr. Fu Yi

INVESTMENT STRATEGY COMMITTEE

Ms. Sun Yueying *(Chairman)*
Mr. Wang Daxiong
Mr. Liu Chong
Mr. Feng Boming
Mr. Huang Jian
Mr. Cai Hongping
Ms. Hai Chi Yuet

NOMINATION COMMITTEE

Ms. Hai Chi Yuet *(Chairman)*
Ms. Sun Yueying
Mr. Wang Daxiong
Mr. Cai Hongping
Mr. Tsang Hing Lun

REMUNERATION COMMITTEE

Mr. Cai Hongping *(Chairman)*
Ms. Hai Chi Yuet
Mr. Graeme Jack

RISK CONTROL COMMITTEE

Mr. Wang Daxiong *(Chairman)*
Mr. Tsang Hing Lun
Mr. Cai Hongping

AUDIT COMMITTEE

Mr. Tsang Hing Lun *(Chairman)*
Mr. Chen Dong
Mr. Cai Hongping

EXECUTIVE COMMITTEE

Ms. Sun Yueying *(Chairman)*
Mr. Wang Daxiong
Mr. Liu Chong
Mr. Xu Hui

CHIEF ACCOUNTANT

Mr. Zhang Mingwen

JOINT COMPANY SECRETARIES

Mr. Yu Zhen
Ms. Ng Sau Mei

AUTHORISED REPRESENTATIVES

Mr. Wang Daxiong
Mr. Yu Zhen

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The PRC

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Shanghai
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

INTERNATIONAL AUDITOR

Ernst & Young

DOMESTIC AUDITOR

Baker Tilly China (Special General Partnership)

LEGAL ADVISERS TO THE COMPANY

Paul Hastings (As to Hong Kong law)
Zhong Lun Law Firm (As to PRC law)

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

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Bank of China
Industrial and Commerce Bank of China
Citibank
China Merchants Bank
Shanghai Pudong Development Bank

TELEPHONE NUMBER

86 (21) 6596 6105

FAX NUMBER

86 (21) 6596 6813

COMPANY WEBSITE

http://development.coscoshipping.com

H SHARE LISTING PLACE

Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

LISTING DATE

16 June 2004

NUMBER OF H SHARES IN ISSUE

3,751,000,000 H Shares

BOARD LOT (H SHARES)

1,000 Shares

HONG KONG STOCK EXCHANGE STOCK CODE

02866

A SHARE LISTING PLACE

Shanghai Stock Exchange

LISTING DATE

12 December 2007

NUMBER OF A SHARES IN ISSUE

7,932,125,000 A Shares

BOARD LOT (A SHARES)

100 Shares

SHANGHAI STOCK EXCHANGE STOCK CODE

601866

* The Company is a registered non-Hong Kong company as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and it is registered under its Chinese name and under the English name "COSCO SHIPPING Development Co., Ltd."

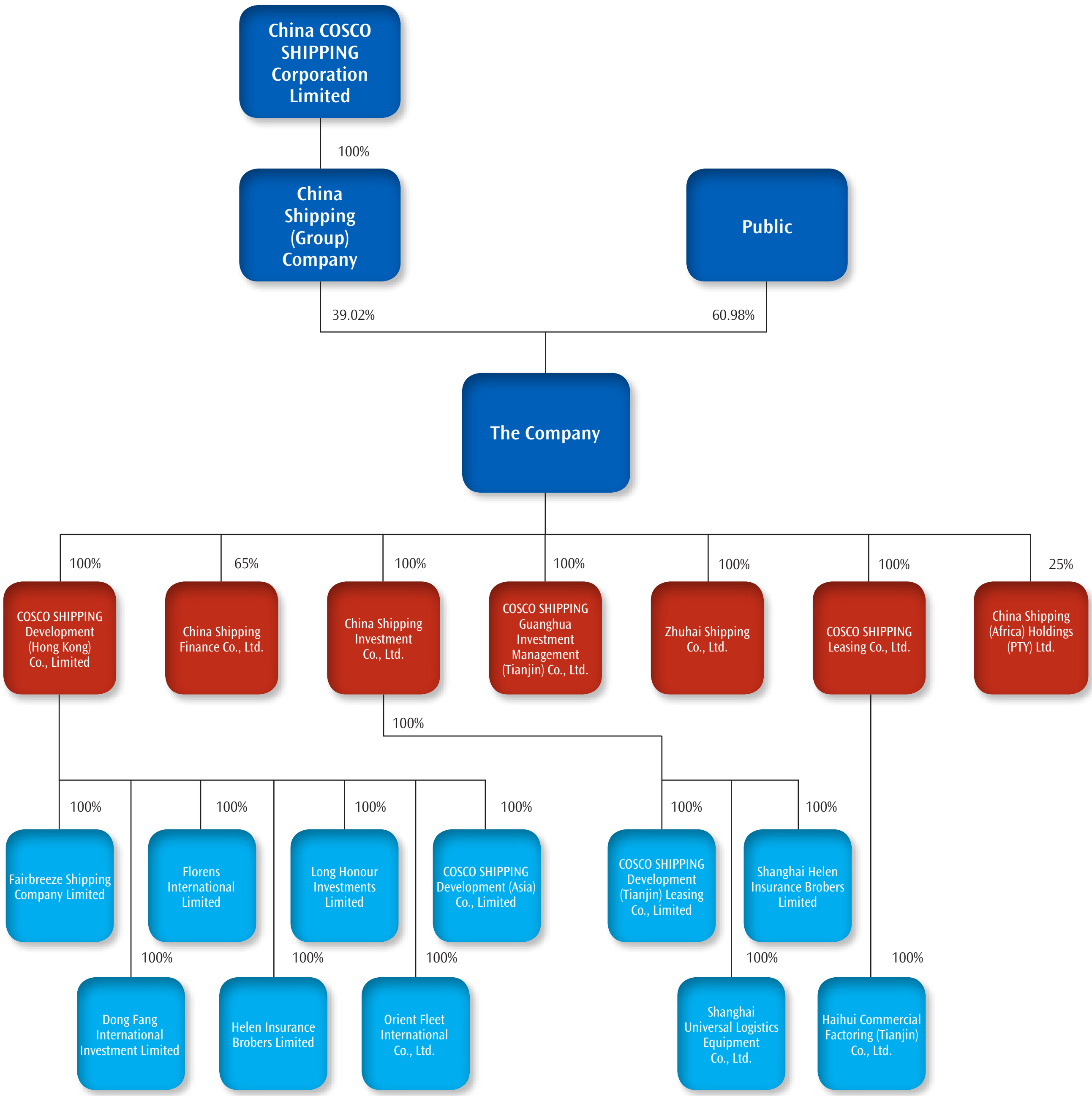
Financial Highlights

COMPARISON OF 2016 AND 2015 KEY FINANCIAL FIGURES

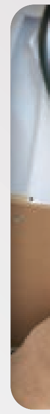
Consolidated Results (Under Hong Kong Financial Reporting Standards ("HKFRS")) For the year ended 31 December (the "Period")	**2016 RMB'000**	2015 RMB'000	Change (%)
Revenue	**15,527,887**	32,887,498	(53%)
Operating profit/(loss)	**661,366**	(715,962)	192%
Profit before income tax from continuing operations	**517,000**	178,113	190%
Profit/(loss) for the year from a discontinued operation	**77,326**	(80,333)	196%
Profit/(loss) for the year attributable to owners of parent	**347,503**	(199,511)	274%
Basic earnings/(loss) for the year per share	**RMB0.0297**	(RMB0.0171)	274%
Gross profit margin (continuing operations)	**11%**	2%	450%
Profit margin before income tax (continuing operations)	**3%**	1%	200%
Gearing ratio	**662%**	72%	819%

Consolidated Assets and Liabilities (Under HKFRS) As at 31 December	**2016 RMB'000**	2015 RMB'000	Change (%)
Total assets	**125,460,305**	112,237,165	12%
Non-current assets	**98,584,089**	84,571,671	17%
Current assets	**26,876,216**	27,665,494	(3%)
Total liabilities	**111,897,191**	66,960,542	67%
Current liabilities	**44,634,474**	37,465,593	19%
Net current liabilities	**(17,758,258)**	(9,800,099)	81%
Net assets	**13,563,114**	45,276,623	(70%)

The following chart shows the simplified corporate and shareholding structure of the Company and its principal subsidiaries as at 31 December 2016:



Brief particulars of the subsidiaries, associated companies and joint ventures of the Company are contained in Note 1 to the consolidated financial statements.



COSCO SHIPPING VOLGA





Chairman's Statement

In 2016, amid slow recovery of the global economy, China's macro-economy remained steady as new structures and new dynamics were rapidly shaping up to drive economic development and traditional industries developed further in the course of transformation.

Due to the subdued growth of the global economy, the shipping industry suffered sustained downturn and found it difficult to make substantial progress. The market landscape experienced a profound change driven by mergers and acquisitions, bankruptcies and restructurings of shipping companies.

The new changes and new trends in the global economy and the shipping industry, together with China's strategy to accelerate reforms of state-owned enterprises, presented new opportunities and challenges to the transformation and development of the Company. Through restructuring, the Company has successfully achieved a strategic transformation and has been repositioned as a shipping finance enterprise for a fresh start.

The year of 2016 is of great significance to COSCO SHIPPING Development, as it completed its transformation and ushered the development of the Company into a new stage. The Company developed an enterprising, proactive and innovative stance to address various challenges brought by market downturn and difficulties encountered in the course of reform and restructuring of the Company, and steadily pushed forward all the work for starting a new chapter and paving the new way in its first year of reform, thus achieving substantial improvement in business performance of the Company.

For the year of 2016, the Company's revenue was RMB15,527,887,000, representing a decrease of 53% as compared with the restated operating revenue of 2015. Profit attributable to owners of the parent of the Company for the year of 2016 amounted to RMB347,503,000, representing an increase of 274% as compared with the restated loss of RMB199,511,000 of 2015, thus realizing a turnaround from loss. Basic earnings per share amounted to RMB0.030.

REVIEW OF OPERATIONS

In 2016, through major asset restructuring, the Company achieved a strategic transformation and transformed from a container liner operator to an integrated financial service platform focusing on leasing businesses such as leasing of vessels, containers and non-shipping leasing with a focus on shipping finance.

On 18 February 2016, China COSCO SHIPPING Corporation Limited ("China COSCO SHIPPING") was officially established. It focuses on developing the "6+1" industry clusters covering shipping, logistics, finance, manufacturing of equipment, shipping services, socialized industry plus Internet-related operations based on innovative business models. The objective is to build up a new shipping finance industry cluster of the new group with COSCO SHIPPING Development as the main platform, in a drive to develop the finance segment into one of the group's core businesses.

On 18 November 2016, the Company was officially renamed as COSCO SHIPPING Development Co., Ltd., marking a new development phase for the Company to build up an integrated supply-chain financial service platform with distinct shipping logistic features.

In an enthusiastic effort to seek transformation and development, the Company actively adjusted its business, service and management models to develop a diversified shipping financial service platform. In the course of reform and restructuring, the Company took great efforts to forge ahead with the orderly development of all business segments, in which the synergy effect has initially been created.

Vessel leasing segment: As at 31 December 2016, the Company's container fleet had 102 container vessels with a total capacity of 737,000 TEU, four bulk cargo vessels of 64,000 DWT each and more than 50 vessels of other types. Drawing upon its deep understanding and experience in the shipping industry accumulated over years, the Company upholds the objective of building a professional and comprehensive vessel leasing business portfolio to polish its brand image and develop unique competitive advantages, so as to facilitate the development of a steady market based on in-depth market research.

Container leasing segment: As at 31 December 2016, the container fleet of Florens International Limited ("FIL", formerly known as Florens Container Holdings Limited) upon consolidation, boasted a total capacity of about 3.7 million TEU, making it the world's second largest container leasing company. The Company leveraged on its advantage in scale and dominance in the industry to re-negotiate depot agreements, shipping agreements and subletting agreements, in turn showcasing its advantages in resources after consolidation. Through active business development and overseas network optimization in the concept of all-around management in inventory, the Company improved on allocation of resources and operations, further optimized cost management and improved on operating efficiency to increase the occupancy rate of for-lease containers and the sales volume and revenue of the same amid weak market conditions.

Non-shipping leasing segment: Despite the adverse impact from economic downsides and intensifying industry competition, the Company cultivated its niche segments to follow through market-oriented, professional and differentiated development. The Company continued to expand its client base and increase its asset investments in three major sectors (i.e. medical services, education and energy), so as to achieve expansion with quality. Meanwhile, the business department and the innovative business department were set up to specialize in developing financial leasing business in sectors such as manufacturing of power systems, construction of infrastructure, automobile manufacturing and electronic information. In addition, the Company actively explored emerging forms of leasing services to further develop new business models. As at 31 December 2016, the total value of the Company's non-shipping financial leasing assets amounted to RMB16.62 billion.

Financial investment segment: the focus was on the expansion of financial investment footprints and the establishment of financial platforms. The Company set up fund management companies to attract external capital, capture synergy and promote connection of assets and capital, such as COSCO Zhongyuan Logistics Industry Development Fund. In addition, the Company made some financial investments while accelerating the development of its own financial business in a bid to pave the way for earning medium- and long-term returns.

For its strategic business transformation, the Company places great importance on risk prevention and control for its healthy and orderly development as a financial enterprise, and highlights risk control management as the top priority of enterprise management. Top-level risk management structure is designed from the perspective of strategic management, supported by a scientific risk management system with full scale streamlined controls and well-established rules so as to effectively manage risks, serve and protect its business activities, and to promote steady growth in business to realize the vision of the Company.

While promoting the orderly development of various business segments, the Company changed its objective to further reform the human resource management system and build a market-oriented mechanism for selection, appointment, evaluation, incentives and dismissal, thus enhancing its corporate vitality and competitiveness. In an effort to foster highly professional teams with strong caliber and business capabilities for all of its specialized segments, the Company not only reinforced the teams for its vessel leasing, non-shipping leasing and container leasing businesses, but also put a lot of efforts in recruiting and cultivating talents for its emerging business such as fund management.

FUTURE PROSPECT

Looking forward to 2017, China's economy is full of challenges while downward pressure on its macro-economy remains. The major strategic initiatives put forward by the state include ideas such as "One Belt, One Road", China's policies for equipment to "go global" and promoting the cooperation among international industrial corporations with capacities, will serve to propel China's sustained economic development.

As to the shipping market, despite the imbalance between supply and demand as a whole, the pace of industry decline is slowing down and is showing initial signs of recovery, with divergent development trends among market segments.

As to the financial leasing market, in the past two years, the ministries under the State Council promulgated several implementation rules to support development of emerging industries, thus creating significant headroom and a sound environment for development for numerous growing enterprises. China's finance leasing industry has increased its presence in the economy. As such, the financial leasing market has vast room for development and there are far-from-saturated market segments with great potential.

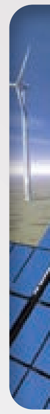
As to vessel leasing and non-shipping leasing business, the Company will adopt market-oriented approaches, prioritize profitability requirement and risk control, to showcase its characteristics in traditional shipping and container leasing market; cultivate its niche market in medical services, education and energy sectors and speed up business innovation. The Company expects to enter new business sectors with growing potential and controllable risks and scale up as soon as possible.

While actively expanding its leasing business, the Company will give equal weight to strategic value and financial returns as to financial investment business, prioritize both strategic synergy and business drivers, and make full use of domestic and overseas resources to pool external capital through various means such as fund, in an effort to realize good financial returns while incubating the Company's future financial investment business.

Looking ahead, the Company is poised to respond to the market challenges and opportunities under careful planning and clear development strategies to formulate a feasible roadmap. The Company will strive to pursue its vision of building up a domestically leading and world-class "integrated supply-chain financial service platform with distinct shipping logistic features".

Chairman
Sun Yueying

Shanghai, the People's Republic of China
30 March 2017



FLORENS

OVERALL BUSINESS REVIEW

COMPLETION OF RESTRUCTURING, DISPOSAL AND PURCHASE OF ASSETS

1. DETAILS OF RESTRUCTURING:

1) Disposal of material assets

COSCO SHIPPING Development and its wholly-owned subsidiary COSCO SHIPPING Development (Hong Kong) Co., Limited ("CSD HK") disposed of the equity interests they held in 34 companies to the transferee designated by COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings") as well as China Shipping Regional Holdings Pte. Ltd., a subsidiary of China Shipping (Group) Company ("China Shipping"); and COSCO SHIPPING Development disposed of the 49% equity interests it held in China Shipping Ports Development Co., Ltd. to COSCO SHIPPING Ports Limited.

2) Acquisition of material assets

COSCO SHIPPING Development acquired from China Shipping, Guangzhou Maritime Transport (Group) Co., Ltd. ("CS Guangzhou") and Shanghai Shipping (Group) Company 100% equity interests they held in CS Investment, acquired from China Shipping 100% equity interests it held in COSCO SHIPPING Leasing, acquired from China Shipping and CS Guangzhou 40% equity interests they held in CS Finance, and acquired from China Ocean Shipping (Group) Company the 13.67% equity interests it held in Bohai Bank by means of capital increase in CS Investment.

COSCO SHIPPING Development, through its wholly-owned subsidiary, CSD HK, acquired from China Shipping (Hong Kong) Holdings Co., Limited 100% equity interests it held in DFII, 100% equity interests it held in OFICL and 100% equity interests it held in Helen Insurance, acquired from China COSCO (Hong Kong) Limited 100% equity interests it held in Long Honour Investments, and purchased from COSCO SHIPPING Ports Limited 100% equity interests it held in FIL.

As approved by the 16th meeting of the fifth session of the board of directors of the Company (the "Board") on 13 January 2017, the Company's proposed contribution to a capital increase of and holding of 17.53% the enlarged equity interests in COSCO Finance Co., Ltd. ("COSCO Finance") was removed from the major asset restructuring plan, and thus the capital increase of COSCO Finance was terminated. As a result, the Company's major asset restructuring has been completed.

2. EFFECT OF RESTRUCTURING

1) Changes in the Company's principal business

Upon completion of the restructuring, the business focus of the Company shifted from container liner operation to integrated financial services consisting of diversified leasing businesses such as vessel leasing, container leasing and non-shipping financial leasing. Upon completion of the restructuring, the container leasing business of the Company the second largest in the world, and its non-shipping financial leasing business would focus on the development of businesses in medical services, education, energy, construction, industrial equipment and other financial leasing business. In addition to the diversified leasing business, the Company will also focus on the development of other integrated financial services, with which the profitability and capital returns of the Company will be enhanced gradually and remain stable.

Upon completion of the restructuring, the Company will utilize its experience in the shipping industry as well as the existing resources of the financial service industry to promote the development of the emerging industries, optimize its business models and achieve the diversified development of its financial business. The Company will strive to establish an integrated financial services platform focusing on leasing businesses such as vessel, container and non-shipping leasing with the characteristics of shipping finance.

2) *Effect of vessel and container leasing transactions on the Company*

As at 31 December 2016, the Company operated a container fleet of 102 vessels, with a total capacity of 737,000 TEU, among which, 74 vessels were owned by the Company with a total capacity of 582,000 TEU. In addition, the Company had 14 vessels either under construction or to be delivered under charter. Upon completion of the restructuring, the Company provided vessel leasing services to COSCO SHIPPING Holdings. Such vessel leases will be provided as time charter in principle, and are all operating leases without any finance leases.

As at 31 December 2016, the Company had an inventory of containers of approximately 3.7 million TEU. Upon completion of the restructuring, the Company provided container leasing services to world-famous container shipping companies, including COSCO SHIPPING Holdings. Following the restructuring and transformation, the Company will actively adjust its business strategies, and shift its business focus from container liner operation to leasing of shipping-related assets. Relatively long-term vessel leasing contracts (especially for large scale vessels) can guarantee a stable cash flow. By virtue of (i) the Company's fleet and containers; (ii) the Company's rich experience and deep understanding of the shipping market accumulated over the long-term operation in the shipping industry; (iii) the overall strategic planning of China COSCO SHIPPING, the Company's indirect controlling shareholder, in the shipping industry chain; and (iv) the long-term cooperation relationship between the Company and financial institutions such as banks, the Company will be able to carry out its shipping-related assets leasing business in a more professional manner and in full scale, providing its customers with one-stop services such as vessel leasing, container leasing, crew management, vessel management, maintenance and logistics network, etc. The Company will actively cultivate new client base in the future, with the aim to further disperse its operating risks and secure reasonable and stable returns on investment.

ANALYSIS OF OPERATING ENVIRONMENT AND OUTLOOK

1. MACROECONOMIC CONDITIONS:

In 2016, global economy saw a sluggish recovery amid weak demand as the economic situation remained complicated. According to the latest data published by the International Monetary Fund ("IMF"), global economy is expected to grow by 3.1% in 2016, 3.4% in 2017 and 3.6% in 2018. Despite the uncertainties ahead, the world economy has grown steadily, and developed countries are expected to experience modest economic growth, while the speed of growth of the emerging markets and developing economies are expected to grow gradually.

In China, the economy remained in a reasonable range as a whole, with softer but stabilized and positive paces. According to the data published by the National Bureau of Statistics, China's GDP grew by 6.7% in 2016, while national investment in fixed assets increased by 8.1% year-on-year, indicating the slow pace of overall economic growth; and total foreign trade import and export decreased by 0.9% year-on-year. The supply-side structural reform produced initial results, signaling faster paces in economic restructuring. Looking forward to 2017, China should face less economic downward pressure, with import and export trade potentially to stabilize in tailwinds.

2. SHIPPING MARKET:

Given the sluggish recovery in global economic and trading activities, the shipping market remained in doldrums in 2016. The market landscape witnessed a profound change driven by mergers and acquisition, bankruptcies and restructurings of shipping companies amidst oversupply of shipping capacity. Baltic Dry Index (BDI) and China Containerized Freight Index (CCFI) both hit record lows in 2016.

In 2017, the shipping market would unlikely have a substantial improvement in light of the overall supply and demand imbalance, with a potentially narrower oversupply as the decline in new vessel orders points to a primary recovery of the industry.

3. VESSEL LEASING MARKET

1) Industry environment:

The international shipping market had stayed sluggish in 2016. Shipping companies became more cautious in capacity expansion and vessel trading in view of the long-term supply and demand imbalance. As certain European mainstream shipping financing institutions gradually exited the shipping finance market, the vessel leasing market showed a recession as compared with last year.

In 2017, due to the slowdown in delivery of new vessels, the volume of new shipbuilding financing is estimated to decrease as compared with 2016, while leaseback financing is expected to maintain a strong momentum. Also, in the "Opinions on Accelerating the Development of Modern Shipping Services Industry" (《關於加快現代航運服務業發展的意見》), the Ministry of Transport of the PRC put forward the guidance "actively develop a variety of shipping financing methods, broaden channels for social capital to invest in the shipping industry, support the development of vessel financial leasing business, encourage shipping finance product innovations, and expand the functions of shipping finance services". Such guidance further clarified the development goals and direction of shipping services, which is expected to effectively enhance the vessel leasing industry.

2) Competitive landscape:

With continued growths both in terms of quantity and scale over recent years, vessel leasing business has taken an increasing share in global shipping financing market as a strategic driver to the shipping industry. Vessel financial leasing has become an important financing channel for China's shipbuilding and shipping enterprises.

As at 31 December 2016, the Company operated a container fleet of 102 vessels with a total capacity of 737,000 TEU, including 74 self-owned vessels with a total capacity of 582,000 TEU, together with four bulk cargo vessels with a size of 64,000 DWT each.

In addition, the Company's vessel leasing business includes more than 50 other types of vessels.

4. CONTAINER LEASING AND MANUFACTURING MARKET

1) *Industry environment:*

In the backdrop of slow recovery of the world's economy and the continuously sluggish shipping market, the container leasing and manufacturing market remained in downturn, where container lessors and shipping companies became cautious in new container investment in view of such a grim business environment.

According to Drewry Maritime Research, as at the end of 2016, the size of the global container market reached nearly 38 million TEU, of which the container leasing market accounted for about 47.8%, equivalent to approximately 18.2 million TEU. In 2016, the global container output was 2.17 million TEU, a decrease of 25% as compared with 2015, hitting a record low during the past seven years.

2) *Competitive landscape:*

The container leasing industry is known for its relatively high market concentration. As at the end of 2016, each of the top six container lessors had more than 1 million TEU, representing more than 85% in the total number of for-lease containers. As at 31 December 2016, the total capacity of FIL's container fleet after consolidation was approximately 3.7 million TEU, which is estimated to account for 18% – 20% of the container leasing market, ranking no. 2 in the world.

The global container manufacturing capacity is expected to be more than 6 million TEU, with China International Marine Containers (Group) Co., Ltd., Singamas Container Holdings Limited, CXIC Group Containers Company Limited and Shanghai Universal Logistics Equipment Co., Ltd. ("Shanghai Universal") accounting for more than 90% of the total capacity, indicating overall industry overcapacity and intense market competition. Shanghai Universal, a subsidiary of the Company, took a market share of about 11.5%, ranked fourth in the industry.

5. FINANCIAL LEASING MARKET FOR NON-SHIPPING

1) *Industry environment:*

The year of 2016 witnessed sound progress of the financial leasing industry, with significant growths in terms of number, strength and business volume of leasing companies compared with last year. Financial leasing, which operates to provide funds and physical assets as well, caters to corporate needs both for equipment upgrade and fundraising. Given its unique advantages, financial leasing has attracted broad interest and has been elevated to a strategic position of serving the real economy. The current national strategies, including "One Belt, One Road", "Marine Economy", "Industry 4.0" and "Made in China 2025", are all closely related with the real economy, which in turn have provided a vast headroom for the financial leasing industry. During the past two years, the Chinese government also introduced a series of guiding opinions and favorable policies for sound growth of the financial leasing industry, laying a foundation for rapid development and business innovations of the entire industry.

2) *Competitive landscape:*

As at the end of 2016, China had over 7,000 financial lessors, representing an increase of more than 50%; total registered capital exceeded RMB2.5 trillion, representing an increase of more than 60%; and the balance of the financial leasing contracts amounted to around RMB5.3 trillion, representing an increase of approximately 20%.

COSCO SHIPPING Leasing, a subsidiary of the Company, has a registered capital of RMB2.5 billion. In more than 2 years of operation, COSCO SHIPPING Leasing has developed considerable expertise in the market segments of medical services, education, energy, construction and industrial equipment. Its business is rapidly expanding in terms of scale. As at the end of 2016, the total value of the Company's non-shipping financial leasing assets amounted to RMB16.62 billion.

FUTURE DEVELOPMENT STRATEGY OF THE COMPANY

1. STRATEGIC POSITIONING

As the shipping financing platform, COSCO SHIPPING Development will integrate premium resources and give full play to its advantages in the shipping industry. Synergic development will be pursued for various financial businesses in an attempt to become China's leading and the world's first-class player boasting an integrated supply-chain financial service platform with distinct shipping logistic features.

2. DEVELOPMENT GOALS

To bring into play to advantages in shipping logistics industry and integrated shipping industry chain with shipping finance as the foundation; to develop industrial cluster with leasing, investment, insurance and banking as the core; and to develop into a "one-stop" financial service platform by combining industry with finance, integrating various financial functions, and synergy of various businesses, featuring market mechanism, differentiated advantages and international vision.

3. DEVELOPMENT PLAN

1) *Leasing business*

The container leasing business, as an integral part of the container industry chain, mainly involves container leasing and trading of various kinds. The Company will strive to become an industry-leading leasing company with unique competitive edges on the basis of the current leasing business of FIL. In a short-term view, the Company is to follow the guideline of "consolidating core businesses while seizing market opportunities" and realize synergy among sales, cost and capability, so as to consolidate its core business. In a long-term view, the Company is to seize market opportunities to develop its special container leasing business, optimize its contract patterns and improve capital structure, so as to increase returns.

The vessel leasing business focuses on the operating lease or finance lease of various vessels, such as container vessels and dry bulk cargo vessels. The Company will develop the vessel financial leasing as its core business on the basis of its existing business. In a short-term view, the Company is to mobilize its current fleet resources to revive its internal business; in the long run, it is to gradually increase the proportion of external business and work out a "one-stop" business model leveraging on China COSCO SHIPPING's advantages of full industrial chain deployment, in an attempt to establish a unique competitive edge in the industry.

The non-shipping leasing business mainly involves various non-shipping leasing businesses, with a focus on areas of development potential such as medical services, education, new energy and intelligent manufacturing. The Company sets its focus on the small and medium enterprise clients and small- to mid-sized projects, and strives to become a financial leasing leader in leveraging on its existing business, experience and capital to promote integration of industry and finance. In the industrial sector, the Company will support customer-oriented development and provide financial leasing value-added services, so as to establish a leasing business platform that offers professional services with uniform standards.

2) *Investment business*

As to financial investment business, the Company will give equal weight to strategic value and financial returns, prioritize both strategic synergy and business drivers, and make full use of domestic and overseas resources to pool external capital through various means such as fund, in an effort to realize good financial returns while incubating the Company's future financial investment business.

3) *Integrated financial services*

Capitalizing on its industrial background, the Company expects to discover values of supply chain customer flow, capital flow and information flow, and integrate itself into the industry chain process to provide customized, differentiated and low-risk financial service products.

MAJOR RISKS AND COUNTERMEASURES

1. MACROECONOMIC RISKS

At present, although China's macro economy remains stable as a whole, there are still many uncertainties such as economic slowdown and structural imbalances. The global economy recovers at a slow pace; yet with significantly divergent recovery progress among the economies, and is also confronted with uncertainties arising from issues such as debt crisis, trade imbalances and exchange rate disputes. The Company will transform into an integrated financial service platform that will leverage its experience in the shipping industry to focus on developing diversified leasing business. To this end, the Company will build up a broad business network at home and abroad, which would expose it to macroeconomic environment both domestically and globally. To tackle the macroeconomic uncertainties, the Company has built and has kept improving its risk prediction and management system to guarantee operation and asset security.

2. MARKET RISK

This refers to the risk of unexpected losses arising from adverse movements in interest rates, exchange rates, equity prices, etc. While building up and improving its market risk management mechanism, the Company has formulated market risk management policy, qualitative and quantitative monitoring standards, determined market risk limits, and defined the management responsibilities and functional division for departments responsible for market risk.

3. CREDIT RISK

This refers to the risk of unexpected losses arising from any failure or delay of a counterparty to perform its contractual obligations or from any unfavorable change of its credit standing. The Company is gradually setting and improving a risk management system covering internal credit rating, credit risk limit management, customer or counterparty credit management and internal credit risk management reporting in an effort to standardize its credit risk management.

4. LIQUIDITY RISK

This refers to the risk of failure to obtain sufficient funds in a timely manner or failure to do so at reasonable cost in order to repay debt upon maturity or fulfill other payment obligations. According to factors such as strategies, business structure, risk situation and market environment, and taking full account of the impact of other risks on liquidity and its overall risk appetite, the Company has determined its liquidity risk appetite and risk tolerance, and is building up a liquidity risk limit management system. The Company will take measures such as regular assessment, monitoring and establishment of firewalls to effectively prevent liquidity risk.

5. STRATEGY-RELATED RISK

This refers to the risk caused by a mismatch between the Company's strategies and the market environment or its capabilities, which is a result of ineffective strategies and processes or changes in business environment. The Company has set up and continually improves its working procedures for strategy-related risk management to identify, analyze and monitor strategy-related risk. The Company makes strategic planning after taking full consideration of such factors as market environment, its risk appetite and capital position.

6. COMPANY-WIDE CONCENTRATION RISK

The fact that the individual risks or risk portfolios of the Company's business units are concentrated within the Company may directly or indirectly trigger the risk that the Company's capital adequacy ratio might fail to meet regulatory requirements. The Company will set its company-wide concentration risk limits based on factors such as its total risk appetite and tolerance, size of capital, assets and liabilities, transaction types (e.g. investment asset classes), counterparty characteristics, trading risk rating (credit rating, etc.), and perform concentration risk limit management.

7. RISK OF INDUSTRY COMPETITION

The leasing industry in which the Company operates after transformation is known for fierce competition in such areas as rent, leasing terms, customer services, reliability, etc. With its market-oriented system, differentiated strengths and international vision, the Company will focus on shipping finance and give full play to its advantages in shipping logistics to establish a "one-stop" financial service platform which combines industry with finance, integrates various financial functions and seeks synergy of multiple businesses, so as to cope with market competition in an active manner.

FINANCIAL REVIEW OF THE GROUP

The Group recorded a revenue of RMB15,527,887,000 for 2016, representing a decrease of 53% as compared with the restated revenue of RMB32,887,498,000 of last year; total profit before income tax from continuing operations amounted to RMB517,000,000, representing an increase of 190% as compared with the restated profit of RMB178,113,000 of last year; profit attributable to owners of the parent of the Company for the year of 2016 amounted to RMB347,503,000, representing an increase of 274% as compared with the restated loss of RMB199,511,000 of 2015, thus realizing a turnaround from loss. Upon completion of the restructuring, the business focus of the Company shifted. The profitability of the Company enhanced.

Analyses of segment results are as follows:

1. ANALYSIS OF REVENUE AND COSTS FROM LINER OPERATIONS

1) Operating Revenue

The liner operations recorded a revenue of RMB3,674,329,000, representing a decrease of 86% as compared with the restated revenue of RMB26,837,058,000 of last year, which accounted for 24% of the total revenue of the Group. The Group accomplished a loaded container volume of 1,059,103 TEU for this Period, representing a decrease of 86% as compared with the restated volume of 7,809,419 TEU of last year. Such decrease is mainly due to that the Company ceased to be engaged in the container liner operations following the restructuring and transformation, where the main source of revenue of the shipping business for 2016 all coming from operations during January 2016 to February 2016 prior to completion of the restructuring of the Company.

2) Operating Costs

Total operating costs of the liner operations amounted to RMB4,753,605,000, representing a decrease of 83% as compared with the restated costs of RMB28,351,931,000 of last year, mainly due to that the Company ceased to be engaged in the container liner operations following the restructuring and transformation, where all the operating costs are from the shipping business for 2016 during January 2016 to February 2016 prior to completion of the restructuring of the Company.

2. ANALYSIS OF REVENUE AND COSTS FROM SHIPPING-RELATED LEASING BUSINESS

1) Operating Revenue

The Group recorded a revenue from its shipping-related leasing business of RMB9,151,834,000 for 2016, representing an increase of 133% as compared with the restated revenue of RMB3,932,421,000 of last year, which accounted for 59% of the total revenue of the Group. Such increase is mainly due to the Company starting to lease out all its vessels since March 2016.

Revenue from container leasing, management and sales amounted to RMB3,244,492,000, representing an increase of 25% as compared with the restated revenue of RMB2,602,696,000 of last year, including revenue from container leasing and sales of the returned containers upon expiry. Revenue from container management amounted to RMB21,847,000 representing a decrease of 31% as compared with restated revenue of RMB31,479,000 of last year.

Revenue from vessel leasing business amounted to RMB5,907,342,000 for 2016, representing an increase of 344% as compared with the restated revenue of RMB1,329,725,000 of last year. Such increase is mainly due to the Company starting to lease out all vessels since March 2016.

2) Operating Costs

Operating costs for shipping-related leasing business mainly include the depreciation and maintenance costs for self-owned vessels, depreciation of self-owned containers, staff salaries, net carrying value of sales of containers returned upon expiry and rents of the leased-in vessels and containers. Operating costs for shipping-related leasing business for 2016 was RMB7,396,583,000, representing an increase of 225% as compared with the restated costs of RMB2,274,335,000 of last year, mainly due to the following reasons:

As the Company leased out all its self-owned vessels following the restructuring and transformation, the leasing costs rose significantly. Leasing costs include vessel rents, depreciation costs, labour costs and repair costs. The increase in container leasing costs was mainly due to the increase in depreciation as a result of the decrease in the residual value of the containers.

3. ANALYSIS OF REVENUE AND COSTS FROM CONTAINER MANUFACTURING BUSINESS

1) Operating Revenue

The Group's container manufacturing business realized operating revenue of RMB1,484,413,000, representing a decrease of 2% as compared with the restated revenue of RMB1,521,335,000 of last year. The Group's container sales amounted to 174,000 TEU during the Period, representing an increase of 12% as compared with the restated sales of 155,000 TEU of last year.

2) Operating Costs

The operating costs of the container manufacturing business mainly consist of raw material costs, employee compensation and depreciation expenses. The operating costs of the business amounted to RMB1,392,127,000 in 2016, representing an increase of 1% as compared with the restated operating costs of RMB1,377,580,000 of last year.

4. ANALYSIS OF REVENUE AND COSTS FROM NON-SHIPPING FINANCIAL LEASING BUSINESS

1) Operating Revenue

The Group's non-shipping financial leasing business realized operating revenue of RMB888,734,000 in 2016, representing an increase of 297% as compared with the restated revenue of RMB223,969,000 of last year. The business accounted for 6% of the Group's total revenue in the Period. The strong growth in revenue from the non-shipping financial leasing business was mainly driven by a rapid expansion in financial leasing business after the Group's subsidiary COSCO SHIPPING Leasing commenced operations in the first half of 2015.

2) Operating Costs

The operating costs of the non-shipping financial leasing business mainly consist of interest expenses. The operating costs of the business amounted to RMB233,866,000 in 2016, representing an increase of 363% as compared with the restated operating costs of RMB50,559,000 of last year. The sharp increase in the operating costs was mainly driven by a rapid expansion in loans borrowed by COSCO SHIPPING Leasing after it commenced operations in the first half of 2015.

5. FINANCIAL SERVICES

1) Operating Revenue

In 2016, the Group's financial services realized operating revenue of RMB328,577,000, representing 2% of the Group's total operating revenue and a decrease of 12% as compared with the restated operating revenue of RMB372,715,000 for the same period of last year. The significant decrease in operating revenue was mainly due to considerable amount of consideration paid for the material asset restructuring, which tightened the Group's internal resources and decreased in deposits and loans.

2) Operating Costs

The operating costs of financial services were RMB65,249,000, representing a decrease of 1% as compared with the restated operating costs of RMB65,742,000 for the same period of last year.

GROSS PROFIT

Due to the above reasons, the Group recorded gross profit of RMB1,678,524,000 for 2016 (2015: restated gross profit RMB767,351,000).

SIGNIFICANT SECURITIES INVESTMENT

As at 31 December 2016, the Company's equity investments in associates and joint ventures generated profit of RMB1,546,575,000, mainly attributable to the profits from China Everbright Bank Co., Ltd. and Bohai Bank for the Period.

1 *Shareholdings in Other Listed Companies*

Stock code	Company name	Initial investment cost *(RMB)*	Shareholding at the beginning of the period *(%)*	Shareholding at the end of the period *(%)*	Book value at the end of the period *(RMB)*	Gain during the period *(RMB)*	Changes in other reserve during the period *(RMB)*	Gain from disposal *(RMB)*	Dividends received during the period *(RMB)*	Accounting ledger	Sources of the shareholding
000039/ 02039	China International Marine Containers (Group) Ltd.	3,057,384,000	22.77	22.76	6,975,935,000	44,261,000	226,065,000	–	149,163,000	Investment in associates	Purchase
600643	Shanghai AJ Group Co., Ltd	57,815,000	0.98	0.56	99,652,000	–	-62,278,000	32,638,000	–	Available-for-sale investments	Purchase
601818	China Everbright Bank Co.,Ltd	3,398,255,000	1.551	1.551	3,408,893,000	451,559,000	-53,044,000	–	–	Investment in associate	Purchase
000617	Jinan Diesel Engine Co.,Ltd	95,000,000	–	0.91	1,071,057,000	–	121,057,000	–	–	Available-for-sale investments	Purchase
Total		6,608,454,000	/	/	11,555,537,000	495,820,000	231,800,000	32,638,000	149,163,000	/	/

2 *Shareholdings in Financial Enterprises*

Name of investee	Initial investment cost *(RMB)*	Shareholding at the beginning of the period *(%)*	Shareholding at the end of the period *(%)*	Book value at the end of the period *(RMB)*	Gain during the period *(RMB)*	Changes in other reserve during the period *(RMB)*	Gain from disposal *(RMB)*	Dividends received during the period *(RMB)*	Accounting ledger	Source of the shareholding
Shanghai Shipping Industrial Fund Co., Ltd.	30,000,000	30.00	–	–	392,000	-72,000	10,079,000	-	Investment in associates	Purchase
Bank of Kunlun Co., Ltd	838,959,000	3.975	3.74	1,071,634,000	100,949,000	-11,863,000	–	30,801,000	Investment in associates	Purchase
CIB Fund Management Co., Ltd	50,000,000	10.00	10.00	129,505,000	40,849,000	-245,000	–	–	Investment in associates	Purchase
Shanghai Life Insurance Co., Ltd.	320,000,000	16.00	16.00	906,548,000	11,026,000	-31,588,000	–	–	Investment in associates	Purchase
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd.	125,000,000	25.00	25.00	127,571,000	2,571,000	–	–	–	Investments in joint ventures	Purchase
China Bohai Bank Co., Ltd	5,749,379,000	13.67	13.67	5,749,379,000	884,918,000	-77,517,000	–	–	Investment in associates	Purchase
Total	7,113,338,000	/	/	7,984,637,000	1,040,705,000	-121,285,000	10,079,000	30,801,000	/	/

(a) Summary of principal businesses of the investees in the investment

Name of Investee	Exchange	Principal businesses
China International Marine Containers (Group) Co., Ltd	Shenzhen Stock Exchange/ Hong Kong Stock Exchange	Manufacturing and sales of containers
Shanghai AJ Group Co., Ltd	Shanghai Stock Exchange	Investment in industries and other financial businesses
China Everbright Bank Co., Ltd	Shanghai Stock Exchange	Bank business
Shanghai Shipping Industrial Fund Co., Ltd	/	Equity investment fund management
Bank of Kunlun Co., Ltd	/	Bank business
CIB Fund Management Co., Ltd	/	Fund Management
Shanghai Life Insurance Company Ltd	/	Insurance
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd	/	Leasing
China Bohai Bank Co., Ltd	/	Bank business
Jinan Diesel Engine Co., Ltd	Shenzhen Stock Exchange	Engine R&D and manufacturing

The stock market was volatile in 2016. The Company expects the investment portfolio of the Group (including the above major investments) will be subject to the movement of interest rates, market factors and macro-economic factors etc. Moreover, the market value of individual shares will be affected by the financial results, development plan as well as prospects of the industry of the listed company. To mitigate relevant risks, the Group will take appropriate measures in due course and adjust its investment strategies in response to market situation.

SIGNIFICANT ASSET IMPAIRMENT

The shipping market remained in doldrums in 2016. Due to the sluggish market and filing of bankruptcy of certain shipping companies, the Company's receivables, fixed assets – containers, finance lease receivables and other assets related to the container leasing business (including operating lease and finance lease) with such companies under bankruptcy showed an indication of impairment. Accordingly, to give a true view of the Company's financial position and operation status as at 31 December 2016, the following provisions for impairment were made at the end of 2016 in accordance with the Hong Kong Accounting Standards:

1) As a result of the Company's client Hanjin Shipping ("Hanjin") filing for bankruptcy, the Company's trade receivables with Hanjin generated from operating lease of containers showed an indication of impairment as at the balance sheet date. The management estimated the net present value ("NPV") of the future cash flow of the trade receivables using the individual identification method, and made a provision for impairment of RMB83,837,200 for trade and other receivables in the full amount of the difference between the NPV and book value of the receivables.

2) As a result of Hanjin filing for bankruptcy, the Company's finance lease receivables with Hanjin generated from finance lease of containers showed an indication of impairment as at the balance sheet date. In view of the actual number of containers to be recovered from Hanjin as at the end of 2016, the management estimated the NPV of the future cash flow of the finance lease receivables with Hanjin, and made a provision for impairment of RMB140,123,000 for finance lease receivables in the amount of the difference between the NPV and book value of such finance lease receivables. In addition, as a result of the Company's client Zhejiang Shipping Group Taizhou Shipping Co., Ltd. ("Taizhou Shipping") filing for bankruptcy and reorganization in 2016, the Company's finance lease receivables with Taizhou Shipping generated from finance lease showed an indication of impairment. Based on the bankruptcy and reorganization plan of Taizhou Shipping as at the end of 2016, the management estimated the NPV of the future cash flow of the finance lease receivables with Taizhou Shipping, and made a provision for impairment of RMB10,470,000 for finance lease receivables in the amount of the difference between the NPV and book value of such finance lease receivables.

3) As a result of Hanjin filing for bankruptcy, the Company's fixed assets – containers involved in Hanjin's operating lease of containers showed an indication of impairment as at the balance sheet date. The management estimated the recoverable amount of such fixed assets – containers, and made a provision for impairment of fixed assets in the amount of the difference between the recoverable amount and book value of such fixed assets. The provisions for impairment made for fixed asset – containers at the end of the Period totaled RMB126,122,000.

4) As to the for-sale containers recognized in inventories, the Company estimated their net realizable value (NRV) according to market quotations in the second-hand container market as at the balance sheet date, and made a provision for impairment of inventories of RMB134,865,000 in the amount of the difference between the NRV and book value of such inventories.

Provision for impairment of investment in associates:

As at the end of 2016, some of the Company's equity investments in associates involving financial services had an indication of impairment due to an anticipated decrease in the net investment income therefrom. According to the Hong Kong Accounting Standards 36 - Impairment of Assets, provisions for impairment of investment in associates shall be made in the amount of the difference between the book value and recoverable amount of such investments. The management estimated the recoverable amount of such investment in associates, and made a provision for impairment of investment in associates in the amount of the difference between the recoverable amount and book value of such investments. To give a true view of the Company's financial position and operating condition as at 31 December 2016, a provision for impairment of RMB61,765,000 was made for such investments in associates at the end of 2016 in accordance with the aforesaid provisions of the Hong Kong Accounting Standards.

INFORMATION OF THE SUBSIDIARY, CHINA SHIPPING FINANCE CO., LTD. ("CS FINANCE")

1. *Shareholding Structure of CS Finance*

No.	**Name of Shareholder**	**Shareholding** *(%)*
1	China Shipping (Group) Company	10%
2	COSCO SHIPPING Development Co., Ltd.	65%
3	COSCO SHIPPING Energy Transportation Co., Ltd.	25%
Total		100%

2. *Deposits and Loans of CS Finance During the Period*

A Total deposits and loans at the end of the Period

Unit: RMB

	As at 31 December 2016	As at 31 December 2015	Change *(%)*
Balance of deposits	**13,355,355,637.56**	9,666,730,720.47	38%
Balance of loans	**5,416,437,400.00**	3,591,305,320.00	51%

B Balance of deposits and loans with the top ten customers

(a) Balance of deposits of the top ten customers

Unit: RMB

No.	Name of Customer	As at 31 December 2016
1	China Shipping Investment Co., Ltd.	2,458,844,912.43
2	China Shipping (Group) Company	2,396,551,858.00
3	COSCO SHIPPING Energy Transportation Co., Ltd.	2,385,650,126.02
4	COSCO SHIPPING Tanker (Shanghai) Co., Ltd.	1,174,201,970.10
5	China Shipping Leasing Co., Ltd.	1,117,328,807.55
6	COSCO SHIPPING Development Co., Ltd.	703,617,490.92
7	China Shipping Network Technology Co., Ltd.	338,082,780.29
8	China Shipping International Trading Co., Ltd.	268,143,055.23
9	Haihui Commercial Factoring (Tianjin) Co., Ltd.	232,223,858.89
10	COSCO SHIPPING Guanghua Investment Management (Tianjin) Co., Ltd.	200,004,223.44

(b) Balance of loans to the top ten customers

Unit: RMB

No.	Name of Customer	As at 31 December 2016
1	China Shipping (Group) Company	1,860,000,000.00
2	COSCO SHIPPING Development Co., Ltd.	1,300,000,000.00
3	China Shipping Leasing Co., Ltd.	700,000,000.00
4	China Shipping International Trading Co., Ltd.	400,000,000.00
5	China Shipping Industry Co., Ltd.	300,000,000.00
6	SDIC Shipping Development Co., Ltd.	286,875,000.00
7	Tianjin Zhonghai Huarun Marine Co., Limited	100,000,000.00
8	China Shipping Bulk Carrier Co., Ltd.	100,000,000.00
9	Jinzhou New Era Container Terminal Co., Ltd.	98,400,000.00
10	China Shipping Car Carrier (Hong Kong) Limited	83,244,000.00

INCOME TAX

From 1 January 2016 to 31 December 2016, the corporate income tax ("CIT") rate applicable to the Company and its subsidiaries in the PRC was 25%.

Pursuant to the relevant new CIT regulations, the profits derived from the Company's offshore subsidiaries shall be subject to applicable CIT when dividends were declared by such offshore subsidiaries. The Company uses an applicable tax rate in accordance with relevant CIT regulations to pay CIT on profits of the offshore subsidiaries.

SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

For the year ended 31 December 2016, the Group's selling, administrative and general expenses were RMB1,576,653,000, representing a decrease of 26% as compared with 2015.

OTHER GAINS

For the year ended 31 December 2016, other gains of the Group were RMB117,228,000, representing an increase of RMB184,718,000 as compared with the restated other losses of RMB67,490,000 for 2015, mainly attributable to the gains from disposal of interests in associates and available-for-sale investments.

PROFIT/LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT

The profit attributable to owners of the parent of the Company for 2016 was RMB347,503,000, representing an increase of RMB547,014,000 as compared with the restated loss attributable to owners of the parent of the Company of RMB199,511,000 for 2015.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

LIQUIDITY AND BORROWINGS

The Group's principal sources of liquidity are operating cash inflow and short-term bank borrowings. The Group's cash is mainly used for operating expenses, repayment of loans, construction of new vessels, procurement of containers, and the Group's financial leasing business. During the Period, the Group's net operating cash inflow was RMB7,657,316,000. As at 31 December 2016, the Group's cash at banks was RMB15,527,254,000.

As at 31 December 2016, the Group's total bank and other borrowings were RMB94,027,612,000. The maturity profile is spread over a period between 2017 to 2027, with RMB29,925,251,000 repayable within one year, RMB15,460,321,000 repayable within the second year, RMB36,927,889,000 repayable within the third to the fifth year, and RMB11,714,151,000 repayable after the fifth year. The Group's long-term bank borrowings are mainly used to finance the procurement of containers, equity acquisitions and replenishment of liquidity.

As at 31 December 2016, the Group's 10-year RMB-denominated bonds payable amounted to RMB1,798,884,000, and all proceeds raised from the bonds were used for construction of vessels. The issuance of such bonds is guaranteed by Shanghai Branch of the Bank of China.

In addition, the Group's fixed term USD-denominated bonds payable amounted to USD245,622,000 (equivalent to approximately RMB1,703,880,000), and all proceeds raised from the bonds were used for procurement of containers.

The Group's RMB borrowings at fixed interest rates amounted to RMB27,677,118,000. USD borrowings at fixed interest rates amounted to USD167,155,000 (equivalent to approximately RMB1,159,554,000), RMB borrowings at floating interest rates amounted to RMB5,482,600,000, and USD borrowings at floating interest rates amounted to USD8,607,228,000 (equivalent to approximately RMB59,708,340,000). The Group's borrowings are settled in RMB or US dollars while its cash and cash equivalents are also primarily denominated in RMB and US dollars.

It is expected that capital needs for regular cash flow and capital expenditure can be funded by the internal cash flow of the Group or external financing. The Board will review the operating cash flow of the Group from time to time. It is the intention of the Group to maintain an appropriate composition of equity and debt to constantly achieve an effective capital structure.

NET CURRENT ASSETS

As of 31 December 2016, the Group's net current liabilities amounted to RMB17,758,258,000. Current assets mainly include: finance lease receivables of RMB3,593,896,000 and loans and receivables of RMB3,132,913,000, inventories of RMB859,415,000, trade and notes receivables of RMB1,655,656,000, prepayments and other receivables of RMB899,933,000, and cash and cash equivalents and restricted cash of RMB16,656,679,000. Current liabilities mainly include: trade and notes payable of RMB1,738,742,000, other payables and accruals of RMB2,184,723,000, tax payable of RMB123,266,000, short-term bank and other borrowings of RMB18,412,125,000, commercial bills of RMB375,986,000, long-term bank borrowings due in one year of RMB11,137,140,000, and finance lease obligations in one year of RMB36,104,000.

CASH FLOWS

For the year of 2016, the Group's net cash inflow generated from operating activities was RMB7,657,316,000, denominated principally in RMB and USD, representing an increase of RMB5,262,768,000 from the restated net cash inflow generated from operating activities of RMB2,394,548,000 in 2015. Cash and cash equivalents balances at the end of 2016 decreased by RMB404,417,000 year-on-year, the main reason of which is that the net cash generated from operating activities and the net cash generated from financing activities were less than the net cash outflow used in investing activities. The cash generated from financing activities of the Group during year 2016 was mainly derived from bank borrowings and issuance of commercial bills and such funds were used mainly for the purposes of short-term operation and purchase and construction of containers.

The following table provides the information regarding the Group's cash flow for the years ended 31 December 2016 and 31 December 2015:

Unit: RMB

	2016	2015 (Restated)
Net cash generated from operating activities	**7,657,316,000**	2,394,548,000
Net cash used in investing activities	**(13,731,500,000)**	(11,172,069,000)
Net cash generated from financing activities	**5,425,101,000**	9,897,386,000
Exchange movement on cash	**244,666,000**	427,753,000
Net (decrease)/ increase in cash and cash equivalents	**(404,417,000)**	1,547,618,000

NET CASH GENERATED FROM OPERATING ACTIVITIES

For the year ended 31 December 2016, the net cash inflow generated from operating activities was RMB7,657,316,000, representing a increase of RMB5,262,768,000 as compared with the restated net inflow of RMB2,394,548,000 for 2015. The increase was attributable to the increase year-on-year in the Group's operating profit in 2016.

NET CASH USED IN INVESTING ACTIVITIES

For the year ended 31 December 2016, the net cash outflow used in investing activities was RMB13,731,500,000, representing an increase of RMB2,559,431,000 as compared with the restated net outflow of RMB11,172,069,000 for 2015. The increase was primarily due to the increase year-on year in the Group's investment expenditure in financial leasing assets in 2016.

NET CASH GENERATED FROM FINANCING ACTIVITIES

For the year ended 31 December 2016, the net cash generated from financing activities was RMB5,425,101,000, representing a decrease of RMB4,472,285,000 as compared with the restated net cash generated from financing activities of RMB9,897,386,000 for 2015. For the year of 2016, the Group's bank and other borrowings amounted to RMB205,612,647,000, and repayment of bank and other borrowings amounted to RMB167,817,429,000.

AVERAGE TURNOVER DAYS OF TRADE AND NOTES RECEIVABLES

As at 31 December 2016, the net balance of trade and notes receivables by the Group amounted to RMB1,655,656,000, representing a decrease year-on-year of RMB1,032,450,000. Of which note receivables decreased by RMB197,195,000 and trade receivables decreased by RMB835,255,000, which was mainly due to the Company ceased container liner transportation operations since 1 March 2016.

GEARING RATIO

As at 31 December 2016, the Company's net gearing ratio (i.e. net debts over shareholders' equity) was 662%, which was higher than 72% as at 31 December 2015. The increase of net debt ratio is because the restructuring plan leads to a significant decrease in shareholder's equity. According to merger accounting, the shareholder's equity has included the net assets of the subsidiaries acquired as at 31 December 2015. The related consideration of RMB30.83 billion recognised in 2016 offset the shareholder's equity according to the related accounting standard.

FOREIGN EXCHANGE RISK

Revenues and costs of the Group's liner operations, shipping-related leasing business, and container manufacturing operations are settled or denominated in US dollar. As a result, the impact on the net operating revenue due to RMB exchange rate fluctuation can be offset by each other to a certain extent. During the Period, the Group recorded a net exchange loss of RMB31,566,000 which was mainly due to fluctuations of the US dollar and Euro exchange rates in 2016; the exchange difference which was charged to equity attributable to shareholders of the parent amounted to RMB681,444,000. The Group will continue to monitor the exchange rate fluctuation of RMB and major international currencies, minimize the loss arising from exchange rate fluctuation, and take appropriate measures to mitigate the Group's foreign exchange exposure when necessary.

CAPITAL EXPENDITURE

For the year ended 31 December 2016, the Group's expenditures on the acquisition of container vessels, vessels under construction and other expenditures amounted to RMB140,422,000, expenditures on the acquisition of containers amounted to RMB4,073,519,000, expenditures on the acquisition of finance lease assets amounted to RMB10,357,766,000 and expenditures on the acquisition of office facilities at the production plants and motor vehicles amounted to RMB88,000,000.

CAPITAL COMMITMENT

As at 31 December 2016, the Group had RMB11,091,514,000 in capital commitments which had been contracted but not provided for in relation to vessels under construction. The equity investment commitment as at 31 December 2016 is RMB1,843,000,000.

PLEDGE

As at 31 December 2016, certain container vessels and containers with net carrying value of approximately RMB24,792,246,000 (2015: RMB25,421,919,000), finance lease receivables of RMB1,379,841,000 (2015: RMB226,705,000) and pledged deposits of RMB107,848,000 (2015: RMB182,066,000) were pledged to the bank for the grant of credit facilities and issuance of bonds.

SUBSEQUENT EVENTS

There is no material subsequent event undertaken by the Group after 31 December 2016.

EMPLOYEES, TRAINING AND BENEFITS

As at 31 December 2016, the Group had 6,538 employees, and the total staff costs for the Period (including staff remuneration, welfare and social insurance, etc.) amounted to approximately RMB1,601,334,000 (including outsourced labour costs).

Remuneration management, as one of the most effective incentives and a form of enterprise value distribution, was carried out on the basis of total budget control, value creation, internal fairness, market competition and sustainable development. The Company's overall remuneration system mainly consists of: 1) salaries: including remuneration, title salary, performance salary, special incentives, bonus and allowances; and 2) benefits: including mandatory social insurance, provident housing fund and corporate welfares.

To support human resources management reform, talent development and training, the Company's training work in 2016 followed the guideline of "standardization, expansion and innovation" to further standardize training process and management in order to achieve operational integrity of the training system; further expand audience reach and diversify the contents to reflect the coordination of container shipping system; and continue to innovate in training and organizational methods to enhance the effectiveness of various training programmes. The Company continued to thoroughly implement the "three-dimensional training system", which provided various training programmes covering transformation and innovation, management capability, container shipping business, individual caliber and specialty skills, safety, etc. to address different needs of managers, business executives at different levels and employees. Certain programmes were also expanded and created: an internal trainer team comprising 15 senior and intermediary executives shared their experience in business enhancement and management with junior staff; under the "Reading for Pleasure" programme, three books were provided to all managers at the Company's headquarters and direct business units every quarter, allowing them to share their insights from reading.

EXECUTIVE DIRECTORS

SUN YUEYING (孫月英) AGED 58

Chairman and executive Director of the Company; and the chief accountant and member of the Party leadership group of China COSCO SHIPPING Corporation Limited. Ms. Sun has served as the chief accountant of China Ocean Shipping (Group) Company since 2000, and is currently the chairman of the board of directors of each of COSCO Finance Company Limited, COSCO Container Lines Japan Co., Ltd. and COSCO International Ship Trading Company Limited. She also serves as a director of each of COSCO SHIPPING Holdings Co., Ltd. and China Merchants Bank Co., Ltd., among others. Ms. Sun assumed various positions such as the deputy director of the finance department of Tianjin Ocean Shipping Company Limited, head of the general office and finance manager of COSCO Japan, the deputy general manager and the general manager of the finance and capital division, the deputy chief accountant of China Ocean Shipping (Group) Company and a director of China Merchants Securities Co., Ltd. (listed on Shanghai Stock Exchange under the stock code of 600999). Ms. Sun has over 30 years' experience in the shipping industry and has extensive experience in finance, fund management, financial management and capital operation. Ms. Sun joined the Company in May 2016.

MR. WANG DAXIONG (王大雄) AGED 56

Executive Director and Chief Executive Officer of the Company, Mr. Wang has served as the chairman of the board of directors of China Shipping (Hong Kong) Holdings Co., Ltd. (now COSCO SHIPPING Financial Co., Limited) since February 2014. He served as the deputy general manager and a member of the Party leadership group of China Shipping (Group) Company from May 2010 to February 2014, as a non-executive director of the Company from February 2004 to June 2014, as the vice president, chief accountant and a member of the Party leadership group of China Shipping (Group) Company from February 2001 to May 2010, and as the chief accountant and a member of the Party leadership group of China Shipping (Group) Company from January 1998 to February 2001. Prior to that, he worked as section chief, director and chief accountant of the finance division of Guangzhou Maritime Bureau. Mr. Wang began his career in the shipping industry in 1983 after he graduated from Shanghai Maritime University majoring in shipping finance. Mr. Wang holds an EMBA degree from Shanghai University of Finance and Economics and is a senior accountant. Mr. Wang joined the Company in May 2016.

MR. LIU CHONG (劉沖) AGED 46

Executive Director and general manager of the Company, a director of China International Marine Containers (Group) Co., Ltd (listed on the Stock Exchange under the stock code of 2039 and listed on the Shenzhen Stock Exchange under the stock code of 000039); and a supervisor of China Merchants Securities Co., Ltd. (listed on Shanghai Stock Exchange under the stock code of 600999). He has served as the general manager of China Shipping Investment Co., Ltd. since April 2013, and the general manager of China Shipping Leasing Co., Ltd. since August 2014. Mr. Liu served as the financial controller and deputy general manager of China Shipping Logistics Co., Ltd., the chief accountant of Lanhai Medical Investment Co., Ltd., the head of capital management division of China Shipping (Group) Company and the chief accountant of COSCO SHIPPING Development Co., Ltd. Mr. Liu graduated from Sun Yat-sen University majoring in economics, and is a certified public accountant and a senior accountant. Mr. Liu joined the Company in March 2016.

MR. XU HUI (徐輝) AGED 54

Executive Director, deputy general manager and Party secretary of the Company. Mr. Xu started his shipping career in 1982, and was appointed as non-executive Directors of the Company from October 2005 to June 2013. Mr. Xu held the post of chief engineer of Shanghai Maritime Bureau Oil Tanker Company, assistant of general manager and guidance chief director of Shanghai Maritime Bureau Oil Tanker Company, vice manager of the technical department of Shanghai Haixing Shipping Company, manager of the technical department of SSGC, deputy general manager and Party secretary of China Shipping Development Company Limited, general manager and Party secretary of China Shipping and Sinopec Suppliers Co., Ltd., deputy general manager, member of the Party committee, general manager and Party secretary of SSGC, and deputy general manager and Party secretary of China Shipping Tanker Company Limited from August 2015 to March 2016. Mr. Xu graduated from Jimei Navigation College majoring in ship management. Mr. Xu is senior political engineer and chief engineer. Mr. Xu joined the Company in April 2016.

NON-EXECUTIVE DIRECTORS

MR. FENG BOMING (馮波鳴) AGED 47

Non-executive Director of the Company, general manager of the strategic and corporate management department of China COSCO SHIPPING Corporation Limited, a director of COSCO SHIPPING Bulk Co., Ltd. (中遠海運散貨運輸有限公司) and a director of Piraeus Port Authority S.A. Mr. Feng has held various positions including the deputy chief of the Commerce Section of the Liner Department and insurance settlement manager of COSCO Container Lines Co., Ltd. (中遠集裝箱運輸有限公司) (hereinafter"COSCO Container"), general manager of COSCO (Cayman) Mercury Co., Ltd since October 2005, general manager of the operation and management (HK) department of COSCO SHIPPING Holdings Co., Ltd. (listed on the Stock Exchange under the stock code of 1919 and listed on Shanghai Stock Exchange under the stock code of 601919), general manager of the corporate management department of COSCO Container HK, general manager of COSCO Container PRC Wuhan Branch/COSCO (Wuhan) Bulk Shipping Company (武漢中貨)/COSCO Logistics (Wuhan) Co., Ltd since January 2012, and the supervisor of the strategic management implementation office of China Ocean Shipping (Group) Company/China COSCO since August 2015. Mr. Feng graduated successively from Wuhan Institute of Water Transportation Engineering, majoring in transportation administrative engineering; and from Hong Kong University, majoring in business administration. He holds a bachelor degree and a master degree. Mr. Feng joined the Company in June 2016.

MR. HUANG JIAN (黃堅) AGED 47

Non-executive Director of the Company, and general manager of the capital operation department of China COSCO SHIPPING Corporation Limited since January 2016. He has served as a director of China Merchants Securities Co., Ltd. (listed on Shanghai Stock Exchange under the stock code of 600999), chief financial officer of COSCO Americas Inc. from October 2010 to February 2012; general manager of the finance department of COSCO Americas Inc. from September 2004 to October 2010; head of the capital management department of finance and capital division of China Ocean Shipping (Group) Company from July 1996 to September 2004; a staff at the finance department of Shenzhen Ocean Shipping Co., Ltd. from July 1993 to July 1996; a staff at the finance department of China Ocean Shipping (Group) Company from August 1992 to July 1993; deputy general manager at the finance department of China Ocean Shipping (Group) Company from February 2012 to January 2016; general manager of the capital management department of China COSCO SHIPPING Corporation Limited since January 2016; a director of China Merchants Securities Co., Ltd. since August 2002. Mr. Huang graduated from Beijing Institute of Finance and Trade with a bachelor's degree in 1992 and from Beijing Institute of Technology with a master's degree in business administration. Mr. Huang has obtained the qualification of accountant. Mr. Huang joined the Company in June 2016.

MR. CHEN DONG (陳冬) AGED 42

Non-executive Director of the Company and general manager of financial management department of China COSCO SHIPPING Corporation Limited. Mr. Chen has served as assistant to the general manager and deputy general manager of the finance department of the tanker company of China Shipping Development Company Limited. He has been the deputy head of the risk management center under corporate management department of China Shipping (Group) Company since March 2009, deputy head of the risk management section under the planning and finance department of China Shipping (Group) Company since May 2011, deputy head of the finance section under planning and finance department and senior manager of the finance and taxation management office under the finance department of China Shipping (Group) Company since January 2012, the assistant to the general manager of the finance department of China Shipping (Group) Company since December 2012, deputy general manager of the finance department of China Shipping (Group) Company since May 2014, and general manager of the finance management department of China COSCO SHIPPING Corporation Limited since January 2016. Mr. Chen graduated from Shanghai Maritime University majoring in international finance in 1998, and obtained a master's degree in economics from Shanghai University of Finance and Economics. He is a senior accountant. Mr. Chen joined the Company in September 2016.

INDEPENDENT NON-EXECUTIVE DIRECTOR

MR. CAI HONGPING (蔡洪平) AGED 62

Independent non-executive Director of the Company. Mr. Cai is holder of a bachelor's degree, Hong Kong citizen and graduated from Fudan University in Shanghai majoring in journalism. He is currently the chairman of AGIC Capital. He worked for the Industrial and Transportation Management Committee of the Shanghai Government and Shanghai Petrochemical (Sinopec Shanghai Petrochemical Company Limited, listed on the Stock Exchange under the stock code of 338, listed on the Shanghai Stock Exchange under the stock code of 600688 and listed on the New York Stock Exchange under the stock code of SHI) from 1987 to 1991, and participated in the entire process of the listing of the first batch of H shares of Shanghai Petrochemical in Hong Kong and the United States. From 1992 to 1996, he acted as a member of the Overseas Listing Team for Chinese Enterprises under the Economic Restructuring Committee of the State Council and the chairman of the Joint Committee of Board Secretaries for H Share Companies in China. From 1996 to 1997, he was the general manager of the investment banking division of Peregrine Asia. He served as a joint director of the investment banking division of Peregrine Asia from 1997 to 2006, chairman of the investment banking division of UBS AG in Asia from 2006 to 2010, and executive chairman of Deutsche Bank in the Asia Pacific region from 2010 to 2015. From April 2015 to December 2015, Mr. Cai served as independent director in Minmetals Development Co., Ltd. (listed on the Shanghai Stock Exchange under the stock code of 600058). Mr. Cai joined the Company in June 2016.

MR. TSANG HING LUN (曾慶麟), AGED 67

Independent non-executive Director of the Company and independent non-executive director and chairman of the audit committee of Sino-Ocean Land Holdings Limited (a company listed on Hong Kong Stock Exchange, stock code: 3377) and Sinotrans Shipping Limited (a company listed on Hong Kong Stock Exchange, stock code: 0368) and an independent non-executive director and chairman of the remuneration and nomination committee of Nexteer Automotive Group Limited (a company listed on Hong Kong Stock Exchange, stock code: 1316). He is also chairman of Global Commercial Management Co., Ltd. (全球商業管理有限公司), a member of Hong Kong Independent Non-Executive Director Association (HKINEDA), an honorary award receiver and a member of the International Private Board Meeting, Hong Kong Branch. Mr. Tsang had served as a senior manager in a number of companies listed in Hong Kong and Singapore. He served in Hang Seng Bank Limited (a company listed on Hong Kong Stock Exchange, stock code: 0011) from 1973 to 1990, during which he was assistant general manager of the planning and development division for the last five years. He also served as an executive director of Hong Kong Stock Exchange from January 1993 to October 1993, a deputy general manager of China Construction Bank Corporation (a company listed on Shanghai Stock Exchange, stock code: 601939 and Hong Kong Stock Exchange, stock code: 0939), Hong Kong Branch from December 1995 to April 1998. Mr. Tsang was an independent non-executive director and chairman of the audit committee of China Rongsheng Heavy Industries Group Holdings Limited (now known as "China Huarong Energy Company Limited", a company listed on Hong Kong Stock Exchange, stock code: 1101) from October 2010 to May 2014, an independent non-executive director and chairman of the audit committee of Beijing Media Corporation Limited (a company listed on Hong Kong Stock Exchange, stock code: 1000) from November 2004 to May 2013 and an independent non-executive director of First China Financial Network Holdings Limited (a company listed on Hong Kong Stock Exchange, stock code: 8123) from June 2005 to January 2011. Mr. Tsang became a senior fellow of the Association of Chartered Certified Accountants (UK) in November 1982, a senior fellow of The Hong Kong Institute of Certified Public Accountants in September 1989 and a fellow member of the Hong Kong Institute of Directors in July 2001, he was qualified as a certified financial planner by Guangdong Occupational Skill Testing Authority in July 2006 and qualified as an internationally recognised financial planner in October 2007 by the Institute of Financial Planners of Hong Kong Limited. Mr. TSANG received his bachelor's degree (First Class Honour) in business administration from the Chinese University of Hong Kong in June 1973. Mr. Tsang joined the Company in June 2016.

MS. HAI CHI YUET (奚治月), AGED 62

Independent non-executive Director of the Company. Ms. Hai has more than 30 years of working experience in shipping logistics industry. From 2016 to now, she has served as the advisor to Hutchison Port Holdings Limited. Ms. Hai served as the managing director of COSCO-HIT Terminals (Hong Kong) Limited, the managing director of Yantian International Container Terminals Limited, and the chief executive officer of Hutchison Port Holdings Trust and the advisor to Hutchison Port Holdings Trust. Ms. Hai also participates in public service organizations, including being the member of the Election Committee for the Chief Executive of Hong Kong Special Administrative Region, Transport Subsector. She also served as the member of Hong Kong Port Development Advisory Group and the president of Shenzhen Ports Association. In 2011, Ms. Hai was awarded as Shenzhen Honourable Citizen. Ms. Hai graduated from York University, Toronto, Canada and the University of Hong Kong, obtaining a bachelor's degree in business administration and a master's degree in Buddhism studies respectively. Ms. Hai was appointed as an independent non-executive Director of the Company in May 2015.

MR. GRAEME JACK, AGED 66

Independent non-executive Director of the Company. Mr. Graeme Allan Jack has served as an independent non-executive Director of the Company since June 2015. He has extensive experience in finance and auditing. He is also an independent non-executive director of Hutchison Port Holdings Trust and The Greenbrier Companies Inc., and an independent trustee for the group retire plan of CK Hutchinson Holdings Limited. He retired from PricewaterhouseCoopers as a partner in 2006. He holds a bachelor's degree in commerce and is a fellow member of the Hong Kong Society of Accountants and an associate member of The Institute of Chartered Accountants in Australia and New Zealand.

SUPERVISORY COMMITTEE MEMBERS

MR. YE HONGJUN (葉紅軍), AGED 54

Supervisor of the Company. Mr. Ye is currently the chief legal consultant of China COSCO SHIPPING Corporation Limited. He worked in Beijing Communications Management Institute for Executives, and served in the MOC and has held the posts including a servant without fixed position, deputy department head, department head and the deputy section chief of the Legal Section, the deputy section chief of the Price Regulatory Section of the Water Transport Department and the section chief of the Regulation Section of the Water Transport Department. He served as the assistant to the head of the Maritime Safety Administration of the MOC, and the director of the Domestic Shipping Management Division of the Waterway Transportation Bureau of the MOT. He has served as the chief law consultant of China Shipping (Group) Company since April 2012. Mr. Ye received a master's degree in law from Fudan University. Mr. Ye joined the Company in June 2013.

MR. HAO WENYI (郝文義), AGED 54

Supervisor of the Company. Mr. Hao has served as the head of supervision and audit department of COSCO SHIPPING since January 2016. Mr. Hao previously served as the director of general supervision office of supervision department under the CPC Central Commission for Discipline Inspection and the head of the supervision and audit department of China Shipping (Group) Company from January 2013 to January 2016. Mr. Hao graduated from Beijing Administrative College (北京市委黨校) with a master's degree, majoring in economics. Mr. Hao is a senior political scientist. Mr. Hao joined the Company in June 2016.

MR. GU XU (顧旭), AGED 52

Supervisor of the Company. Mr. Gu Xu has over 20 years of experience in the financial and securities industry as well as extensive experience in corporate financial management. He led and participated in the restructuring, issue and listing of Shanghai Phoenix Bicycle Co., Ltd., Hero (Gold Pen) Co. Ltd. (英雄(金筆)股份有限公司) and Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. (A shares and B shares) and succeeded in leading several corporate mergers and acquisitions and reorganizations. He has accumulated theoretical and practical experience in respect of corporate financial and accounting management, assets management, investment management, disposal of distressed assets and management of financial information systems. He is currently the chairman of Shanghai Dongsheng Investment Management Co., Ltd. (上海東晟投資管理有限公司), an independent director of Suzhou Financial Leasing Co., Ltd. and the general manager of Henan Zhongyuan Lianchuang Investment Funds Management Company (河南中原聯創基金管理公司). Mr. Gu joined the Company in June 2016.

MS. ZHANG WEIHUA (張衛華), AGED 55

Supervisor of the Company. Ms. Zhang graduated from the Faculty of Business of University of Southern Queensland with a master's degree in business administration. Ms. Zhang once served as the compliance director of China Merchants Securities Co., Ltd. (listed on Shanghai Stock Exchange under the stock code of 600999) and chairman of the supervisory committee of China Merchants Fund Management Co., Ltd. Ms. Zhang also served as chief auditor, assistant to the president, general manager of the audit department of China Merchants Securities Co., Ltd. and assistant to general manager of the securities department in the head office of China Merchants Bank consecutively. She is now a senior adviser of China Merchants Securities Co., Ltd. Ms. Zhang joined the Company in June 2016.

MR. ZHU DONGLIN (朱冬林), AGED 57

Mr. Zhu is a currently a Supervisor and chairman of Labour Union of the Company. Mr. Zhu was born in December 1959 and joined the Company in 1997, and has served as deputy director of the general manager office, deputy director and deputy director (in charge) of the general affairs office, deputy director of the Party and Mass Organisation Division, deputy general manager of the office of Secretary to the Board, the vice chairman of the Labour Union and the chairman of the Labour Union of the head office. Mr. Zhu has served as the general manager of the Human Resources Division of the Company from March 2012 to May 2016 and has served as the secretary of the Communist Party Committee of the Company from January 2014 to May 2016, and the chairman of the Labour Union of the Company since June 2016. Mr. Zhu graduated from Shanghai Maritime Institute in 1982 with a bachelor's degree majoring in shipping electrification and automation and is a deputy researcher.

MR. FU YI (傅議), AGED 42

Mr. Fu has a bachelor's degree and is an accountant. He currently serves as a supervisor and the chief of supervision and auditing department of the Company. Mr. Fu joined the Company in April 2016. He has served as manager of the financial management department of China Shipping Investment Co., Ltd. since November 2015. He has served as general manager of planning and finance department of Lanhai Medical Investment Co., Ltd. (覽海醫療產業投資股份有限公司) since March 2009. He served consecutively as section member of finance department, deputy section chief of accounting section and section chief of financial management section of Guangzhou Maritime Transport (Group) Co., Ltd.; section chief of the supervision and auditing section of the supervision and auditing department and deputy manager of the planning and finance department of Lanhai Medical Investment Co., Ltd.

COMPANY SECRETARY

MR. YU ZHEN (俞震), AGED 39

Board Secretary and joint company secretary of the Company. Mr. Yu started his career in 1999. He has served as finance department officer, finance department head of China Shipping International Trading Company, manager of finance department of China Shipping (Romania) Agency Co., Ltd., general manager of finance department of China Shipping (Europe) Holding GmbH since 1999. He joined the Company in November 2013 and has served as the Board Secretary and joint company secretary of the Company since April 2014. He graduated from finance and accounting faculty of Shanghai Shipping College with a bachelor's degree in economics. Mr. Yu is a certified public accountant (CPA) of the PRC and a mid-level accountant.

SENIOR MANAGEMENT

MR. FENG XINGGUO (馮幸國), AGED 59

Deputy General Manager, a member of the Party committee and chief captain of the Company. Mr. Feng assists the general manager of the Company and is responsible for the security and technological work of the Company. Mr. Feng began his career in 1975, and has served as third officer, the second officer and the chief officer of Shanghai Maritime Bureau; the captain, captain supervisor, assistant to general manager and deputy general manager of vessel company No. 2 under Shanghai Hai Xing Shipping Co., Ltd.; Mr. Feng was the deputy general manager of Container Branch Company under Shanghai Haixing Shipping Co., Ltd.; general manager of security and technology department of the Company; the assistant to the general manager of the vessel administration centre and the general manager of the security and technology department of the Company; the deputy general manager of vessel administration centre and general manager of crew management department of the Company; the chief captain, deputy general manager of vessel administration centre of the Company. From 2010 till now, he is the deputy general manager, a member of the Party committee and chief captain of the Company. Mr. Feng graduated from Shanghai Maritime Staff University, majoring in vessel piloting. He is a senior captain and senior engineer.

MR. ZHANG MINGWEN (張銘文), AGED 38

Chief accountant and member of the Party committee of the Company. Mr. Zhang began his career in 1999. He served as the officer and vice supervisor of the settlement centre of China Shipping (Group) Company, the vice supervisor and deputy chief of the capital centre of the planning and finance department of China Shipping (Group) Company, the assistant to the general manager of the planning and finance department of China Shipping (Group) Company and the assistant to the general manager of the financial capital department of China Shipping (Group) Company. Mr. Zhang joined the Company in November 2012 and served as the Company's deputy chief accountant and member of the Party committee from November 2012 to January 2014. He has served as the financial controller of the Company since April 2013 and as the chief accountant and a member of the Party committee of the Company since January 2014. Mr. Zhang Mingwen graduated from Faculty of Finance of the Shanghai University of Finance and Economics, majoring in investment economics and obtaining a bachelor's degree in economics, and the Antai College of Economics & Management of Shanghai Jiao Tong University, majoring in business administration and receiving a MBA degree. He is a chartered financial analyst (CFA) and a senior accountant.

MR. MING DONG (明東), AGED 46

Current deputy general manager and a member of the Party committee of the Company. Mr. Ming began his career in 1994 and consecutively worked in COSCO Finance Company Limited and in the asset operation centre, president affairs department and capital operation department of China Ocean Shipping (Group) Company. He served as the general manager of investor relations division and the securities affairs representative of COSCO SHIPPING Holdings Co., Ltd. from July 2005 to December 2008, and the general manager of the securities affairs division of China Ocean Shipping (Group) Company and COSCO SHIPPING Holdings Co., Ltd. from January 2009 to February 2016. Mr. Ming graduated from Central University of Finance and Economics, majoring in international finance and investment economics, and obtained a master's degree in economics. He is a senior economist. Mr. Ming joined the Company in March 2016.

Report of the Board of Directors

The Board submits its report together with the audited consolidated financial statements for the year ended 31 December 2016 (the "Year").

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activities of the Group and of the subsidiaries are set out in Note 1 to the consolidated financial statements.

An analysis of the Group's performance for the Year by business and geographical segments is set out in Note 4 to the consolidated financial statements.

RESULTS

The results of the Group for the Year are set out in the consolidated statement of profit or loss on page 102 of this Annual Report.

BUSINESS REVIEW

Business review of the Group for the year ended 31 December 2016, an analysis of the Group's performance for the year using key financial metrics, recent development, a discussion on the future development of the Group, subsequent events after the period and a description of the potential principal risks and uncertainties facing the Group are set out in "Chairman's Statement" on pages 8 to 11 and "Management Discussion and Analysis" on pages 14 to 30. The Company's environmental policy and our performance, its compliance with relevant laws and regulations that may have significant effect on the Group and the relationship between the Group and its employees, customers and suppliers are set out in "Report of the Board of Directors" and "Corporate Governance Report" on pages 40 to 92.

DIVIDENDS

The accumulated losses of the Company calculated under PRC accounting standards as at 31 December 2016 were RMB1,443 million. The retained profits of the Group calculated under PRC accounting standards as at 31 December 2016 were RMB3,164 million.

It was proposed that no profit distribution would be made for the year 2016 and no capitalization of capital common reserve fund would be made. The above proposal is subject to review at the Annual General Meeting.

RESERVES

Movement of the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on page 106 of this Annual Report, Note 37 and Note 49 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 36 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

In accordance with the PRC Company Law, the Company may only distribute dividends out of its distributable profits (i.e. the Company's profit after income tax after offsetting: (i) the accumulated losses brought forward from the previous years; and (ii) the allocations to the statutory surplus reserve and, if any, the discretionary common reserve (in such order of priorities) before payment of any dividend on shares).

According to the Company's articles of association (the "Articles of Association"), for the purpose of determining profit distribution, the distributable profit of the Company is the lesser of its profit after income tax determined in accordance with: (i) the PRC accounting standards and regulations; and (ii) Hong Kong Financial Reporting Standards.

As at 31 December 2016, the accumulated losses of the Company, calculated based on the above principles, amounted to approximately RMB1,443 million, which is prepared in accordance with the PRC accounting standards and regulations.

PRE-EMPTIVE RIGHTS

Under the Articles of Association and the laws of the PRC, no pre-emptive rights exist which require the Company to offer new shares to its existing shareholders in proportion to their shareholdings.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on page 4 of this Annual Report.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2016.

THE BASIS OF DETERMINING THE EMOLUMENT OF THE DIRECTORS

The Company determines the remuneration of Directors by reference to the performance of Directors for the year ended 31 December 2016 and on the principle of linking Company's management with operation results.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors who held office during the Year and up to the date of this Annual Report are:

DIRECTORS

EXECUTIVE DIRECTORS

Ms. Sun Yueying *(Chairman)*
Mr. Wang Daxiong
Mr. Liu Chong
Mr. Xu Hui

NON-EXECUTIVE DIRECTORS

Mr. Feng Boming
Mr. Huang Jian
Mr. Chen Dong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cai Hongping
Mr. Tsang Hing Lun
Ms. Hai Chi Yuet
Mr. Graeme Jack

SUPERVISORS

Mr. Ye Hongjun *(Chairman)*
Mr. Hao Wenyi
Mr. Gu Xu
Ms. Zhang Weihua
Mr. Zhu Donglin
Mr. Fu Yi

According to the Articles of Association, the term of service of the Directors and Supervisors of the Company shall be 3 years.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors of the Board and the Supervisory Committee for this term has a service contract with the Company until the conclusion of the annual general meeting for the year 2018, i.e. in or around June 2019.

The Company did not enter into any service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation) with any Director or Supervisor.

DIRECTORS' AND SUPERVISORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in this Report of the Board of Directors (including but not limited to the connected transactions and continuing connected transactions stated below), no transactions, arrangements or contracts of significance (as defined in Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")), in which a Director or a Supervisor or their connected entities are or were materially interested, directly or indirectly, subsisted during the Year or at the end of the Year.

Save as disclosed in this Report of the Board of Directors (including but not limited to the connected transactions and continuing connected transactions stated below), no contracts of significance in which the Company or any of its subsidiary and its controlling shareholders (as defined in Appendix 16 to the Listing Rules) or a subsidiary of its controlling shareholders was a party, subsisted during the Year or at the end of the Year.

Save as disclosed in this Report of the Board of Directors (including but not limited to the connected transactions and continuing connected transactions stated below), no contracts of significance in relation to the service provided by controlling shareholders or their subsidiaries to the Company or its subsidiaries, subsisted during the Year or at the end of the Year.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Year. The Company has arranged appropriate insurance cover for its Directors and senior management in respect of legal action that may be brought against them in connection with company activities.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors, Supervisors and senior management of the Company are set out on pages 31 to 39 of this Annual Report. Each of Sun Yueying, Feng Boming, Huang Jian, Chen Dong, Ye Hongjun and Hao Wenyi was as at 31 December 2016, the chief accountant, the department general manager, department general manager, department general manager, legal adviser and head of the department respectively of China COSCO SHIPPING and/or China Shipping. As at 31 December 2016, China COSCO SHIPPING and China Shipping had an interest or short position in the Company's shares and underlying shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO").

DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

No arrangements to which the Company or its subsidiary is or was a party to enable the Directors, Supervisors or chief executives of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate subsisted at any time during the Year.

INTERESTS OR SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, the interests or short positions of the Directors, Supervisors or chief executive(s) of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was 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 any such Directors, Supervisors or chief executive(s) is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

INTERESTS IN THE SHARES OF THE COMPANY

Name	Position	Class of Shares	Capacity	Number of Shares interested *(Note 1)*	Approximate percentage of the relevant class of Shares of the Company *(%)*	Approximate percentage of the issued share capital of the Company *(%)*
Wang Daxiong	Director	H Shares	Other	834,677 (L) *(Notes 2 and 3)*	0.02	0.01
Liu Chong	Director	H Shares	Other	1,112,903 (L) *(Notes 2 and 4)*	0.03	0.01
Xu Hui	Director	H Shares	Other	945,968 (L) *(Notes 2 and 5)*	0.03	0.01
Fu Yi	Supervisor	H Shares	Other	556,452 (L) *(Notes 2 and 6)*	0.01	0.00

Notes:

1. "L" means long position in the shares.

2. As disclosed in the announcement of the Company dated 24 November 2016, certain executive Directors, Supervisor, senior management and employees of the Company have voluntarily invested, with their own fund, in an asset management plan (the "Asset Management Plan"), pursuant to which the executive Directors, Supervisor, senior management and employees of the Company have subscribed to the units of the Asset Management Plan and entrusted the manager of the Asset Management Plan to manage the Asset Management Plan, which will invest in the H Shares. The manager of the Asset Management Plan shall be responsible for, among other things, the investment and re-investment of the assets under the Asset Management Plan and shall be entitled to exercise the voting rights and other relevant rights in respect of the H Shares held under the Asset Management Plan. The Company did not participate in the Asset Management Plan, and the Asset Management Plan does not constitute a share option scheme or any type of employee benefit scheme of the Company. As at 31 December 2016, the Asset Management Plan has been fully funded and has acquired 6,900,000 H Shares on the market at an average price of HK$1.749 per H Share.

3. Mr. Wang Daxiong is one of the participants of the Asset Management Plan through which he holds approximately 12.10% of the total number of units of the Asset Management Plan as at 31 December 2016. Accordingly, the 834,677 H Shares represent the interests derived from the units subscribed by Mr. Wang Daxiong in the Asset Management Plan as at 31 December 2016. As at 31 December 2016, Mr. Wang Daxiong does not hold any Shares.

4. Mr. Liu Chong is one of the participants of the Asset Management Plan through which he holds approximately 16.13% of the total number of units of the Asset Management Plan as at 31 December 2016. Accordingly, the 1,112,903 H Shares represent the interests derived from the units subscribed by Mr. Liu Chong in the Asset Management Plan as at 31 December 2016. As at 31 December 2016, Mr. Liu Chong does not hold any Shares.

5. Mr. Xu Hui is one of the participants of the Asset Management Plan through which he holds approximately 13.71% of the total number of units of the Asset Management Plan as at 31 December 2016. Accordingly, the 945,968 H Shares represent the interests derived from the units subscribed by Mr. Xu Hui in the Asset Management Plan as at 31 December 2016. As at 31 December 2016, Mr. Xu Hui does not hold any Shares.

6. Mr. Fu Yi is one of the participants of the Asset Management Plan through which he holds approximately 8.06% of the total number of units of the Asset Management Plan as at 31 December 2016. Accordingly, the 556,452 H Shares represent the interests derived from the units subscribed by Mr. Fu Yi in the Asset Management Plan as at 31 December 2016. As at 31 December 2016, Mr. Fu Yi does not hold any Shares.

Save as disclosed above, as at 31 December 2016, none of the Directors, Supervisors or chief executive(s) of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which was 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 any such Directors, Supervisors or chief executive(s) is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company.

INTERESTS OR SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OR OTHER PERSONS IN THE SHARES OR UNDERLYING SHARES

As at 31 December 2016, so far as was known to the Directors, Supervisors or chief executive(s) of the Company, the interests or short positions of the shareholders who are entitled to exercise or control 5% or more of the voting power at any general meeting or other persons (other than a Director, Supervisor or chief executive(s) of the Company) in the shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or the interests or short positions which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO or the interests or short positions which have been notified to the Company and the Stock Exchange were as follows:

Name of Shareholder	Class of Shares	Capacity	Number of Shares interested *(Note 1)*	Approximate percentage of the total number of the relevant class of Shares of the Company *(%)*	Approximate percentage of the issued share capital of the Company *(%)*
China Shipping	A Shares	Beneficial owner	4,458,195,175 (L) *(Note 2)*	56.20	38.16
	H Shares	Interest of controlled corporation	100,944,000 (L) *(Note 3)*	2.69	0.86
China COSCO SHIPPING	A Shares	Interest of controlled corporation	4,458,195,175 (L) *(Note 2)*	56.20	38.16
	H Shares	Interest of controlled corporation	100,944,000 (L) *(Note 3)*	2.69	0.86
The Northern Trust Company (ALA)	H Shares	Approved lending agent	249,945,900 (P)	6.66	2.14

Notes:

1. "L" means long position in the shares and "P" means shares in the lending pool.

2. Such 4,458,195,175 A Shares represent the same block of shares.

3. Such 100,944,000 H Shares represent the same block of shares held by Ocean Fortune Investment Limited, an indirectly wholly-owned subsidiary of China Shipping.

Save as disclosed above, as at 31 December 2016, no other person (other than Directors, Supervisors or chief executive(s) of the Company) had any interest or short position in any shares or 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 any interest or short positions recorded in the register kept by the Company pursuant to Section 336 of the SFO or any interest or short positions which have been notified to the Company and the Stock Exchange.

DIRECTORS AND EMPLOYEES OF THE SUBSTANTIAL SHAREHOLDERS

Certain Directors and Supervisors of the Company are the director or employee of China COSCO SHIPPING and/or China Shipping (details of which are set out on pages 31-38 of this Annual Report), and China COSCO SHIPPING and China Shipping has interests in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on public information that is within the knowledge of the Company and also known to the Directors, as at the date of this Annual Report, there was sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

MANAGEMENT CONTRACTS

No contracts were entered into and subsisted (other than the service contracts with any Directors or Supervisors or any of the full-time staff of the Company), and pursuant to which, the management and administration of the whole or any substantial part of the business of the Company were undertaken by any individuals, firms or body corporates.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2016, the Group sold in aggregate 54% of its goods and services to its 5 largest customers, including 43% to its largest customer

During the Year, the Group purchased in aggregate less than 30% of its goods and services from its 5 largest suppliers.

China COSCO SHIPPING, the controlling shareholder of the Company indirectly holding 39.02% of the total issued share capital of the Company, is beneficially interested in one of the Company's 5 largest customers.

Save as disclosed above, none of the Directors, their close associates or any shareholders (who to the knowledge of the Board owns more than 5% of the issued shares of the Company) has interest in the 5 largest customers or the 5 largest suppliers of the Group.

EQUITY-LINKED AGREEMENT

No equity-linked agreements were entered into by the Group or subsisted during the Year.

CHARITABLE DONATIONS

There was no charitable donation with a total amount of not less than HK$10,000 made by the Group during the Year.

RELATIONSHIP WITH KEY STAKEHOLDERS

RELATIONSHIP WITH EMPLOYEES

COSCO SHIPPING Development strictly adheres to the Labour Law of the People's Republic of China (《中華人民共和國勞動法》) and the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and other laws and regulations, to safeguard the legal interests of its employees. Meanwhile, the Company and its direct business units established and made improvements upon its human resources management system, in order to match the demand of COSCO SHIPPING Development during its strategic transformation.

COSCO SHIPPING Development attaches a significant weight to the optimization of its talent structure. Through various means including attracting high-end talents, perfecting its staff training and promotion system and enhancing talent resources management, COSCO SHIPPING Development spares no effort in building a talent team well-suited for the Company's development strategy.

COSCO SHIPPING Development and its direct business units keeps a keen eye on the occupational health of its staff, which it has been safeguarding by formulating regulations, including the Occupational Safety Management System, Work Injury Compensation Claim Management System and Regulations on Prevention and Control of Occupational Diseases, and building a health care management system. Besides providing financial services, the Company also administers the health and safety of the assigned crew to ensure their security. In 2016, the Company passed the "four-in-one" integrated management system annual review of China Classification Society on quality, environment, occupational health and security and energy management.

Talent competition is the core of competition in the financial industry. COSCO SHIPPING Development has a high demand for high-level financial talents due to its business transformation. The Company has set up a talent recruitment programme to attract high-end talents, perfected its talent incentive scheme and built a highly appealing platform that brings together industry elites.

To better accommodate the business development demand of the Company during its period of transformation, COSCO SHIPPING Development establishes a multi-tiered and differentiated training system. Through formulating Staff Training Management System, organizing non-scheduled training and internal communication sessions and importing external training resources, the Company is dedicated to expanding industry vision and elevating professional qualities of the staff.

RELATIONSHIP WITH CUSTOMERS

The Group is fully dedicated to serve its customers and constantly seeks to bring its services to the next level. Due to the essentiality of customer communication in the overall service experience, we continue to provide multiple online and offline communication channels in order to deliver responses and services to all customers.

The Group maintains long-standing, healthy and cooperative relationships with the Company's major customers, adheres to normal commercial terms and shares consistent credit terms with other customers. Settlement with customers is conducted based on payment terms in the contract. The Group, taking into account the judgment on recoverable amount, provides for balance of loan receivables based on bad debt provisions classified with similar credit risk profile. The Group monitors and assesses the information of major customers on an on-going and timely basis, which boosts communication and relationship with major customers.

RELATIONSHIP WITH SUPPLIERS

In selecting suppliers to purchase from, the Group has been applying a standard of high quality and high integrity, and has established relevant systems to ensure that the purchase process remains open, fair and just. Aiming to improve purchase quality, critical assessment and guidelines are utilized by the Group to measure the sustainability of the suppliers in terms of labor, health and safety and environmental influences. Relevant departments of the Group conduct performance assessments to the suppliers on a regular basis in order to manage the suppliers in a more efficient manner and reduce potential risks in supplier, which boosts communication and relationship with the suppliers.

ENVIRONMENTAL POLICY AND PERFORMANCE

"Green" has gradually become the development trend of the world, especially since 2016 with the entering of significant international agreements including the 2030 Agenda for Sustainable Development and the Paris Agreement. Through deepened insight and analyzing of the environmental implication of each segment of operation, COSCO SHIPPING Development is made aware of the substantial connection between environment protection and corporate operation, has developed a profound understanding to environment protection and seeks to promote environment protection through financial means.

CONSTRUCTION AND OPTIMIZATION OF ENVIRONMENT MANAGEMENT SYSTEM

The transformation of COSCO SHIPPING Development from an enterprise engaged in container shipping to an integrated financial services platform did not diminish its attachment of importance in the construction of environment management system. On the one hand, the Company strictly adheres to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and the Atmospheric Pollution Prevention Law of the People's Republic of China (《中華人民共和國環境保護法》), among other laws and regulations concerning environment protection; on the other hand, the Company actively urges its business departments and direct business units to formulate environment management regulations and systems in conformation to their business development, exerting control and influence on each segment of operation and business. In 2016, the Company in aggregate invested RMB6.24 million in energy saving and technical modifications.

In terms of tri-wastes management, the Company formulated, among others, "Vessel Waste Management Plan", "Regulations on Treatment of Oily Sewage and Residual Oil in the Cabin", "Regulations on Treatment of Domestic Sewage" and "Vessel Ballast Water Management Plan". For container construction business, "Regulations on Exhaust Emission Management", "Regulations on Wastewater Discharge" and "Regulations on Solid Waste Environment Pollution Prevention Management", among others, were formulated to manage waste discharge with more pertinence. For production departments, corresponding energy conservation and emission reduction regulations such as stipulations on energy usage including "Energy Conservation and Emission Reduction Management System" formulated by Shanghai Universal were applied to improve resource usage efficiency. In order to reduce potential environmental implications, Shanghai Universal formulated "Contingency Plan for Environmental Pollution Accidents", providing advance management for potential environmental risks.

FORGE A GREEN ENTERPRISE

COSCO SHIPPING Development has established a mechanism in identifying environment factors in forging itself into a green shipping enterprise. With this mechanism, it can make analysis on environmental factors relating to its business activities and pollutants which may arise from its operation and their impacts on air condition and power resources. Based on materiality of various metrics, the Company has formulated various systems and measures for controlling the impacts of these factors.

SUPPORT THE DEVELOPMENT OF CLEAN ENERGY

Clean energy is essential in our efforts of accelerating adjustments to the structure for power generation and to the whole economic structure. To cope with changes in climate, development of clean energy has been a shared concept among all parts of the community. COSCO SHIPPING Development has been focusing on the development of power generation by clean energy such as photovoltaics, hydroelectric power and wind power to provide services to leading players and SMEs in the clean energy industry. It also provides professional finance leasing solutions to these companies. By doing so, it can achieve balanced development in terms of economic and environmental protection, while maintaining its capability of meeting increasing demand for resources in its operation.

FORGE A GREEN MANUFACTURER OF CONTAINERS

In 2016, the Ministry of Industry and Information Technology of the People's Republic of China, the National Development and Reform Commission, the Ministry of Finance and the Ministry of Science and Technology jointly issued the "Green Manufacturing Project Implementation Guide (2016-2020)"(《綠色製造工程實施指南(2016-2020年)》). The Guide emphasized the increasing constraints facing the global sustainable development in terms of resources and environment. As energy saving and environmental protection have been important considerations in the development of industries in China, there is a pressing need for the manufacturing sector, as a foundation for the economic growth of China, to speed up green development in daily operation, constructing green manufacturing system and enhancing its competitiveness in global markets in terms of green development.

COSCO SHIPPING Development has been proactively forging itself into a green manufacturer of containers. It has been improving its green manufacturing technologies and tri-wastes management in achieving more effective use of power resources and minimizing the impacts on the environment, while proactively encouraging suppliers in joining efforts of environmental protection. For example, it is clearly specified in the Management and Assessment of Component Suppliers for Contractors of FIL that the suppliers shall adopt anti-pollution measures to minimize the impacts on the environment arising from the industrial chain. In 2016, DFII's container factory in Guangzhou was identified as the Guangdong Green Steel Container Engineering and Technologies Research Centre (廣東省綠色鋼制集裝箱裝備工程技術研究中心) by the Department of Science and Technology of Guangdong Province.

CONTRIBUTING TO CONTROLLING VOCs IN CONTAINER INDUSTRY

The Company has been working in eliminating the large amount of VOCs (Volatile Organic Compound) arising from the process of manufacturing containers. VOCs are a large group of chemicals that can be found in a concentrated area. Therefore, how to control VOCs in container industry has been a difficult question for manufacturers of containers. The players in the industry have paid more and more attention to the issue in recent years, with the"VOCs Governance Self-Discipline Convention" was executed by the China Container Industry Association.

As a member of the China Container Industry Association, Shanghai Universe is one of the parties to the Convention and has joined the Green Environmental Action Conference and VOCs Governance Self Discipline Convention Signing Ceremony held by the China Container Industry Association on 22 March 2016 in Shanghai. As a signing party to the Convention, Shanghai Universe shall, with other players in the container manufacturing industry, strictly adhere to the Convention and by self-discipline practices in the industry to make understanding and take action as a whole in achieving substantial reduction of VOCs in emission among the industry by 2017 by promoting new water-proof environmental-friendly coats in different regions of China in specified periods. DFII's container factory in Guangdong has undergone production restructuring before others. It is expected that VOCs would be reduced by 80% when the automatic production technique with water-proof coats is applied.

ENHANCE THE EFFICIENCY OF ENERGY UTILIZATION AND MINIMIZE EMISSION TO THE ENVIRONMENT

To enhance the efficiency of energy and minimize CO_2 emission, DFII's container factory at Guangzhou, Lianyungang and Jinzhou began a series of energy-saving measures through the applications of heat recovery from the air compressor, digital inverter welding machine and conversion of lighting in factories to LED lighting. In terms of power consumption, diesel consumption was substantially reduced by replacing diesel fork lift trucks with electric vehicles in daily transportation.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS WHICH HAVE A SIGNIFICANT IMPACT ON THE GROUP

After the material asset restructuring, the Group is principally engaged in diversified leasing businesses, investment business and integrated financial services. The businesses of the Company and its subsidiaries are subject to a number of laws and regulations such as the Company Laws of the People's Republic of China, the Securities Law of the People's Republic of China, the Contract Law of the People's Republic of China, Notice of the Ministry of Commerce and the State Administration of Taxation on Relevant Issues concerning Undertaking Financing Lease Business (《商務部、國家稅務總局關於從事融資租賃業務有關問題的通知》), Interpretation of the Supreme People's Court on Issues concerning the Application of Law in the Trial of Cases Involving Disputes over Financial Leasing Contracts (《最高人民法院關於審理融資租賃合同糾紛案件適用法律問題的解釋》), Measures for the Administration of Finance Companies of Enterprise Groups (《企業集團財務公司管理辦法》), Provisions on the Supervision of Insurance Brokerage Institutions (《保險經紀機構監管規定》) and other applicable rules, polices and normative legal documents based on these laws and regulations. The Group has the procedure of compliance in place to ensure compliance with applicable laws, regulations and normative legal documents, and in particular those would have material effects on its principal businesses such as leasing, investment and integrated financial services. The Group will notify the relevant employees and operating teams of any change in applicable laws, rules and normative legal documents relating to its principal businesses from time to time.

In addition, certain requirements under other applicable laws and regulations also apply to the Group (e.g. the Labour Law of the People's Republic of China, the Stock Listing Rules of the Shanghai Stock Exchange (《上海證券交易所股票上市規則》), Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Companies Ordinance (Cap 622) and the Employment Ordinance (Cap. 57)). The Group has strived to allocate its resources to different aspects in accordance with processes of internal control and approval, and ensured its compliance with these requirements by training and supervising over different business units. Implementation of these measures requires substantial internal resources and will incur additional operating costs. Nevertheless, the Group has put particular emphasis on compliance with applicable laws and regulations.

CONNECTED TRANSACTIONS

During the year ended 31 December 2016, the Company entered into the following connected transactions:

(1) ACQUISITION OF THE ENTIRE EQUITY INTEREST IN ZHUHAI SHIPPING CORPORATION LIMITED

- Date, parties and description of the transaction:

  On 11 November 2016, the Company, COSCO SHIPPING (Guangzhou) Co., ("CS Guangzhou") and Guangzhou Zhenxing Shipping Co., Ltd. ("Guangzhou Zhenxing") entered into a sale and purchase agreement (the "Sale and Purchase Agreement"), pursuant to which the Company conditionally agreed to purchase, and CS Guangzhou and Guangzhou Zhenxing conditionally agreed to sell, the entire equity interest in Zhuhai Shipping Corporation Limited ("Zhuhai Shipping") (the "Zhuhai Shipping Acquisition"). Zhuhai Shipping is a company incorporated in the PRC and its principal business is ship leasing.

- Connected relationship of the parties of the transaction:

  China Shipping (Group) Company ("China Shipping") is a controlling shareholder of the Company and therefore a connected person of the Company. Guangzhou Zhenxing is a wholly-owned subsidiary of CS Guangzhou, which in turn is a wholly-owned subsidiary of China Shipping. Accordingly, each of Guangzhou Zhenxing and CS Huangzhou is an associate of China Shipping and a connected person of the Company. The Zhuhai Shipping Acquisition constituted a connected transaction of the Company under the Listing Rules.

- Total consideration and other terms:

  The total consideration for the Zhuhai Shipping Acquisition shall be RMB70,835,900 (approximately HK$80,752,926), which was determined after arm's length negotiations between the Company, CS Guangzhou and Guangzhou Zhenxing with reference to the valuation of the entire equity interest of Zhuhai Shipping as shown in the valuation report as at 31 October 2016.

- Purpose of the transaction and the nature of the interests of the connected party in the transaction:

  The Board is of the view that the Zhuhai Shipping Acquisition presents an opportunity for the Group to diversify and expand its existing business. It is expected that the Zhuhai Shipping Acquisition would facilitate the realization of the business strategy of the Group and create investment returns to the Group, which would in turn enhance the competitiveness of the Group and create higher value to the shareholders as a whole.

  The Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement are on normal commercial terms in the ordinary and usual course of business of the Group that are fair and reasonable and the Zhuhai Shipping Acquisition is in the interests of the Company and the shareholders as a whole.

  For further information relating to the above transaction, please refer to the announcement of the Company dated 11 November 2016.

(2) PROPOSED SUBSCRIPTION OF A SHARES BY CHINA SHIPPING (GROUP) COMPANY UNDER THE PROPOSED NON-PUBLIC ISSUANCE OF A SHARES

- Date, parties and description of the transaction:

  On 11 October 2016, the Board has approved the proposed non-public issuance of A Shares, pursuant to which the Company will issue a maximum of 3,278,688,524 A Shares (subject to adjustment) to not more than 10 specific target subscribers, including China Shipping, which would raise a gross proceeds of up to RMB12 billion ("Proposed Non-public Issuance of A Shares"). As part of the Proposed Non-public Issuance of A Shares, on 11 October 2016, the Company and China Shipping entered into a subscription agreement (the "CS Subscription Agreement"), pursuant to which China Shipping has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, such number of A Shares for an amount of not less than RMB5 billion and not more than RMB7 billion under the Proposed Non-public Issuance of A Shares ("CS Subscription").

- Connected relationship of the parties of the transaction:

  China Shipping is a controlling shareholder of the Company, and therefore a connected person of the Company. The CS Subscription constituted a connected transaction of the Company under the Listing Rules.

- Total consideration and other terms:

  The subscription price shall not be lower than the benchmark price, being 90% of the average trading price (being the average trading price of the A Shares during the 20 trading days immediately preceding 12 October 2016 (the "Price Determination Date") which is calculated by dividing the total turnover of the A Shares by the total trading volume of the A Shares during the 20 trading days immediately preceding the Price Determination Date), which is RMB3.66 per A Share. The final issue price will be determined by the Board and its authorised person(s) with the authorisation by the Shareholders at the extraordinary general meeting and the class meetings and the sponsor (the lead underwriter) based on the price inquiry results in accordance with the price priority principle and applicable laws and regulations, after obtaining the approval documents issued by the China Securities Regulatory Commission in respect of the Proposed Non-public Issuance of A Shares. The final subscription price will be determined by the Board and its authorised person(s) with the authorisation by the shareholders at the extraordinary general meeting and the A Shares class meeting and the H Shares class meeting to be convened by the Company in relation to the Proposed Non-public Issuance of A Shares, and the sponsor (the lead underwriter) based on the price inquiry results in accordance with the price priority principle and applicable laws and regulations, after obtaining the approval documents issued by the China Securities Regulatory Commission in respect of the Proposed Non-public Issuance of A Shares. China Shipping will not participate in the pricing exercise for the Proposed Non-public Issuance of A Shares, but will accept results of market inquiry and subscribe for the A Shares at the same subscription price as other target subscribers.

- Purpose of the transaction and the nature of the interests of the connected party in the transaction:

  The Board is of the view that the CS Subscription demonstrates the confidence China Shipping places in the Company and China Shipping's support to the development and transformation of the business of the Company.

  The independent non-executive Directors are of the view that the terms of the CS Subscription Agreement are on normal commercial terms and are fair and reasonable and the CS Subscription is in the interests of the Company and the shareholders as a whole.

  For further information relating to the above transaction, please refer to the announcement of the Company dated 11 October 2016 and the circular of the Company dated 1 December 2016.

CONTINUING CONNECTED TRANSACTIONS

As at 31 December 2016, the Company had the following relevant annual caps which were announced and subsequently revised and approved at the Company's general meeting. The actual annual figures for the year ended 31 December 2016 in relation to those continuing connected transactions are also set out below. Unless otherwise defined, terms used in the following table shall have the same meanings as defined in the Company's announcements dated 6 November 2015, 13 December 2015, 28 March 2016, 30 March 2016, 20 April 2016 and 13 May 2016.

No.	Continuing Connected Transactions	Signing date of the transaction and effective period after renewal every three years (as applicable)	Parties and connected relationship	Nature of transaction	Pricing Terms	Transaction amount		
						Year ended 31 December 2014 RMB'000	Year ended 31 December 2015 RMB'000	**Year ended 31 December 2016 RMB'000**
A	Revenue from the CS Group							
1	Master Liner Services Agreement in respect of services to be provided by the Group	10 May 2004 31 December 2016	The Company and China Shipping[1]	Liner services	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and on principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	113,616	156,736	**44,567**
2	First Master IT Service Agreement in respect of products and services to be provided by the Group	10 May 2004 31 December 2016	The Company and China Shipping[1]	IT services	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and on principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	13,970	25,268	**–**
3	Master Purchase Agreement for the provision of the Agreed Materials, Fuel, and related services by the Group	1 July 2013 31 December 2016	The Company and China Shipping[1]	Purchase services	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and on principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	2,325,178	1,321,407	**106,067**
4	The agreement in respect of the insurance brokerage services to be provided by the Group	11 December 2015 31 December 2016	The Company and China Shipping[1]	Insurance brokerage services	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and on principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	–	–	**13,763**

No.	Continuing Connected Transactions	Signing date of the transaction and effective period after renewal every three years (as applicable)	Parties and connected relationship	Nature of transaction	Pricing Terms	Transaction amount Year ended 31 December 2014 RMB'000	Year ended 31 December 2015 RMB'000	Year ended 31 December 2016 RMB'000
5	The agreement in respect of the finance leasing services to be provided by the Group	11 December 2015 31 December 2016	The Company and China Shipping[1]	Finance leasing	(i) Market price[8]	–	–	**1,610**
6	The agreement in respect of the operating leasing services to be provided by the Group	11 December 2015 31 December 2019	The Company and China Shipping[1]	Lease services	(i) Market price[8]; (ii) where the relevant market price is not available, the contracted price[5]	–	–	**38,576**
B	Revenue from China Ocean Shipping (Group) Company ("COSCO Group")							
7	Vessel Leasing Agreement in respect of vessels to be leased by the Group	11 December 2015 31 December 2025	The Company and COSCO SHIPPING Holdings[2]	Lease of vessels	(i) Market price[8]	–	–	**5,023,896**
8	Master Provision of Containers Agreement in respect of containers to be leased by the Group	11 December 2015 31 December 2025	The Company and COSCO SHIPPING Holdings[2]	Lease of containers	(i) Market price[8]	–	–	**653,119**
9	Master Leasing Service Agreement in respect to services to be provided by the Group	30 March 2016 31 December 2016	The Company and COSCO SHIPPING Holdings[2]	Lease of containers	(i) Market price[8]	–	–	**156,733**
C	Expenditure to the CS Group							
10	Revised Master Provision of Containers Agreement in respect of containers leased to the Group	10 April 2007 31 December 2016	The Company and China Shipping[1]	Lease of containers	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and on principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	154,107	154,981	**35,178**
11	Master Provision of Chassis Agreement in respect of container chassis etc. to be provided to the Group	10 May 2004 31 December 2016	The Company and China Shipping[1]	Lease of container chassis	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and on principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	17,912	9,296	**–**

No.	Continuing Connected Transactions	Signing date of the transaction and effective period after renewal every three years (as applicable)	Parties and connected relationship	Nature of transaction	Pricing Terms	Transaction amount Year ended 31 December 2014 RMB'000	Year ended 31 December 2015 RMB'000	**Year ended 31 December 2016 RMB'000**
12	First Master Liner and Cargo Agency Agreement in respect of services to be provided to the Group	10 May 2004 31 December 2016	The Company and China Shipping[1]	Cargo and liner agency services	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and on principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	574,328	612,240	**97,233**
13	First Master Container Management Agreement in respect of services etc. to be provided to the Group	10 May 2004 31 December 2016	The Company and China Shipping[1]	Container management services	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and on principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	178,912	186,771	**12,720**
14	Master Ship Repair Services Agreement in respect of services to be provided to the Group	10 May 2004 31 December 2016	The Company and China Shipping[1]	Ship repair services	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and on principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	47,432	46,325	**36,653**
15	Master Supply Agreement in respect of products and services to be provided to the Group	10 May 2004 31 December 2016	The Company and China Shipping[1], China Shipping & Sinopec Suppliers Co.[2]	Supply of fresh water, vessel fuel, lubricants, spare parts and other materials	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and on principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	1,462,340	1,160,813	**664,007**
16	Master Depot Services Agreement in respect of services to be provided to the Group	10 May 2004 31 December 2016	The Company and China Shipping[1]	Depot services	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and on principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	14,573	26,067	**16,331**

No.	Continuing Connected Transactions	Signing date of the transaction and effective period after renewal every three years (as applicable)	Parties and connected relationship	Nature of transaction	Pricing Terms	Transaction amount Year ended 31 December 2014 RMB'000	Year ended 31 December 2015 RMB'000	**Year ended 31 December 2016 RMB'000**
17	First Master IT Service Agreement in respect of products and services to be provided to the Group	10 May 2004 31 December 2016	The Company and China Shipping[1]	IT services	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and on principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted prices[5].	29,955	48,723	**17,935**
18	Master Provision of Crew Members Agreement in respect of crew members to be provided to the Group	10 May 2004 31 December 2016	The Company and China Shipping[1]	Provision of crew members	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and on principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[7].	506,001	677,901	**702,089**
19	First Master Loading and Unloading Agreement and Second Master Loading and Unloading Agreement in respect of services to be provided to the Group	10 May 2004 31 December 2016	First Master Loading and Unloading Agreement: The Company and China Shipping, Shanghai China Shipping Container Terminal Co., Ltd., Zhanjiang China Shipping Container Terminal Co. Ltd. and Dalian Dagang China Shipping Container Terminal Co., Ltd.[2]; Second Master Loading and Unloading Agreement: The Company and West Basin Container Terminal LLC[2]	Loading and unloading services	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and on principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5]. The calculation of the payment is subject to the service fees charged based on container unit prices.	1,211,294	1,431,690	**165,249**
20	Revised Master Provision of Containers Agreement in respect of containers to be purchased by the Group	10 April 2007 31 December 2016	The Company and China Shipping[1]	Manufacture of containers	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and on principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	682,779	1,038,759	**–**

No.	Continuing Connected Transactions	Signing date of the transaction and effective period after renewal every three years (as applicable)	Parties and connected relationship	Nature of transaction	Pricing Terms	Transaction amount Year ended 31 December 2014 RMB'000	Year ended 31 December 2015 RMB'000	**Year ended 31 December 2016 RMB'000**
21	Master Tenancy Agreement in respect of products or services to be provided to the Group	31 December 2012 31 December 2016	The Company and China Shipping[1]	Property rental	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and on principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[6].	82,658	81,392	**45,163**
D	Transactions in respect of financial services provided by the Group to the COSCO Group							
22	Financial Service Framework Agreement in respect of maximum daily outstanding balance of loan (including accrued interest and handling fee) of the deposit services provided by CS Finance to COSCO SHIPPING Holdings and its shareholders and/or its associates	30 March 2016 31 December 2016	CS Finance and COSCO SHIPPING Holdings[2]	Deposit services	Interest rates determined in accordance with market interest rates[9] on fair and reasonable basis[6].	818,386	783,775	**643,985**
23	Financial Service Framework Agreement in respect of maximum daily outstanding balance of loan (including accrued interest and handling fee) of the loan services provided by CS Finance to COSCO SHIPPING Holdings and its shareholders and/or its associates	30 March 2016 31 December 2016	CS Finance and COSCO SHIPPING Holdings[2]	Loan services	Interest rates determined in accordance with market interest rates[9] on fair and reasonable basis[6].	109,600	105,000	**105,000**
24	Financial Service Framework Agreement in respect of foreign exchange services provided by CS Finance to COSCO SHIPPING Holdings and its shareholders and/or its associates	30 March 2016 31 December 2016	CS Finance and COSCO SHIPPING Holdings[2]	Settlement services	Determined based on (i)handling fees charged by independent third-party commercial banks to COSCO SHIPPING Holdings and its shareholders and/or its associates for providing the same type of services; (ii) handling fees charged by CS Finance to independent third party with the same credit ratings for providing the same type of services.	65,038	23,210	**16,266**

No.	Continuing Connected Transactions	Signing date of the transaction and effective period after renewal every three years (as applicable)	Parties and connected relationship	Nature of transaction	Pricing Terms	Transaction amount Year ended 31 December 2014 RMB'000	Year ended 31 December 2015 RMB'000	**Year ended 31 December 2016 RMB'000**
E	Transactions in respect of financial services provided by the Group to the CS Group							
25	Financial Service Framework Agreement in respect of maximum daily outstanding balance of loan (including accrued interest and handling fee) of the deposit services provided by the Group to the CS Group	11 December 2015 31 December 2016	The Company and China Shipping[1]	Deposit services	Interest rates not higher, and (if applicable) no more favourable, than: (i) the deposit benchmark interest rate set by the PBOC from time to time for such types of deposits; or (ii) the interest rate or charging rate offered by the major and independent PRC commercial banks in the service place or adjacent areas in the normal course of business for such types of deposits	6,404,227	7,317,972	**11,717,298**
26	Financial Service Framework Agreement in respect of maximum daily outstanding balance of loan (including accrued interest and handling fee) of the loan services provided by the Group to the CS Group	11 December 2015 31 December 2016	The Company and China Shipping[1]	Loan services	Interest rates not lower, and (if applicable) no more favourable, than: (i) the loan benchmark interest rate set by the PBOC from time to time for such types of loan; and (ii) the interest rate offered by the major and independent PRC commercial banks in the service place or adjacent areas in the normal course of business for such types of loan.	3,954,492	5,041,961	**3,722,056**
27	Financial Service Framework Agreement in respect of foreign exchange services provided by the Group to the CS Group	11 December 2015 31 December 2016	The Company and China Shipping[1]	Settlement services	Interest rates not lower, and thus no more favourable, than: (i) the lower limit (if applicable) of the fees stipulated by PBOC to be charged for the same type of services; (ii) the fees charged by any independent third party for the same type of services; or (iii) the fees charged by CS Finance for similar type of services to any independent third party with the same credit rating	2,898,273	2,987,699	**2,890,328**

No.	Continuing Connected Transactions	Signing date of the transaction and effective period after renewal every three years (as applicable)	Parties and connected relationship	Nature of transaction	Pricing Terms	Transaction amount Year ended 31 December 2014 RMB'000	Year ended 31 December 2015 RMB'000	**Year ended 31 December 2016 RMB'000**
F	Transactions in respect of financial services provided by COSCO Finance to the Group							
28	Financial Service Framework Agreement in respect of maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by Florens Group at COSCO Finance	30 March 2016 31 December 2016	Florens and COSCO Finance[2]	Deposit services	Interest rate not lower, or thus more favourable (if applicable), than: (i) the deposit benchmark interest rate set by the PBOC from time to time under the same deposit conditions; or (ii) the interest rate charged by major and independent commercial banks in the service place or adjacent areas for the same type of deposit services	123,740	158,278	**250,000**
G	Transactions in respect of financial services provided by CS Finance to the Group							
29	Financial Service Framework Agreement in respect of maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the Group at CS Finance	31 December 2009 31 December 2016	The Company and China Shipping[2]	Deposit services	Interest rates not lower than (i) the lower limit of the relevant rates stipulated by PBOC for the same type of deposits; (ii) the interest rates offered by any independent third parties for the same type of deposits; or (iii) the interest rates at which CS Finance accepts from any independent third parties for the same type of deposits.	4,194,975	4,783,426	**8,767,817**
30	Financial Service Framework Agreement in respect of maximum daily outstanding balance of loans (including accrued interest and handling fee) to be granted to the Group by CS Finance	31 December 2009 31 December 2016	The Company and China Shipping[2]	Loan services	Interest rates not higher than (i) the lower limit relevant rates stipulated by PBOC for the same type of loan; (ii) the interest rates offered by any independent third parties for the same type of loan; or (iii) the interest rates at which CS Finance provides to any independent third parties with the same credit rating for the same type of loan.	1,211,900	22,500	**2,000,000**

No.	Continuing Connected Transactions	Signing date of the transaction and effective period after renewal every three years (as applicable)	Parties and connected relationship	Nature of transaction	Pricing Terms	Transaction amount Year ended 31 December 2014 RMB'000	Year ended 31 December 2015 RMB'000	**Year ended 31 December 2016 RMB'000**
31	Financial Service Framework Agreement in respect of provision of settlement service by CS Finance to the Group	31 December 2009 31 December 2016	The Company and China Shipping[1]	Settlement services	The settlement service charges shall not be higher than (a) the upper limit of the relevant charges stipulated by PBOC for the same type of services (if applicable); (b) the charges offered by any independent third parties for the same type of services; or (c) the charges offered by CS Finance to any independent third parties with the same credit rating for the same type of services.	82,309	190,437	**303,598**
H	Transactions becoming continuing connected transactions following the completion of the material asset restructuring pursuant to Rule 14A.60 of the Listing Rules							
32	Master Asset Lease Agreement in respect of provision of containers by DFII to COSCO Container	1 May 2010 31 May 2020	DFII and COSCO Container[2]	Lease of containers	Market price[8]	–	–	**30,678**
33	Master Purchase Agreement in respect of the container-related services and materials to be provided to Florens Group by COSCO SHIPPING Group (excluding COSCO Pacific Group)	28 October 2015 31 December 2018	Florens, COSCO Company[2] and COSCO Container[2]	Container services and purchase of materials	On normal commercial terms; at rates no less favourable than those charged by the relevant members of the Florens Group to other independent third parties for relevant transactions.	–	–	**12,449**
34	Master Lease and Sales of Containers and Related Services Agreement in respect of container and related services to be provided by Florens Group to COSCO SHIPPING Group (excluding COSCO Pacific Group)	28 October 2015 31 December 2018	Florens, COSCO Company[2] and COSCO Container[2]	Lease and sale of containers	On normal commercial terms; at rates no less than favourable than those charged by the relevant members of Florens Group to other independent third party for relevant transactions.	–	–	**48,005**

No.	Continuing Connected Transactions	Signing date of the transaction and effective period after renewal every three years (as applicable)	Parties and connected relationship	Nature of transaction	Pricing Terms	Transaction amount Year ended 31 December 2014 RMB'000	Year ended 31 December 2015 RMB'000	**Year ended 31 December 2016 RMB'000**
35	Container Lease Agreement in respect of the provision of containers by Florens Shipping to COSCO Group (excluding COSCO Pacific Group)	28 October 2015 31 December 2018	Florens Shipping[2] and COSCO Group[2]	Lease of containers	Average leasing rate determined in the ordinary and usual course of business with reference to (if applicable), in particular, the average of the available leasing rates quoted from the top ten independent container leasing companies.	–	–	**945,964**
36	Finance Leasing Agreement in respect of the provision of containers by Florens Capital Group to COSCO Ports Group	28 October 2015 31 December 2018	Florens Capital and COSCO Ports[2]	Finance leasing	On normal commercial terms; at rates no less favourable than those charged by Florens Capital to other independent third party for relevant finance leasing.	–	–	**–**

1. China Shipping (Group) Company ("China Shipping", China Shipping and its subsidiaries ("CS Group")) and China COSCO SHIPPING Corporation Limited ("China COCSO SHIPPING") are direct and indirect controlling shareholders (as defined in the Listing Rules) of the Company, respectively, which constitute connected persons of the Company.

2. Such companies are associates (as defined in the Listing Rules) of China Shipping and/or China COCSO SHIPPING, which constitute connected persons of the Company.

3. Representing the price set by the relevant laws, regulations and other governmental regulatory documents issued by the relevant departments of the PRC government.

4. Representing the price at which the same or comparable type of products or services are provided from or to (as appropriate) independent third parties in the same area on normal commercial terms in the ordinary course of business.

5 Representing the relevant cost incurred in providing such products or services plus a profit margin ranging from 0% to 12.25% thereof.

6 Representing the price arrived at after arm's length negotiations on principle of fairness and reasonableness.

7 The relevant cost incurred, covering the management fee incurred while the crew members are not on board vessels and the relevant expenses incurred while such crew members are on board vessels.

8 Representing the price charged by an independent third party in the usual course of business and on normal commercial terms for providing similar services in the same or nearby area.

9 Representing the interest rate determined by an independent third-party bank in the same service place or adjacent areas for providing the same type of loan in the usual course of business and on normal commercial terms.

The reasons for the above continuing connected transactions (excluding the financial services provided by CS Finance to the Group), and the nature and extent of the interests of the connected party in the relevant continuing connected transactions are as follows:

The Company was established in 1997 as the container shipping arm of China Shipping. Due to the long established and close business relationship between the members of the Group and the China COSCO SHIPPING, a number of transactions have been entered into and are to be entered into between the Group and the relevant connected persons and their respective subsidiaries and associates, which are individually significant and collectively essential to the core business and operation of container marine transportation of the Group. In 2016, through major asset restructuring, the Group achieved a strategic transformation and transformed from a container liner operator to an integrated financial service platform focusing on leasing business such as leasing of vessels, containers and non-shipping leasing with a focus on shipping finance. Given the background of the restructuring, the transactions entered into by the Group with China Shipping, China COSCO SHIPPING and other connected persons would further expand the Group's core business and are in line with the transformation of the Group into an integrated financial services platform with leasing businesses such as vessel leasing, container leasing and non-shipping leasing, with shipping financing as core feature.

In addition, as China Shipping and China COSCO SHIPPING are key state-owned enterprises and large shipping conglomerates that operate across different regions, sectors and countries, and the relevant connected persons (most of them are associates of China Shipping and/or China COSCO SHIPPING) are well-known marine transportation corporations with outstanding competency in shipping industry and have developed good experience and service systems in respect of the products and services under the continuing connected transactions set out above. The cooperation with China Shipping, China COSCO SHIPPING and other connected persons enables the Group to fully leverage on their advantages to achieve better operating performance.

Finally, the terms and conditions provided by the relevant connected persons in relation to the continuing connected transactions set out above are generally more favourable to the Group than those provided by independent third parties to the Group, or those provided by the relevant connected persons to independent third parties.

The reasons for the transactions under which CS Finance provides financial services to the Group, and the nature and extent of the interests of the connected party in the relevant continuing connected transactions are as follows:

The terms and conditions of deposit services, loan services, settlement services and other financial services provided by CS Finance under the Financial Services Framework Agreement are generally more favourable to the Group than those provided by independent third parties, or those provided by CS Finance to independent third parties. Furthermore, the Group is not restricted under the Financial Services Framework Agreement to approach, and in fact may choose, any bank or financial institution to satisfy its financial service needs. Its criteria in making the choice could be made on costs and quality of services. Therefore, the Group may, but is not obliged to, continue to use CS Finance's deposit services, loan services, settlement services and other financial services if the service quality provided is competitive. Having such flexibility afforded under the Financial Services Framework Agreement, the Group is able to better manage its current capital and cash flow position.

In addition, it is also expected that CS Finance will mainly provide more efficient deposit services, loan services and settlement services to the Group, as compared to independent third-party banks. As CS Finance is familiar with the Group's business, it is able to provide funds required by the Group in a more efficient and timely way as compared to independent third-party banks. In view of the Group's business transformation and its strong demand for funds, the Group hopes to obtain financial assistance from CS Finance, which may help broaden the Group's financing channels and lower its financing costs.

For further details regarding the above continuing connected transactions and connected transactions, please refer to Note 43 to the consolidated financial statements. The Company confirmed that it has disclosed the connected transactions and continuing connected transactions pursuant to the definitions of "connected transaction" and "continuing connected transaction" (as the case may be) of Chapter 14A of the Listing Rules and pursuant to the disclosure requirements of Chapter 14A of the Listing Rules.

For further information about the Group's significant transaction with related parties, please refer to note 43 to the consolidated financial statements. The Company confirms that the significant transaction with related parties fall within the definitions under Chapter 14A of the Listing Rules in relation to"connected transaction" and "continuing connected transaction" as set out in Chapter 14A (as the case may be) and met the disclosure requirements under Chapter 14A under the Listing Rules.

INTERNAL CONTROL PROCEDURES

Before entering into any implementation agreements pursuant to the continuing connected transactions agreements, the Company will follow the following procedures to ensure the terms offered by the relevant connected parties are no less favourable than those available to or from independent third parties (as the case may be):

(i) the relevant executives of the relevant departments (such as finance department and directorate secretary office) of the Company will review contemporaneous prices and other relevant terms offered by at least two independent third parties operating at the same or nearby area before the commencement of the relevant transaction, and ensure the terms offered by the relevant connected persons are fair and reasonable and comparable to those offered by independent third parties; and in case where the offers made by independent third parties are more favourable to the Company, the Company would take up those offers; and

(ii) the supervision department of the Company will periodically review and inspect the process of the relevant continuing connected transactions.

By implementing the above procedures, the Directors consider that the Company has established sufficient internal control measures to ensure the pricing basis of each of the continuing connected transaction agreements will be on normal commercial terms (or better to the Group), fair and reasonable, in accordance with the pricing policy of the Company and in the interests of the Company and its Shareholders as a whole.

The relevant departments (such as finance department and directorate secretary office) of the Company will also collect statistics of each of the continuing connected transaction agreements on a quarterly basis to ensure the annual caps approved by the independent Shareholders or as announced are not exceeded.

The independent non-executive Directors of the Company, Mr. Cai Hongping, Ms. Hai Chi Yuet, Mr. Tsang Hing Lun and Mr. Graeme Jack have reviewed the above continuing connected transactions and confirmed that these transactions have been entered into:

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

(2) on normal commercial terms or, if there are not sufficient comparable transactions to judge whether the above continuing connected transactions are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreement of the above continuing connected transactions governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

For the purpose of Rule 14A.56 of the Listing Rules, Ernst & Young, the international auditor of the Company, has confirmed to the Company regarding the continuing connected transactions disclosed above that nothing has come to the auditor's attention that causes them to believe that:

1. the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;

2. the transactions were not, in all material respects, in accordance with the pricing policies of the Company;

3. the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

4. the disclosed continuing connected transactions have exceeded the maximum aggregate annual cap amount disclosed in the previous announcements dated 8 October 2009, 16 December 2010, 30 September 2011, 20 September 2012, 6 December 2012, 18 April 2013, 21 April 2014, 8 August 2014, 6 November 2015, 13 December 2015, 28 March 2016, 30 March 2016, 20 April 2016 and 13 May 2016 made by the Company in respect of each of the disclosed continuing connected transactions.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has made an annual confirmation of his/her independence pursuant to the Listing Rules. The Company is of the view that all the independent non-executive Directors had been in compliance with the requirements of guidelines regarding independence as set out in the Listing Rules and are independent in accordance with the provisions of the guidelines.

PENSION SCHEME

Details of the Group's pension scheme for the year ended 31 December 2016 are set out in Note 2.5 to the consolidated financial statements.

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December 2016, the Group had not placed any designated deposits with any financial institution in the PRC, nor had it failed to collect any time deposits upon maturity during the year.

TAX RELIEF AND EXEMPTION

The Company is not aware that holders of securities of the Company are entitled to any tax relief or exemption by reason of their holding of such securities.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 68 to 92.

AUDIT COMMITTEE

The audit committee of the Company is comprised of two independent non-executive Directors, namely Mr. Cai Hongping and Mr. Tsang Hing Lun, and one non-executive Director, namely Mr. Chen Dong. The Group's final results for the year ended 31 December 2016 have been reviewed by the audit committee of the Company.

AUDITORS

Auditors appointed by the Company in the past 3 years are as follows:

2014, 2015 and 2016 : Ernst & Young

The financial statements set out in this Annual Report have been audited by Ernst & Young who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Sun Yueying
Chairman

Shanghai, the People's Republic of China
30 March 2017

Corporate Governance Report

The Group has always strived to enhance corporate governance standards and views corporate governance as a part of value creation and a reflection of the commitment of all Directors and senior management to comply with corporate governance. Transparency is maintained for shareholders and we aim to maximize the interests of all shareholders.

The Board confirms that the Company has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2016.

The Company will continue to consistently review the corporate governance practices of the Group to ensure that they are thoroughly implemented. Improvements will also be made continuously to comply with the latest trends of corporate governance, including any new amendments to the Corporate Governance Code in the future.

A. BOARD OF DIRECTORS

1. COMPOSITION OF THE FIFTH SESSION OF THE BOARD

As approved by the annual general meeting of the Company for the year 2015, the fifth session of the Board consists of four executive Directors, three non-executive Directors and four independent non-executive Directors. As passed in the eighth meeting of the fifth session of the Board of the Company, Mr. Yang Jigui resigned as Director of the fifth session of the Board and member of the Audit Committee of the Company. As considered and passed in the Third Extraordinary General Meeting for 2016, Mr. Chen Dong was appointed as non-executive Director of the Company. As at 31 December 2016, the members of the fifth session of the Board of the Company included:

DIRECTORS

Executive Directors

Ms. Sun Yueying *(Chairman)*
Mr. Wang Daxiong
Mr. Liu Chong
Mr. Xu Hui

Non-executive Directors

Mr. Feng Boming
Mr. Huang Jian
Mr. Chen Dong

Independent non-executive Directors

Mr. Cai Hongping
Mr. Tsang Hing Lun
Ms. Hai Chi Yuet
Mr. Graeme Jack

The list of current Directors (including names, duties and brief biographies) is shown on the Company's website: http://development.coscoshipping.com. There is no relationship (including financial, business, family or other material/relevant relationship(s)) among the Board members, especially among the Chairman and the General Manager.

In 2016, the Board had at least three independent non-executive Directors (and representing at least one-third of the Board) in accordance with the requirement of the Listing Rules, of whom one had appropriate professional qualifications or accounting or related financial management expertise. Each independent non-executive Director of the Company has re-confirmed his/her independence to the Company in accordance with the requirement of the Listing Rules. Based on their confirmation, the Company considers that they are independent.

2. RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

The Board is responsible for managing the businesses and affairs of the Group with an aim of enhancing shareholder value; presenting a balanced, clear and comprehensible assessment of the Group's performance, position and prospects as set out in the annual and interim reports, and other price sensitive announcements and other financial information disclosed pursuant to the requirement of the Listing Rules; and reporting to regulators any information which is required to be disclosed as per statutory requirements.

The Board owes fiduciary and statutory duties to the Company and the Group. Other duties include: formulating the overall strategy and policies of the Group, and the establishment of corporate and management goals, major operational measures and risk management policies in accordance with the strategic objectives of the Group; supervision and monitoring of the operational and financial performance; and approval of expenditure budget and key capital spending, key investments, major acquisitions and disposals of assets, corporate or financial reorganization, major finance consent and management matters.

The Board also delegates authority and obligation to the management to manage the Group, and to make relevant reports to the Board regarding the day-to-day management of the Group.

The Board has set up the Audit Committee, the Remuneration Committee, the Investment Strategy Committee, the Nomination Committee, the Risk Control Committee and the Executive Committee. Please refer to the following paragraphs for the composition and duties of the Audit Committee, the Remuneration Committee, the Investment Strategy Committee, the Nomination Committee, the Risk Control Committee and the Executive Committee. Each committee should report its recommendations to the Board in accordance with its own duties; such recommendations should be ultimately determined by the Board, unless prescribed clearly in each committee's terms of references.

The Company Secretary provides information regarding the latest developments in relation to the Listing Rules and other applicable regulatory requirements for all Directors. The Company confirms that the Company Secretary had attended over 15 hours of professional training during the Year. Any Director may require the Company Secretary to arrange independent professional advice at the expense of the Company to assist the Director(s) in performing his/her/their duties to the Company effectively.

3. CORPORATE GOVERNANCE FUNCTION

The Board is responsible for the formulation of corporate governance policies of the Group and the performance of the following corporate governance duties:

(1) to formulate and review the Group's policies and practices on corporate governance;

(2) to review and monitor the training and continuing professional development of the Directors and senior management;

(3) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

(4) to formulate, review and monitor the code of conduct of Directors and employees; and

(5) to review the Group's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

In 2016, the Board has performed its corporate governance duties through aspects such as the formulation of the Board Diversity Policy, the review and monitor of the training and continuing professional development of the Directors and senior management and compliance with the relevant laws and regulations. It has also put great effort into improving the Group's corporate governance practices.

4. CHAIRMAN, CHIEF EXECUTIVE OFFICER AND GENERAL MANAGER

In 2016, Ms. Sun Yueying, Mr. Wang Daxiong and Mr. Liu Chong served as the Chairman, the Chief Executive Officer and the General Manager of the Company respectively. As required by the Articles of Association of the Company, the Chairman, the Chief Executive Officer and the General Manager perform their responsibilities separately. The Chief Executive Officer is responsible for organising the implementation of the decisions, resolutions, policies and development plans of the Board and the Supervisory Committee, and report to the Board; organizing the implementation of the Company's annual business plans, budgets and investment plans; coordinating the Company's internal and external relations; formulating the Company's internal management organization; devising the Company's basic management system; drawing up the basic rules and regulations of the Company; submitting the annual work report and other reports to the Board; employing or dismissing management personnel whose employment or dismissal is not subject to the approval of the Board and determine their assessment and remuneration; proposing the convening of the extraordinary meeting of the Board; and other matters as authorized by the Articles of Association and the Board. The General Manager is responsible for implementing the daily operations and management of the Company; responsible for convening the daily performance analysis meetings of the Company; coordinating the daily management and administration of the subsidiaries; assisting the Chief Executive Officer to coordinate the Company's internal and external relations; drafting the annual development plans, operation policy and annual business plan of the Company; drafting the basic management systems of the Company; drafting specific rules and regulations of the Company; coordinate the operation of each department of the Company; review and approve all budgeted expenses and expenditures of the Company; formulate the salary, welfare, rewards and punishments of the Company's employees and determine the engagement and dismissal of such employees; responsible for developing the business and staff training of the company; and other duties as authorized by the Chief Executive Officer.

5. TRAINING OF THE DIRECTORS AND CONTINUING PROFESSIONAL DEVELOPMENT

(1) Newly appointed Directors

Each newly appointed Director will receive a set of training materials which covers the legal responsibilities of the Directors, the specific legal responsibilities, rules governing the dealings of the securities of listed company, disclosure of price sensitive information, discloseable transactions, connected transactions, other continuing responsibilities, Corporate Governance Code and disclosure of interests under the SFO to ensure each newly appointed Director fully understands their duties under the Listing Rules and other regulations. In 2016, all newly appointed Directors of the Company attended such training.

(2) The Company will provide relevant laws and regulations or their updated or amended versions on irregular basis to its Directors for learning purposes. In compliance with the continuing professional development requirement under the Corporate Governance Code, the Directors had attended the training regarding the functions and duties of Directors during the Year.

According to the Company's records, in order to comply with the new regulation of the Corporate Governance Code regarding continuing professional development, the Directors received the following training in 2016:

Director	**Reading materials regarding updates on the Board practice and development, corporate governance and regulation**	**Attending Risk management and strategy/ business/industry specific briefings, seminars or training**
EXECUTIVE DIRECTORS		
Zhang Guofa [(1)]	✓	✓
Huang Xiaowen [(2)]	✓	✓
Zhao Hongzhou [(1)]	✓	✓
Sun Yueying	✓	✓
Wang Daxiong	✓	✓
Liu Chong	✓	✓
Xu Hui	✓	✓
NON-EXECUTIVE DIRECTORS		
Ding Nong[(2)]	✓	✓
Yu Zenggang[(2)]	✓	✓
Yang Jigui[(3)]	✓	✓
Han Jun[(2)]	✓	✓
Chen Jihong[(2)]	✓	✓
Feng Boming	✓	✓
Chen Dong	✓	✓
Huang Jian	✓	✓
INDEPENDENT NON-EXECUTIVE DIRECTORS		
Zhang Nan[(2)]	✓	✓
Hai Chi Yuet	✓	✓
Guan Yimin[(2)]	✓	✓
Shi Xin[(2)]	✓	✓
Graeme Jack	✓	✓
Tsang Hing Lun	✓	✓
Cai Hongping	✓	✓

Notes:

1. Mr. Zhang Guofa and Mr. Zhao Hongzhou have respectively tendered their resignations as the Chairman and executive Director and as executive Director and general manager of the Company due to change of job assignments, with effect from 10 May 2016.

2. Mr. Huang Xiaowen, Mr. Ding Nong, Mr. Yu Zenggang, Mr. Han Jun, Mr. Chen Jihong, Ms. Zhang Nan, Mr. Guan Yimin and Mr. Shi Xin ceased to be the Directors of the Company due to re-election of the Board, with effect from 30 June 2016.

3. Mr. Yang Jigui has tendered his resignation as non-executive Director of the Company due to change of job assignments, with effect from 22 September 2016.

(3) The Company provides latest information about the operation of the Company to the Directors through monthly operation reports, physical board meetings and replies to the questions raised by the Directors, so that the Directors can perform their duties.

6. BOARD MEETINGS

The Board meets at least four times a year. The Directorate Secretary Office of the Company would provide an official agenda of items to be considered and determined by the Board before any Board meeting. Notice would be given at least 14 days before each regular Board meeting. Directors may include related matters in the agenda for discussion at the Board meeting. The Company Secretary assists the Chairman of the Company to prepare an agenda for each Board meeting and ensures it is prepared in accordance with applicable statutory requirements and regulations in relation to the meeting. The ultimate agenda and Board papers would be sent to all Directors at least 3 days before the Board meeting. Any Director with a conflicting interest in any resolution to be considered by the Board should abstain from voting on such resolution.

The Board of the Company held 24 Board meetings during 2016. Record of attendance for each Director is set out as follows:

Attendance of Directors at Board Meetings and General Meetings

	Attendance of Board meetings						Attendance of general meetings[1]	
Name of Director	Board meetings to attend this year	Meetings Attended in person	Meetings attended through proxy	Meetings attended by way of telecommunication	Attendance rate (%)	Unable to attend in person for two consecutive board meetings	Annual general meetings attended	Extraordinary general meetings attended
Executive Directors:								
Sun Yueying	18	17	1	15	100	No	0/1	1/3
Wang Daxiong	18	18	0	15	100	No	0/1	1/3
Liu Chong	18	17	1	15	100	No	1/1	3/3
Xu Hui	15	15	0	12	100	No	1/1	1/2
Zhang Guofa	6	5	1	5	100	No	0/0	1/2
Huang Xiaowen	9	9	0	8	100	No	0/1	0/1
Zhao Hongzhou	6	5	1	5	100	No	0/1	0/1
Non-executive Directors:								
Ding Nong	9	9	0	8	100	No	0/1	1/2
Yu Zenggang	9	9	0	8	100	No	0/1	2/2
Chen Jihong	9	8	1	8	100	No	0/1	1/2
Yang Jigui	17	15	2	15	100	No	0/1	1/3
Han Jun	9	8	1	8	100	No	0/1	1/2
Chen Dong	8	8	0	6	100	No	0/0	0/2
Huang Jian	15	15	0	12	100	No	0/0	0/3
Feng Boming	15	14	1	12	100	No	0/0	0/3
Independent Non-executive Directors:								
Zhang Nan	9	9	0	8	100	No	0/1	1/2
Hai Chi Yuet	24	24	0	20	100	No	1/1	5/5
Guan Yimin	9	9	0	8	100	No	0/1	1/2
Shi Xin	9	9	0	8	100	No	0/1	1/2
Graeme Jack	24	24	0	20	100	No	0/1	2/5
Tsang Hing Lun	15	15	0	12	100	No	0/0	3/3
Cai Hongping	15	15	0	12	100	No	0/0	3/3

Notes:

1. The number of meetings attended represents the actual number of meetings attended by Directors/number of general meetings Directors are entitled to attend.

2. Mr. Zhang Guofa and Mr. Zhao Hongzhou have respectively tendered their resignations as the Chairman and executive Director and as executive Director and general manager of the Company due to change of job assignments, with effect from 10 May 2016.

3. Mr. Huang Xiaowen, Mr. Ding Nong, Mr. Yu Zenggang, Mr. Han Jun, Mr. Chen Jihong, Ms. Zhang Nan, Mr. Guan Yimin and Mr. Shi Xin ceased to be the Directors of the Company due to re-election of the Board, with effect from 30 June 2016.

4. Mr. Yang Jigui has tendered his resignation as non-executive Director of the Company due to change of job assignments, with effect from 22 September 2016.

7. SUPPLY OF AND ACCESS TO INFORMATION

All Directors of the Company are entitled to have access to the relevant documents and other information of the Board from the Company Secretary in order to make informed decisions.

8. APPOINTMENT AND RESIGNATION OF DIRECTORS

The Board reviews its structure, size and composition regularly. The Company appoints new Directors to the Board in accordance with a formal, well thought-out and transparent procedure.

The Board held four meetings in 2016 to review the appointment and resignation of the Directors and make recommendation thereon, and the attendance rate of the Directors was 100%. Record of attendance for each Director is set out as follows:

Executive Directors

Directors	Number of meetings attended	Attendance rate
Zhang Guofa (1)	1	100%
Huang Xiaowen (2)	2	100%
Zhao Hongzhou (1)	1	100%
Sun Yueying	3	100%
Wang Daxiong	3	100%
Liu Chong	3	100%
Xu Hui	2	100%

Non-executive Directors

Directors	Number of meetings attended	Attendance rate
Feng Boming	2	100%
Huang Jian	2	100%
Chen Dong	2	100%
Ding Nong(2)	2	100%
Yu Zenggang(2)	2	100%
Chen Jihong(2)	2	100%
Yang Jigui(2)	4	100%
Han Jun(2)	2	100%

Independent non-executive Directors

Directors	Number of meetings attended	Attendance rate
Zhang Nan(2)	2	100%
Guan Yimin(2)	2	100%
Shi Xin(2)	2	100%
Hai Chi Yuet	4	100%
Graeme Jack	4	100%
Cai Hongping	2	100%
Tsang Hing Lun	2	100%

Notes:

(1) Mr. Zhang Guofa and Mr. Zhao Hongzhou have respectively tendered their resignations as the Chairman and executive executive Director and as Director and general manager of the Company due to change of job assignments, with effect from 10 May 2016.

(2) Mr. Huang Xiaowen, Mr. Ding Nong, Mr. Yu Zenggang, Mr. Han Jun, Mr. Chen Jihong, Ms. Zhang Nan, Mr. Guan Yimin and Mr. Shi Xin ceased to be the Directors of the Company due to re-election of the Board, with effect from 30 June 2016.

(3) Mr. Yang Jigui has tendered his resignation as non-executive Director of the Company due to change of job assignments, with effect from 22 September 2016.

9. BOARD COMMITTEES

(1) Audit Committee

As approved by the Board of the Company, the fourth session of the Audit Committee of the Board assumed office from 28 June 2013. The fourth session of the Audit Committee of the Board of the Company consists of Mr. Guan Yimin and Ms. Zhang Nan, who are independent non-executive Directors and Mr. Yang Jigui, who is a non-executive Director. Mr. Guan Yimin is the Chairman of the Audit Committee. As approved by the Board of the Company, the fifth session of the Audit Committee of the Board assumed office from 1 July 2016 following the re-election of the Board. The fifth session of the Audit Committee of the Board of the Company consists of Mr. Tsang Hing Lun and Mr. Cai Hongping, who are independent non-executive Directors and Mr. Yang Jigui, who is a non-executive Director. Later, Mr. Yang Jigui has tendered his resignation to the Company with effect from 22 September 2016. The proposal regarding the Replacement of Member of fifth session of the Audit Committee of the Board of the Company was passed at the eighth meeting of the fifth session of the Board of the Company and Mr. Chen Dong, a non-executive Director, was appointed as member of the Audit Committee with effect from the date of appointment.

The primary duties of the Audit Committee are to oversee the integrity of the financial reports, annual and interim reports of the Group, and review the effectiveness of its financial control, risk management, internal control systems and internal audit system.

During the reporting period, the Audit Committee of the Board held twelve meetings with the average attendance rate of 100%.

Four regular meetings were held as follows:

(1) The twenty-second meeting of the fourth session of the Audit Committee of the Board was convened with physical presence on 30 March 2016. The meeting discussed and passed the Proposal regarding 2015 financial report of the Company and the Proposal regarding the new connected transactions in the ordinary course of business of the Company for 2016 by unanimous vote.

(2) The twenty-fourth meeting of the fourth session of the Audit Committee of the Board was convened on 27 April 2016 by communication voting method, during which the Proposal regarding the change in accounting and valuation policies for vessels and containers as assets of the Company and the Proposal regarding the first quarterly report of 2016 of the Company was passed by unanimous vote.

(3) The third meeting of the fifth session of the Audit Committee of the Board was convened with physical presence on 29 August 2016.

The following was heard during the meeting:

1. Report of foreign external auditors on the financial report and related audit matters of the Company for the first half of 2016;

2. Report of domestic auditors on the financial report and related audit matters of the Company for the first half of 2016;

3. Report on internal control status of the Company for the first half of 2016;

4. Report on the implementation status of internal audit of the Company for the first half of 2016;

The meeting discussed and passed the following proposals by unanimous vote:

1. Proposal regarding the first half of 2016 financial report of the Company;

2. Proposal regarding the audit fees for domestic and foreign external auditors of the Company in 2016.

(4) The fourth meeting of the fifth session of the Audit Committee of the Board was convened on 27 October 2016 by communication voting method, during which Proposal regarding 2016 third quarterly report of the Company was passed by unanimous vote.

Eight extraordinary meetings were held as follows:

(1) The twentieth meeting of the fourth session of the Audit Committee of the Board was convened through written correspondence on 4 January 2016. The meeting discussed and passed the following proposals:

1. Proposal regarding 2015 domestic audit plan of the Company;

2. Proposal regarding 2015 foreign audit plan of the Company;

3. Proposal regarding amendments to Working Rules for the Audit Committee under the Board of Directors of the Company.

(2) The twenty-first meeting of the fourth session of the Audit Committee of the Board convened convened with physical presence on 22 March 2016. The following was heard during the meeting:

1. Report of Baker Tilly China on the audit of 2015 of the Company;.

2. Report of Ernst & Young on the audit of 2015 of the Company;

3. Report of Baker Tilly China on the audit of 2015 internal control of the Company;

4. Report on the implementation status of internal audit of the Company for 2015;

5. Report on the establishment status of internal control system of the Company for 2015.

The meeting discussed and passed the following proposals by unanimous vote:

1. Proposal regarding 2015 self-assessment report on internal control of the Company;

2. Proposal regarding reappointment of 2016 domestic and foreign external auditors and internal control auditors of the Company;

3. Proposal regarding duties performance of the Audit Committee of the Board in 2015;

4. Proposal regarding provision for impairment on vessels and containers as assets of the Company for 2015.

(3) The twenty-third meeting of the fourth session of the Audit Committee of the Board was convened on 18 April 2016 by communication voting method. The meeting passed the Proposal regarding the adjustment of the cap on amount of related party transactions under the Florens Financial Services Agreement in the ordinary course of business of the Company for 2016 by unanimous vote.

(4) The twenty-fifth meeting of the fourth session of the Audit Committee of the Board was convened with physical presence on 12 May 2016. The meeting discussed and passed the Proposal regarding the adjustment of the cap on amount of related party transactions under the Financial Services Framework Agreement in the ordinary course of business of the Company for 2016 by unanimous vote.

(5) The first meeting of the fifth session of the Audit Committee of the Board was convened with physical presence on 25 July 2016. The meeting discussed and passed the Proposal regarding the loan from China Shipping (Group) Company by unanimous vote.

(6) The second meeting of the fifth session of the Audit Committee of the Board was convened with physical presence on 23 August 2016. The meeting discussed and passed the Proposal regarding the new related party transactions between the Company and China International Marine Containers (Group) Co., Ltd. in the ordinary course of business of the Company by unanimous vote.

(7) The fifth meeting of the fifth session of the Audit Committee of the Board was convened with physical presence on 10 November 2016. The meeting discussed and passed the Proposal regarding the Company's acquisition of 100% equity interest in Zhuhai Shipping and the Proposal regarding related party transactions between the Company and China International Marine Containers Co., Ltd. in the ordinary course of business of the Company for 2017-2019 by unanimous vote.

(8) The sixth meeting of the fifth session of the Audit Committee of the Board was convened on 5 December 2016 by communication voting method. The meeting passed the Proposal regarding related party transactions between the Company and China COSCO SHIPPING in the ordinary course of business of the Company for 2017-2019 by unanimous vote.

Record of attendance for each member of the Audit Committee is set out as follows:

Directors	Number of meetings attended/Number of meetings held	Attendance rate
The fourth session of the Audit Committee of the Board		
Guan Yimin *(independent non-executive Director) (Chairman)*	6/6	100%
Zhang Nan *(independent non-executive Director)*	6/6	100%
Yang Jigui *(non-executive Director)*	6/6	100%
The fifth session of the Audit Committee of the Board		
Tsang Hing Lun *(independent non-executive Director) (Chairman)*	6/6	100%
Cai Hongping *(independent non-executive Director)*	6/6	100%
Chen Dong *(non-executive Director)*	3/3	100%
Yang Jigui *(non-executive Director)* [(1)]	3/3	100%

Note:

(1) Mr. Yang Jigui has tendered his resignation to the Company with effect from 22 September 2016. The Proposal regarding the Replacement of Member of fifth session of the Audit Committee of the Board of the Company was passed at the eighth meeting of the fifth session of the Board of the Company and Mr. Chen Dong, who is a non-executive Director, was appointed as member of the Audit Committee with effect from the date of appointment.

(2) Remuneration Committee

As approved by the Board of the Company, the fourth session of the Remuneration Committee of the Board assumed office from 28 June 2013. The fourth session of the Remuneration Committee of the Board of the Company consists of Mr. Shi Xin and Ms. Hai Chi Yuet, who are independent non-executive Directors and Mr. Yu Zenggang, who is a non-executive Director. Mr. Shi Xin is the Chairman of the Remuneration Committee. As approved by the Board of the Company, the fifth session of the Remuneration Committee of the Board assumed office from 1 July 2016 following the re-election of the Board. The fifth session of the Remuneration Committee of the Board of the Company consists of Ms. Hai Chi Yuet and Mr. Cai Hongping, who are independent non-executive Directors and Mr. Wang Daxiong, who is an executive Director. According to the Proposal regarding adjustments to the composition of the Remuneration Committee of the Board as discussed and passed by the fourteen meeting of the fifth session of the Board of the Company convened on 12 December 2016, Mr. Graeme Jack, who is an independent non-executive Director, has been appointed as member of the Remuneration Committee and Mr. Wang Daxiong ceased to be a member of the Remuneration Committee, both with effect from the date of appointment.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and Supervisors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; to have the delegated responsibility by the Board to determine the specific remuneration packages of Directors and Supervisors and senior management holding positions in the Company, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors. The Remuneration Committee will consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance based remuneration; to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time; to review and approve the compensation payable to executive Directors and Supervisors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and reasonable and not excessive for the Company; to review and approve compensation arrangements relating to dismissal or removal of Directors or Supervisors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that such compensation payment is otherwise reasonable and appropriate; and to ensure that no Director or Supervisor or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee held one meeting in 2016. The average attendance rate was 100%. The resolution regarding remuneration of the Directors, Supervisors and senior management of the Company for the year 2016 was reviewed at the fourth meeting of the fourth session of the Remuneration Committee of the Board and was recommended to the Board for approval. Record of attendance for each member of the Remuneration Committee is set out as follows:

Directors	**Number of meetings attended/Number of meetings held**	**Attendance rate**
The fourth session of the Remuneration Committee of the Board		
Shi Xin *(independent non-executive Director) (Chairman)*	1/1	100%
Yu Zenggang *(non-executive Director)*	1/1	100%
Hai Chi Yuet *(independent non-executive Director)*	1/1	100%
The fifth session of the Remuneration Committee of the Board		
Cai Hongping *(independent non-executive Director) (Chairman)* (1)	0/0	N/A
Wang Daxiong *(executive Director)* (1)(2)	0/0	N/A
Graeme Jack *(independent non-executive Director)* (1)(2)	0/0	N/A
Hai Chi Yuet *(independent non-executive Director)*	0/0	N/A

Notes:

(1) Attendance rates in respect of Mr. Cai Hongping, Mr. Wang Daxiong and Mr. Graeme Jack were not applicable as the Remuneration Committee did not convene any meeting during their appointment.

(2) According to the Proposal regarding adjustments to the composition of the Remuneration Committee of the Board as discussed and passed by the fourteen meeting of the fifth session of the Board of the Company held on 12 December 2016, Mr. Graeme Jack, who is an independent non-executive Director, has been appointed as member of the Remuneration Committee and Mr. Wang Daxiong ceased to be a member of the Remuneration Committee, both with effect from the date of appointment.

(3) Investment Strategy Committee

As approved by the Board of the Company, the fourth session of the Investment Strategy Committee of the Board assumed office from 28 June 2013. The fourth session of the Investment Strategy Committee of the Board consists of Ms. Sun Yueying, Mr. Huang Xiaowen, Mr. Wang Daxiong and Mr. Liu Chong, who are executive Directors, Mr. Yu Zenggang, who is a non-executive Director, and Ms. Zhang Nan, Ms. Hai Chi Yuet and Mr. Shi Xin, who are independent non-executive Directors. Ms. Sun Yueying, who is the Chairman of the Company, is the Chairman of the Investment Strategy Committee. As approved by the Board of the Company, the fifth session of the Investment Strategy Committee of the Board assumed office from 1 July 2016 following the re-election of the Board. The fifth session of the Investment Strategy Committee of the Board of the Company consists of Ms. Sun Yueying, Mr. Wang Daxiong and Mr. Liu Chong, who are executive Directors, Mr. Feng Boming and Mr. Huang Jian, who are non-executive Directors, and Mr. Cai Hongping and Ms. Hai Chi Yuet, who are independent non-executive Directors. Ms. Sun Yueying, who is the Chairman of the Company, is the Chairman of the Investment Strategy Committee.

The primary duties of the Investment Strategy Committee are to consider and make recommendations on the strategic plan for the Group's long-term development; the material investments and financing plans and material capital operation and asset operating project, which are subject to the Board's approval, in accordance with the Articles of Association of the Company.

The Investment Strategy Committee did not convene any meeting during the reporting period.

(4) Nomination Committee

As approved by the Board of the Company, the fourth session of the Nomination Committee of the Board assumed office from 28 June 2013. The fourth session of the Nomination Committee of the Board consists of Ms. Zhang Nan, Ms. Hai Chi Yuet and Mr. Shi Xin, who are independent non-executive Directors, and Yu Zenggang, who is a non-executive Director. Ms. Zhang Nan is the Chairman of the Nomination Committee. As approved by the Board of the Company, the fifth session of the Nomination Committee of the Board assumed office from 1 July 2016 following the re-election of the Board. The fifth session of the Nomination Committee of the Board of the Company consists of Ms. Hai Chi Yuet, Mr. Tsang Hing Lun and Mr. Cai Hongping, who are independent non-executive Directors, and Ms. Sun Yueying and Mr. Wang Daxiong, who are executive Directors. Ms. Hai Chi Yuet is the Chairman of the Nomination Committee.

The primary duties of the Nomination Committee include: to make recommendations to the Board on the head count and composition of the Board and the composition of senior management in accordance with the Company's business activities, assets size and shareholding structure; to consider and make recommendations to the Board on the selection criteria and procedures of the Directors and the members of senior management; to review and make recommendations on the qualifications of the candidates of the Directors and the members of senior management; and to assess the independence of the independent non-executive Directors.

On 28 August 2013, the Board of the Company passed the Board Diversity Policy. The Nomination Committee has formulated a Board Diversity Policy, which has been set out in the working rules of the Nomination Committee of the Board of the Company. The main contents are: when determining the composition of the Board, the Company will consider board diversity in terms of, among other things, gender, age, cultural and education background, professional experience, skills, knowledge and term of service. All appointments of the Board of Directors are based on meritocracy, and candidates will be considered against objective criteria, taking into account the benefits of board diversity. The final selection of candidates will be determined based on their merits and contribution to the Board. The composition of the Board of the Company is basically in line with the diversity principle, details of composition are set out under the section headed "Composition of the fifth session of the Board" in the "Corporate Governance Report". The biographies of Directors set out on pages 31 to 39 also set out the diversified skills, professional knowledge, experience and qualifications of the Directors.

During the reporting period, the Nomination Committee of the Board convened four meetings with average attendance rate of 100%.

All resolutions mentioned above were agreed to be submitted to the Board for further review. Record of attendance rate of each member of the Nomination Committee is set out as follows:

Directors	**Number of meetings attended/Number of meetings held**	**Attendance rate**
The fourth session of the Nomination Committee of the Board		
Zhang Nan *(independent non-executive Director) (Chairman)*	3/3	100%
Shi Xin *(independent non-executive Director)*	3/3	100%
Zhang Guofa *(executive Director)* [(1)]	1/1	100%
Hai Chi Yuet *(independent non-executive Director)*	3/3	100%
Yu Zenggang *(non-executive Director)*	3/3	100%
The fifth session of the Nomination Committee of the Board		
Tsang Hing Lun *(independent non-executive Director)*	1/1	100%
Cai Hongping *(independent non-executive Director)*	1/1	100%
Sun Yueying *(executive Director)*	1/1	100%
Wang Daxiong *(executive Director)*	1/1	100%
Hai Chi Yuet *(independent non-executive Director) (Chairman)*	1/1	100%

Note:

(1) Mr. Zhang Guofa resigned as member of Nomination Committee of the Company due to the change of job assignments and the change of the Company's business, with effect from 16 March 2016.

(5) Risk Control Committee

To enhance internal control and risk control capacity and level of the Company, the Risk Control Committee under the Board of Directors has been established as discussed and passed by the fourteenth meeting of the fifth session of the Board. The fifth session of the Risk Control Committee of the Board of the Company consists of Mr. Wang Daxiong, who is an executive Director, and Mr. Cai Hongping and Mr. Tsang Hing Lun, who are independent non-executive Directors. Mr. Wang Daxiong is the Chairman of the Risk Control Committee.

The main duties of the Risk Control Committee include: to consider the Group's work plans for internal control and risk management and to review the Group's risk management and internal control systems; to consider the establishment of the risk management organisations and proposals of their responsibilities and to review the responsibilities in the risk management and internal control systems; to consider the Group's basic rules and regulations on internal control and risk management and to discuss the risk management and internal control systems with the management to ensure that management has performed its duty to establish an effective system; to consider internal control evaluation reports and risk management reports of the Group and to communicate with external auditors with regards to matters relevant to internal control and audit; As appointed by the Board of Directors or on upon its own initiative, to consider major investigation findings on risk management and internal control matters and the management's response to these findings; and to perform duties as stipulated in laws and regulations, and the Listing Rules as well as other duties delegated by the Board of Directors.

The Risk Control Committee did not convene any meeting during the reporting period.

(6) Executive Committee

To improve decision-making capability for and control on important matters of the Company, refine the decision-making process and enhance the objectivity of the decision-making process, the Executive Committee under the Board has been established as discussed and passed by the fourteenth meeting of the fifth session of the Board. The fifth session of the Executive Committee under the Board consists of Ms. Sun Yueying, Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, who are executive Directors. Ms. Sun Yueying is the Chairman of the Executive Committee.

The main duties of the Executive Committee include: to consider and decide matters relating to operation and management which involve certain amounts of expenses on behalf of the Board between sessions of the board meeting; coordinate and implement the decisions as approved by the Board; exercise the special disposal power regarding the affairs of the Company in the event of force majeure and report to the Board and the general meeting of the Company thereafter; and handle other duties as provided by the Articles of Association or delegated by the Board.

The Executive Committee did not convene any meeting during the reporting period.

10. SECURITIES TRANSACTION BY DIRECTORS AND SUPERVISORS

The Company has adopted a code of conduct on terms no less exacting than the required standard as set out in the Model Code as set out in Appendix 10 to the Listing Rules as the standards for the Directors', Supervisors' and relevant employees' securities transactions. The Company confirms, having made specific enquiries with all Directors and Supervisors, that for the year ended 31 December 2016, its Directors and Supervisors have complied with the requirements relating to Directors' and Supervisors' dealing in securities as set out in the Model Code. The Company is not aware of any non-compliance with these guidelines by the relevant employees.

11. ANNUAL REMUNERATION OF DIRECTORS AND KEY MANAGEMENT

The remuneration of the Directors and key management of the Company is determined according to the remuneration policy and structure of the Company.

For the year ended 31 December 2016, the remuneration of key management is divided into the following grades:

Basic annual salary grade	No. of people
HKD1,000,000 and below (Approximately RMB855,700 and below)	6
HKD1,000,001 to HKD1,500,000 (Approximately RMB855,701 to RMB1,283,550)	2
HKD1,500,001 to HKD2,000,000 (Approximately RMB1,283,551 to RMB1,711,400)	5

Details of the annual remuneration of Directors for the year ended 31 December 2016 are set out in Note 8 to the consolidated financial statements.

12. THE TERM OF OFFICE FOR NON-EXECUTIVE DIRECTORS OF THE FIFTH SESSION OF THE BOARD

Non-executive Directors	Term of office starting date	Term of office expiration date
Feng Boming	30 June 2016	until the conclusion of the annual general meeting of the Company for the year 2018, i.e. in or around June 2019
Huang Jian	30 June 2016	until the conclusion of the annual general meeting of the Company for the year 2018, i.e. in or around June 2019
Chen Dong	6 September 2016	until the conclusion of the annual general meeting of the Company for the year 2018, i.e. in or around June 2019

B. ACCOUNTABILITY AND AUDITING

1. EXTERNAL AUDITORS

Baker Tilly China and Ernst & Young were appointed as the domestic and foreign external auditors of the Company respectively at the 2015 annual general meeting by the shareholders until the conclusion of the next annual general meeting.

The Company has paid Ernst & Young RMB7,280,000 as remuneration for its auditing service and related service provided for the year 2016. The Company has paid Baker Tilly China RMB5,550,000 as remuneration for its auditing service and related service provided for the year 2016. The Company has paid Baker Tilly China RMB1,000,000 as remuneration for its internal control and auditing service provided for the year 2016.

2. ACKNOWLEDGEMENT OF THE DIRECTORS AND AUDITORS

All Directors of the Company have confirmed their responsibility for preparing the annual accounts for the year ended 31 December 2016. Ernst & Young, the auditor of the Company, has confirmed its reporting responsibilities as set out in the auditor's report in the financial statements of the Company for the year ended 31 December 2016.

C. INTERNAL CONTROL AND RISK CONTROL

THE PROCESS OF IDENTIFYING, ASSESSING AND MANAGING SIGNIFICANT RISKS

The Group has established the system, process or guidelines of identifying risks to ascertain the types of risks, accountability and frequency and the path of reporting. Based on this principle, the Group has adopted qualitative and quantitative approaches for risk assessment. The Group ascertained the focus of risk management in light of its developing strategies and conditions. It also selected risk management tools to formulate the risk management plans. The Group has continued to monitor the significant risks by establishing risk management mechanism and contingency plans.

THE PROCESS OF REVIEWING THE EFFECTIVENESS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS AND RESOLVING MATERIAL INTERNAL CONTROL DEFECTS

The Group has strengthened its three-layer risk management system by establishing a vertical top-down delegation and bottom-up approval system. The Group has established a three-line defense system, which includes identification, assessment, response and appraisal of risks among different departments horizontally. The risk management department shall be responsible for total organization, coordination, guide and supervision, while the audit office shall be responsible for audit and supervision on a regular basis. Meanwhile, the Group shall carry out assessment of effectiveness of its internal control on a regular basis and prepare its annual internal control assessment report so that it can identify and address the deficiencies in a timely manner.

THE PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group has a stringent process in place to handle and disseminate inside information in accordance with relevant requirements under the Listing Rules and the SFO. To strengthen the Groups' efforts for confidentiality of inside information, the Company has formulated the Register and Filing System of Persons Who Possess Inside Information, which specifies the definition and scope of inside information and ascertains the process of registration and filing. The Group has also entered into confidentiality agreement with the relevant persons who possess inside information.

REVIEW OF INTERNAL CONTROL AND RISK CONTROL SYSTEMS

The Board is responsible for reviewing the effectiveness of the Group's internal control and risk control systems. The internal control and risk control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has assessed and reviewed the effectiveness of the internal control system through discussion with the Risk Control Committee, the Audit Committee, the senior management, the internal audit team, the legal compliance and risk management department and external auditors and based on the reports from the internal audit team. The internal audit team and legal compliance and risk management department review all key controls in accordance with their audit plans on a regular basis, including financial, operational and compliance controls as well as risk management functions. They also report the findings to the Board and provide recommendations for improving the internal control of the Company. The Risk Control Committee of the Board has considered the recommendations given by the external auditors at the meetings of the Risk Control Committee of the Board.

The Board reviews the effectiveness of the Group's internal control system semi-annually. The Board assesses the effectiveness of the internal control and risk control systems with reference to the evaluation by the Risk Control Committee, Audit Committee, the management as well as the internal audit team, the legal compliance and risk management department and external auditors. An annual review will also be made by considering the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

For the year ended 31 December 2016, the Board has reviewed the effectiveness of the Group's internal control and risk control systems with reference to the evaluation by the Audit Committee of the Board, the Risk Control Committee, the senior management and the internal audit team. The Board is of the opinion that the internal control and risk control systems of the Group for financial reporting are effective and adequate. For internal control and risk control systems for issues other than financial reporting, the Company and its principal subsidiaries across various business areas have formulated their respective internal control and risk control systems and operating processes according to their respective business characteristics following the material assets restructuring in 2016. These systems and processes have been improving with a review on their effects during their respective course of operation.

D. SHAREHOLDER RIGHTS

1. PROCEDURES FOR EXTRAORDINARY GENERAL MEETINGS CONVENED BY SHAREHOLDERS

Shareholders demanding the convention of an extraordinary general meeting shall proceed as follows:

(1) Shareholders individually or collectively holding 10% or more of the Company's shares shall be entitled to propose to the Board of Directors the convening of an extraordinary general meeting, provided that such proposal shall be made in writing. The Board of Directors shall, in accordance with the laws, administrative regulations and the Articles of Association, furnish a written reply stating its agreement or disagreement to the convening of the extraordinary general meeting within 10 days after receiving such proposal. The aforementioned number of shares held are calculated based on the number shares held by the shareholder on the date of submission of the written proposal.

(2) In the event that the Board of Directors does not agree to convene an extraordinary general meeting or does not furnish any reply within 10 days after receiving such proposal, shareholders individually or collectively holding 10% or more of the Company's shares shall be entitled to propose to the Supervisory Committee the convening of the extraordinary general meeting, provided that such proposal shall be made in writing.

(3) Failure of the Supervisory Committee to issue the notice of the general meeting shall be deemed as failure of the Supervisory Committee to convene and preside over a general meeting, and shareholders individually or collectively holding 10% or more of the Company's shares for 90 consecutive days or more may convene and preside over the meeting on a unilateral basis. The procedures of convening of the meeting should be similar to those of convening a general meeting by the Board of Directors as far as possible. The location of the meeting should also be at the location of the Company.

(4) Where the shareholder(s) decide(s) to convene the general meeting by itself/themselves, it/they shall send out a written notice to the Board, and shall put on the records of the dispatched office of CSRC at the locality of the Company and the stock exchange. The convening shareholder shall submit relevant evidence to the local office of CSRC at the place where the Company is located and the stock exchange(s) upon the issuance of the notice of general meeting and the announcement of the resolutions of the general meeting.

(5) The Board of Directors and the secretary to the Board of Directors shall cooperate with respect to matters relating to a general meeting convened by shareholders at its/their own discretion. The Board of Directors shall provide the register of shareholders as of the date of record date.

(6) The reasonable expenses to a general meeting convened by shareholders at their own discretion shall be borne by the Company and deducted from the monies payable by the Company to the defaulting Directors.

2. PROCEDURES FOR THE PROPOSAL OF MOTIONS AT GENERAL MEETINGS

At general meetings of the Company, shareholder(s) severally or jointly holding more than 3% of the Company's shares may propose motions to the Company. Shareholder(s) severally or jointly holding 3% or more of the Company's shares may submit an extraordinary motions in writing to the convener 10 days before a general meeting is convened; the convener shall issue a supplementary notice of general meeting within two days upon receipt of such extraordinary motions, to announce the particulars of the extraordinary motions.

3. PROCEDURES FOR SHAREHOLDERS TO RECOMMEND AN INDIVIDUAL FOR ELECTION FOR DIRECTOR

Shareholder nominees who fulfil requirements can participate in elections for the position of Director at the Company's annual general meeting and extraordinary general meeting. According to the Articles of Association:

(1) List of candidates for Directors shall be submitted as a resolution to be resolved at general meetings. Candidates for Directors other than independent Directors shall be nominated by the Board, the Supervisory Committee, or shareholder(s) severally or jointly holding more than 3% of the total number of shares attached with voting rights of the Company, and shall be elected at a general meeting of the Company. Candidates for independent Directors shall be nominated by the Board, the Supervisory Committee, or shareholder(s) severally or jointly holding more than 1% of the total number of shares attached with voting rights of the Company, and shall be elected at a general meeting of the Company.

(2) A written notice of the intent of candidates nominated for Directors and the candidates' clear indication of their acceptance of nomination shall be delivered to the Company after the date of delivery of the notice of the general meeting at which the Director is to be elected and at least seven days before the date of such meeting, and the notice period shall not be shorter than seven days.

(3) Resolutions in respect of the election of Directors shall be passed using an accumulative voting method.

(4) The Company shall announce the general meeting voting results in a timely manner. Appointed Directors shall enter into an appointment contract with the Company.

4. PROCEDURES FOR SHAREHOLDERS TO MAKE INQUIRIES TO THE BOARD OF DIRECTORS

Shareholders can at any time submit their inquiries and questions in writing to the Board of Directors through the Company Secretary. The Company Secretary can be contacted through the following methods:

23rd Floor, 628 Minsheng Road, Shanghai, the PRC

Postal code: 200135

Email: ir@cnshipping.com

Shareholders can also make inquiries to the Board at the Company's general meetings.

E. COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company has put particular emphasis on communication with shareholders. All information related to the operation, business strategies, and development of the Group is provided in the Company's annual report and interim report. The Company encourages shareholders to attend the annual general meetings and each extraordinary general meeting, which should serve as valuable communication forums for each other and with the management.

The Company actively promotes and enhances investor relations. The Company has set up a specialized management post for investor relations responsible for issues related to investor relations. The Company utilizes promotions, road shows, telephone conferences, the Company's website and investor visits to strengthen the ties and communications with investors and securities analysts as well as to constantly raise awareness of the Company among investors.

Shareholders, investors and members of the public can obtain latest information of the Group on the Company's website.

F. MATERIAL CHANGE TO THE COMPANY'S ARTICLES OF ASSOCIATION

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the year ended 31 December 2016, the following amendments to the Articles of Association of the Company were proposed and approved at the respective extraordinary general meeting:

(i) a special resolution was proposed and approved at the extraordinary general meeting held on 10 May 2016 to make certain amendments to the Articles of Association to further improve the Company's governance structure, accelerate the Company's strategic transformation, promote the Company's execution capability and achieve the Company's strategic objectives. Please refer to the announcement of the Company dated 16 March 2016 and the circular of the Company dated 23 March 2016 for further details of the amendments;

(ii) a special resolution was proposed and approved at the extraordinary general meeting held on 6 September 2016 to make certain amendments to the Articles of Association to reflect the proposed change of name of the Company and in accordance with requirements under laws, regulations and rules including the PRC Company Law, and the Code of Corporate Governance for Listed Companies and the Guidelines for Articles of Association of Listed Companies issued by China Securities Regulatory Commission. Please refer to the announcements of the Company dated 3 July 2016 and 22 July 2016 and the circular of the Company dated 22 July 2016 for further details of the amendments; and

(iii) a special resolution was proposed and approved at the extraordinary general meeting held on 29 December 2016 to make certain amendments to the Articles of Association in relation to, among other things, (i) proxy at general meetings and (ii) the profit distribution plan of the Company, in accordance with relevant laws and regulations in the PRC, including the Guidance on the Articles of Association of Listed Companies (revised in 2016) and the Listed Companies Regulatory Guidance No. 3 – Cash Dividends Distribution of Listed Companies issued by the CSRC and the Guideline on the Distribution of Cash Dividends by Listed Companies of the Shanghai Stock Exchange issued by the Shanghai Stock Exchange. Please refer to the announcement of the Company dated 11 October 2016 and the circular of the Company dated 1 December 2016 for further details of the amendments.

G. COMPANY SECRETARY

Mr. Yu Zhen and Ms. Ng Sau Mei are joint company secretaries of the Company. Ms. Ng Sau Mei (KCS Hong Kong Limited) is one of our joint company secretaries. Mr. Yu Zhen, secretary to the Board, is one of the Company's main contact persons with the Stock Exchange and Ms. Ng Sau Mei. Pursuant to Rule 3.29 of the Listing Rules, as at 31 December 2016, Mr. Yu Zhen and Ms. Ng Sau Mei had attended more than 15 hours of relevant professional training.

In accordance with the regulations of the PRC Company Law, Securities Law, the Articles of Association of the Company and the rules of procedures of the Supervisory Committee, the Supervisory Committee of the Company upheld the spirit of responsibility to all shareholders, faithfully carried out its supervisory obligations and commenced work in a proactive and effective manner, thus safeguarding the legitimate interests of the shareholders of the Company.

I. WORKING STATUS OF THE SUPERVISORY COMMITTEE

During the reporting period, the Supervisory Committee of the Company attended general manager meetings, Board meetings, general meetings of the Company and examined subsidiaries according to the regulations of the Articles of Association of the Company, conducting thorough monitoring and inspection on the operating status and financial status of the Company, as well as the status of the Board and management carrying out their obligations.

During the reporting period, the Supervisory Committee convened eight meetings:

Name of meeting	Convening time	Convening method	Attendance of Supervisors	Subject
Thirteenth meeting of the fourth session of the Supervisory Committee	30 March 2016	Onsite meeting	All	1. To consider the resolution regarding the work report of the general manager for 2015 of the Company 2. To consider the resolution regarding the 2015 financial report of the Company 3. To consider the resolution regarding the 2015 internal control assessment report of the Company 4. Resolution regarding the profit distribution of the Company in 2015 5. To consider the resolution regarding the 2015 annual report of the Company (full text and summary) and financial highlights of 2015 6. To consider the resolution regarding the 2015 supervisory committee report

Report of the Supervisory Committee

Name of meeting	Convening time	Convening method	Attendance of Supervisors	Subject
Fourteenth meeting of the fourth session of the Supervisory Committee	28 April 2016	Voting through written correspondence	All	1. Resolution on changes in accounting estimates in relation to vessels and containers of the Company 2. Resolution regarding the 2016 first quarterly report of the Company
Fifteenth meeting of the fourth session of the Supervisory Committee	7 June 2016	Voting through written correspondence	All	1. Resolution on the re-election of the Supervisory Committee
First meeting of the fifth session of the Supervisory Committee	1 July 2016	Voting through written correspondence	All	1. Resolution on the re-election of the chairman the Supervisory Committee
Second meeting of the fifth session of the Supervisory Committee	11 August 2016	Onsite meeting	All	1. Resolution regarding the company work report for the first half of 2016 of the Company 2. Resolution regarding the financial report for the first half of 2016 of the Company 3. Regarding the interim report and the interim financial highlights of 2016 of the Company

Name of meeting	Convening time	Convening method	Attendance of Supervisors	Subject
Third meeting of the fifth session of the Supervisory Committee	11 October 2016	Physical presence	100%	1. The Resolution regarding satisfying the conditions for the non-public issuance of A Shares by the Company 2. The Resolution regarding the proposal for the Non-public Issuance of A Shares 3. The resolution in relation to the proposal in respect of the proposed non-public issuance of A Shares 4. The resolution in relation to the "Feasibility Report on the Use of Proceeds from the proposed non-public issuance of A Shares" 5. The resolution in relation to the question whether the non-public issuance constitutes a connected transaction
Fourth meeting of the fifth session of the Supervisory Committee	28 October 2016	Physical presence	100%	1. To consider discuss the proposal regarding the third quarterly report of 2016 of the Company
Fifth meeting of the fifth session of the Supervisory Committee	12 December 2016	By communication voting method	100%	1. Resolution regarding amendments to Procedures for the Supervisory Committee's Meeting

II. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE

1. OPERATION COMPLIANCE

The Board and the management of the Company strictly adhered to operation compliance in accordance with the Company Law, the Securities Law, Articles of Association and applicable laws and regulations where the Company's shares are listed. The Supervisory Committee did not find any act by the members of the Board and the senior management of the Company in performance of their duties that might breach the laws, regulations and the Articles of Association or impair the interest of the Company during the reporting period.

2. REVIEW OF FINANCIAL POSITION OF THE COMPANY

The financial statements of the Company for 2016 are true and reliable, and gave a fair view of the financial position and operating results of the Company.

3. ACTUAL USE OF THE PROCEEDS

The Company did not apply any proceed or proceed raised in previous periods to any current project during the reporting period.

4. ACQUISITION AND DISPOSALS OF ASSETS AND RELATED PARTY TRANSACTIONS

The prices for acquisitions and disposals of assets during the reporting period of the Company are fair and no insider trading was found. The Company strictly adhered to the principles of "fair, just and open" in conducting the related party transactions. These related party transactions were on normal commercial terms and conducted in accordance with laws and regulations, and no infringement of interest of the Company was found.

The Supervisory Committee of the Company shall strictly adhere to the Company Law, the Securities Law, Articles of Association and other laws and regulations in diligent performance of its supervisory duties for protection of legal interests of the Company and the Shareholders as a whole.

Supervisory Committee
COSCO SHIPPING Development Co., Ltd.

30 March 2017

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

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To the shareholders of COSCO SHIPPING Development Co., Ltd.
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of COSCO SHIPPING Development Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 102 to 202, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Significant restructuring	
During the year, the Group completed a significant restructuring, including the acquisition of a series of subsidiaries (the "Acquisitions") and the disposal of a series of subsidiaries (the "Disposals"). The Acquisitions were accounted for as business combination under common control and as if the acquisitions had occurred on the date when the combining entities first came under common control. A part of the Disposals constituted a discontinued operation. The Acquisitions and the Disposals are significant to the consolidated financial statements. The information for the Acquisitions and Disposals is detailed in note 1 to the financial statements. The Group's accounting policy regarding merger accounting for business combination under common control and disposal of subsidiaries are detailed in note 2.2 and note 2.1 to the financial statements, respectively. The disclosures for the discontinued operation and the Disposal are detailed in note 11 and note 39 to the financial statements, respectively.	Our audit procedures included, among others: • reviewing the contracts for the Acquisitions and the Disposals; • checking the application of the merger accounting for business combination under common control and the accounting for the Disposal; and • evaluating the disclosures in relation to the merger accounting for business combination under common control, the Disposal and the discontinued operation.
Classification of leases	
Vessel chartering, container leasing and non-shipping related leasing services are significant parts of the Group's principal business. The determination of the lease classification involves significant management's judgements at inception of each lease, which will then have a material impact on the subsequent accounting of each lease transaction. Thus classification of leases is regarded as a key audit matter of the audit. The Group's accounting policy regarding the classification of leases and the related disclosures of leases are detailed in note 2.5 and note 20 to the financial statements.	Our audit procedures included, among others: • testing the design and operation of internal control over the Group's determination of classification of leases; • reviewing the key terms of the selected leasing contracts and management's judgements applied when determining the classification of the leases; and • focusing on the subsequent modification to the leasing terms, if any, to assess if it will have a significant impact on the classification of leases.

Key audit matter	How our audit addressed the key audit matter
Impairment of long-lived assets attributable to the vessel charting and container leasing business	
The vessel chartering and container leasing business faces challenging economic and market conditions with significant pressure on lease rates and operating profit margins, which are considered impairment indicators and management performed an impairment assessment on and estimated the recoverable amount of the related assets in accordance with HKAS 36 Impairment of Assets as at the end of the reporting period. The carrying value of the related long-lived assets is material and the estimation of the recoverable amount involves significant management's judgements or estimations and assumptions. The Group's accounting policy and the related disclosures regarding impairment of the long-lived asset are detailed in note 2.5 and 14 to the financial statements.	Our audit procedures included, among others: • testing the design and operation of internal control over the Group's impairment assessment of long-lived assets; • evaluating the mathematical accuracy of the impairment assessment models and checked relevant data to the latest business plan and approved budgets; and • evaluating management's assumptions and estimates used in the models, mainly including those related to revenue, cost, expenses and discount rate. We involved our internal valuation experts to review the assessment model and compare key assumptions against external benchmarks (for example, discount rate) and evaluate the assumptions based on our knowledge of the Group and its industry.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will 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 identified above when it becomes available 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 THE DIRECTORS 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made 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 judgement 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.

- 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 the Audit Committee 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 the Audit Committee 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 the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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 LEUNG WAI LAP, PHILIP.

Ernst & Young
Certified Public Accountants

Hong Kong
30 March 2017

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	5	**15,527,887**	32,887,498
Cost of sales		**(13,849,363)**	(32,120,147)
Gross profit		**1,678,524**	767,351
Selling, administrative and general expenses		**(1,576,653)**	(2,140,172)
Other income	5	**442,267**	724,349
Other gains/(losses), net	5	**117,228**	(67,490)
Finance costs	7	**(1,690,941)**	(896,737)
Share of profits of:			
Associates		**1,538,043**	1,786,971
Joint ventures		**8,532**	3,841
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**517,000**	178,113
Income tax expense	10	**(201,251)**	(200,750)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**315,749**	(22,637)
DISCONTINUED OPERATION			
Profit/(loss) for the year from a discontinued operation	11	**77,326**	(80,333)
PROFIT/(LOSS) FOR THE YEAR		**393,075**	(102,970)
Attributable to:			
Owners of the parent		**347,503**	(199,511)
Non-controlling interests		**45,572**	96,541
		393,075	(102,970)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (expressed in RMB per share)	13		
Basic and diluted			
– For profit/(loss) for the year		**0.0297**	(0.0171)
– For profit/(loss) from continuing operations		**0.0232**	(0.0098)

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

	Note	**2016**	2015
		RMB'000	RMB'000
			(Restated)
PROFIT/(LOSS) FOR THE YEAR		**393,075**	(102,970)
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value, net of tax		**66,325**	39,343
Reclassification adjustments for gains included in the consolidated statement of profit or loss		**(33,019)**	(122)
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year		**8,555**	(5,682)
Exchange differences:			
Exchange differences on translation of foreign operations		**(738,492)**	442,052
Reclassification adjustments for foreign operations disposed of	39	**37,937**	–
Associates:			
Share of other comprehensive income of associates		**47,135**	70,948
Reclassification adjustments for associates disposed of		**(1,179)**	–
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX		**(612,738)**	546,539
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(219,663)**	443,569
Attributable to:			
Owners of the parent		**(241,719)**	366,332
Non-controlling interests		**22,056**	77,237
		(219,663)	443,569

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	14	58,392,439	56,591,248
Investment properties		8,217	10,087
Prepaid land lease payments	15	216,817	214,396
Intangible asset	16	21,881	30,738
Investments in associates	17	18,244,380	20,096,311
Investments in joint ventures	18	137,349	56,243
Available-for-sale investments	19	6,114,082	1,349,915
Finance lease receivables	20	15,010,397	5,680,658
Loans and receivables	21	198,114	368,467
Derivative financial instruments	33	6,702	–
Deferred tax assets	22	89,482	56,340
Other long term prepayments		144,229	117,268
Total non-current assets		98,584,089	84,571,671
CURRENT ASSETS			
Inventories	23	859,415	1,238,768
Trade and notes receivables	24	1,655,656	2,688,106
Prepayments and other receivables	25	899,933	1,865,053
Prepaid land lease payments	15	3,918	3,897
Finance lease receivables	20	3,593,896	1,682,327
Loans and receivables	21	3,132,913	3,133,055
Held-for-trading investments	26	72,466	200,349
Derivative financial instruments	33	1,340	–
Restricted cash	27	1,129,425	922,268
Cash and cash equivalents	27	15,527,254	15,931,671
Total current assets		26,876,216	27,665,494
Total assets		125,460,305	112,237,165

Consolidated Statement of Financial Position

31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
CURRENT LIABILITIES			
Trade and notes payables	28	1,738,742	4,041,654
Other payables and accruals	29	2,184,723	1,723,379
Bank and other borrowings	30	29,925,251	26,818,843
Corporate bonds	31	2,075,822	245,617
Finance lease obligations	35	36,104	141
Deposits from customers	32	8,550,566	4,482,658
Derivative financial instruments	33	–	147
Tax payable		123,266	128,154
Provision	34	–	25,000
Total current liabilities		44,634,474	37,465,593
NET CURRENT LIABILITIES		(17,758,258)	(9,800,099)
TOTAL ASSETS LESS CURRENT LIABILITIES		80,825,831	74,771,572
NON-CURRENT LIABILITIES			
Bank and other borrowings	30	64,102,361	25,349,767
Corporate bonds	31	1,426,942	3,449,494
Finance lease obligations	35	311,344	326
Deposits from customers	32	951	8,900
Derivative financial instruments	33	–	691
Deferred tax liabilities	22	264,041	280,968
Other long term payables		1,157,078	404,803
Total non-current liabilities		67,262,717	29,494,949
Net assets		13,563,114	45,276,623
EQUITY			
Equity attributable to owners of the parent			
Share capital	36	11,683,125	11,683,125
Special reserve	37	–	21,090
General reserve	37	79,291	65,504
Other reserves	37	(6,067,818)	25,576,278
Retained profits		7,555,449	7,433,077
		13,250,047	44,779,074
Non-controlling interests		313,067	497,549
Total equity		13,563,114	45,276,623

Sun Yueying	**Wang Daxiong**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

		Attributable to owners of the parent							
	Notes	Share capital RMB'000	Special reserve RMB'000	General reserve RMB'000	Other reserves RMB'000	(Accumulated losses)/ retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016 as previously reported		11,683,125	19,030	–	17,206,241	(6,734,162)	22,174,234	63,096	22,237,330
Effect of merger accounting	*2.2*	–	2,060	65,504	8,370,037	14,167,239	22,604,840	434,453	23,039,293
At 1 January 2016 (restated)		11,683,125	21,090	65,504	25,576,278	7,433,077	44,779,074	497,549	45,276,623
Profit for the year		–	–	–	–	347,503	347,503	45,572	393,075
Other comprehensive loss for the year:									
Available-for-sale investments:									
Changes in fair value, net of tax		–	–	–	70,730	–	70,730	(4,405)	66,325
Reclassification adjustments for gains included in the consolidated statement of profit or loss		–	–	–	(33,019)	–	(33,019)	–	(33,019)
Cash flow hedges:									
Effective portion of changes in fair value of hedging instruments arising during the year		–	–	–	8,555	–	8,555	–	8,555
Exchange differences:									
Exchange differences on translation of foreign operations		–	–	–	(719,381)	–	(719,381)	(19,111)	(738,492)
Reclassification adjustments for foreign operations disposed of		–	–	–	37,937	–	37,937	–	37,937
Associates:									
Share of other comprehensive loss of associates		–	–	–	47,135	–	47,135	–	47,135
Reclassification adjustments for associates disposed of		–	–	–	(1,179)	–	(1,179)	–	(1,179)
Total comprehensive loss for the year		–	–	–	(589,222)	347,503	(241,719)	22,056	(219,663)
Acquisition of non-controlling interests		–	–	–	(21,590)	–	(21,590)	(17,494)	(39,084)
Consideration for acquisition of subsidiaries under common control		–	–	–	(24,435,902)	–	(24,435,902)	–	(24,435,902)
Consideration for acquisition of an associate under common control		–	–	–	(6,398,877)	–	(6,398,877)	–	(6,398,877)
Disposal of subsidiaries	*39*	–	(22,548)	–	–	22,548	–	(66,854)	(66,854)
Dividends paid to former shareholders of acquired subsidiaries under common control		–	–	–	–	(232,434)	(232,434)	–	(232,434)
Dividends paid to a former shareholder of an acquired associate under common control		–	–	–	(137,558)	–	(137,558)	–	(137,558)
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	(122,190)	(122,190)
Effect of dilution of investment in an associate		–	–	–	(60,353)	–	(60,353)	–	(60,353)
Transfer from retained profits		–	152,201	13,787	–	(165,988)	–	–	–
Utilisation of special reserve		–	(150,743)	–	–	150,743	–	–	–
Others		–	–	–	(594)	–	(594)	–	(594)
At 31 December 2016		11,683,125	–	79,291	(6,067,818)	7,555,449	13,250,047	313,067	13,563,114

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

		Attributable to owners of the parent							
	Notes	Share capital RMB'000	Special reserve RMB'000	General reserve RMB'000	Other reserves RMB'000	(Accumulated losses)/ retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015 as previously reported		11,683,125	20,150	–	16,873,604	(3,784,442)	24,792,437	85,046	24,877,483
Effect of merger accounting	*2.2*	–	1,130	52,339	6,968,025	12,495,802	19,517,296	417,629	19,934,925
At 1 January 2015 (restated)		11,683,125	21,280	52,339	23,841,629	8,711,360	44,309,733	502,675	44,812,408
Loss for the year		–	–	–	–	(199,511)	(199,511)	96,541	(102,970)
Other comprehensive income for the year:									
Available-for-sale investments:									
Changes in fair value, net of tax		–	–	–	41,804	–	41,804	(2,461)	39,343
Reclassification adjustments for gains included in the consolidated statement of profit or loss		–	–	–	(122)	–	(122)	–	(122)
Cash flow hedges:									
Effective portion of changes in fair value of hedging instruments arising during the year		–	–	–	(5,682)	–	(5,682)	–	(5,682)
Exchange differences:									
Exchange differences on translation of foreign operations		–	–	–	458,895	–	458,895	(16,843)	442,052
Associates:									
Share of other comprehensive income of associates		–	–	–	70,948	–	70,948	–	70,948
Total comprehensive income for the year		–	–	–	565,843	(199,511)	366,332	77,237	443,569
Transfer of assets to a fellow subsidiary for no consideration		–	–	–	–	(457,653)	(457,653)	–	(457,653)
Capital injection from former shareholders of acquired subsidiaries under common control		–	–	–	1,320,000	–	1,320,000	–	1,320,000
Disposal of subsidiaries	*39*	–	–	–	(58,273)	(397,215)	(455,488)	–	(455,488)
Dividends paid to former shareholders of acquired subsidiaries under common control		–	–	–	–	(210,324)	(210,324)	–	(210,324)
Dividends paid to a former shareholder of an acquired associate under common control		–	–	–	(134,657)	–	(134,657)	–	(134,657)
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	(82,300)	(82,300)
Effect of dilution of investment in an associate		–	–	–	41,736	–	41,736	–	41,736
Transfer from retained profits		–	179,188	13,165	–	(192,353)	–	–	–
Utilisation of special reserve		–	(179,378)	–	–	179,378	–	–	–
Others		–	–	–	–	(605)	(605)	(63)	(668)
At 31 December 2015 (restated)		11,683,125	21,090	65,504	25,576,278	7,433,077	44,779,074	497,549	45,276,623

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	40	**7,840,628**	2,548,820
Income tax paid		**(183,312)**	(154,272)
Net cash flows generated from operating activities		**7,657,316**	2,394,548
CASH FLOWS USED IN INVESTING ACTIVITIES			
Interest received		**98,960**	219,016
Dividends received from associates		**165,048**	201,806
Dividends received from joint ventures		**15,539**	–
Dividends received from available-for-sale investments		**30,972**	88,988
Dividends received from held-for-trading investments		**191**	999
Purchases of items of property, plant and equipment and intangible asset		**(4,301,941)**	(6,212,777)
Proceeds from disposal of items of property, plant and equipment and intangible asset		**251,381**	359,341
Purchases of equity in associates		**–**	(998,000)
Purchase of equity in a joint venture		**(125,000)**	–
Purchases of available-for-sale investments		**(6,540,089)**	(1,040,220)
Prepayment for an available-for-sale investment		**(75,000)**	–
Purchases of held-for-trading investments		**(93,509)**	(330,472)
Disposal of subsidiaries	39	**(353,236)**	(8,005)
Proceeds from disposal of associates		**3,886,545**	–
Proceeds from disposal of joint ventures		**54,600**	–
Proceeds from disposals of available-for-sale investments		**1,856,978**	678,435
Proceeds from disposals of held-for-trading investments		**222,310**	310,183
Increase in finance lease receivables		**(9,577,858)**	(4,841,078)
Increase in other long term payables		**752,609**	399,715
Net cash flows used in investing activities		**(13,731,500)**	(11,172,069)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	**2016** **RMB'000**	2015 RMB'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injection from former shareholders of acquired subsidiaries under common control		**–**	1,320,000
Consideration paid for acquisition of subsidiaries under common control		**(24,409,916)**	–
Consideration paid for acquisition of an associate under common control		**(5,448,049)**	–
New bank and other borrowings		**205,612,647**	25,061,657
Repayment of bank and other borrowings		**(167,817,429)**	(14,869,145)
Repayment of corporate bonds		**(317,206)**	(234,190)
Acquisition of non-controlling interests		**(39,084)**	–
Capital element of finance lease payments		**(141)**	(165,219)
Dividends paid to former shareholders of acquired subsidiaries under common control		**(232,434)**	(210,324)
Dividends paid to non-controlling shareholders		**(137,342)**	(67,147)
Interest paid		**(1,860,163)**	(936,640)
Decrease/(increase) in restricted cash		**74,218**	(1,606)
Net cash flows generated from financing activities		**5,425,101**	9,897,386
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(649,083)**	1,119,865
Cash and cash equivalents at beginning of year		**15,931,671**	14,384,053
Effect of foreign exchange rate changes, net		**244,666**	427,753
		15,527,254	15,931,671

1. CORPORATE AND GROUP INFORMATION

COSCO SHIPPING Development Co., Ltd. (the "Company", formerly known as China Shipping Container Lines Company Limited) is a limited liability company established in the People's Republic of China (the "PRC"). The address of the Company's registered office is Room A-538, International Trade Center, China (Shanghai) Pilot Free Trade Zone, Shanghai, the PRC.

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 6 September 2016 and approved by the Shanghai Municipal Administration for Industry and Commerce, the name of the Company was changed from China Shipping Container Lines Company Limited to COSCO SHIPPING Development Co., Ltd. on 18 November 2016.

On 11 December 2015, the Company announced that a notification was received from China Shipping (Group) Company, the former ultimate holding company and current immediate holding company of the Company, that the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (the "SASAC") has granted its approval in principle of the restructuring of China Shipping (Group) Company and its subsidiaries (the "CS Group") and China Ocean Shipping (Group) Company and its subsidiaries (the "COSCO Group") in relation to their businesses in container shipping, vessel chartering, oil shipping, bulk shipping and the financial sectors (the "Restructuring"). As part of the Restructuring, the Company and its relevant subsidiaries entered into a series of agreements with CS Group and COSCO Group (the "Counterparties") on 11 December 2015, whereby the Company and its relevant subsidiaries have agreed to acquire equity interests in certain companies' operating container leasing businesses, shipping-related financial service business and other financial business from the Counterparties; and to sell equity interests in certain of its subsidiaries operating port business and container shipping agency business to the Counterparties. During the year, the Company and its relevant subsidiaries completed the following transactions within the Restructuring:

ACQUISITION OF SUBSIDIARIES

- Acquisition of 100% equity interests in Dong Fang International Investment Limited ("DFII") and its subsidiaries;
- Acquisition of 100% equity interests in Florens International Limited ("FIL", formerly known as Florens Container Holdings Limited) and its subsidiaries;
- Acquisition of 100% equity interests in Oriental Fleet International Co., Ltd. ("OFICL", formerly known as China Shipping Nauticgreen Holdings Co., Ltd.) and its subsidiaries;
- Acquisition of 100% equity interests in Helen Insurance Brokers Limited ("Helen Insurance");
- Acquisition of 100% equity interests in Long Honour Investments Limited ("Long Honour") and its subsidiary;
- Acquisition of 100% equity interests in China Shipping Investment Co., Ltd. ("CS Investment") and its subsidiaries;
- Acquisition of 100% equity interests in COSCO SHIPPING Leasing Co., Ltd. ("CS Leasing", formerly known as China Shipping Leasing Co., Ltd.) and its subsidiary; and
- Acquisition of 40% equity interests in China Shipping Finance Co., Ltd. ("CS Finance") (a former associate changed to a subsidiary with a total of 65% equity interests held subsequent to the acquisition).

1. CORPORATE AND GROUP INFORMATION (continued)

ACQUISITION OF INTERESTS IN AN ASSOCIATE

- Acquisition of 13.67% equity interests in China Bohai Bank Co., Ltd. ("Bohai Bank") (significant influence by the Group with representation on the board of directors)
  (together with the acquired subsidiaries and an associate above referred to as the "Acquirees")

DISPOSAL OF SUBSIDIARIES

- Disposal of 100% equity interests in China Shipping Container Lines Dalian Co., Ltd. and its subsidiaries, China Shipping Container Lines Tianjin Co., Ltd. and its subsidiaries, China Shipping Container Lines Qingdao Co., Ltd. and its subsidiaries, China Shipping Container Lines Shanghai Co., Ltd. and its subsidiaries, China Shipping Container Lines Xiamen Co., Ltd. and its subsidiaries, China Shipping Container Lines Guangzhou Co., Ltd. and its subsidiaries, China Shipping Container Lines Hainan Co., Ltd. and its subsidiary and China Shipping Container Lines Shenzhen Co., Ltd.;

- Disposal of 100% equity interests in China Shipping Container Lines (Dalian) Data Processing Co., Ltd.;

- Disposal of 100% equity interests in Shanghai Puhai Shipping Liners Co., Ltd. and its subsidiaries ("Puhai Group");

- Disposal of 100% equity interests in China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd.;

- Disposal of 100% equity interests in China Shipping Container Lines Agency (Hong Kong) Co., Ltd.;

- Disposal of 100% equity interests in Universal Shipping (Asia) Co., Ltd. ("Universal Shipping");

- Disposal of 60% equity interests in Golden Sea Shipping Pte. Ltd. ("Golden Sea");

- Disposal of 91% equity interests in China Shipping (Singapore) Petroleum Pte. Ltd. ("CS Singapore Petroleum");

- Disposal of 100% equity interests in China Shipping Container Lines (Shenzhen) Agency Co., Ltd.;

- Disposal of 100% equity interests in Universal Logistic (Shenzhen) Co., Ltd.;

- Disposal of 60% equity interests in China Shipping (Nigeria) Agency Ltd.; and

- Disposal of 100% equity interests in China Shipping (South Africa) Agency (PTY) Ltd..

1. CORPORATE AND GROUP INFORMATION (continued)

DISPOSAL OF INTERESTS IN JOINT VENTURES AND ASSOCIATES

- Disposal of 50% equity interests in Dalian Vanguard International Logistics Co., Ltd., a former joint venture;
- Disposal of 49% equity interests in China Shipping Ports Development Co., Ltd. ("CSPD") and its subsidiaries, a former associate;
- Disposal of 45% equity interests in Jinzhou Port Container and Railway Logistics Limited, a former joint venture; and
- Disposal of 20.07% equity interests in Angang Vehicle Transportation Co., Ltd. and its subsidiary, a former associate.

In addition to the acquisitions and disposals above, the Group entered into the Assets Lease Framework Agreement with the Counterparties in relation to the vessel chartering and container leasing to the Counterparties under operating leases on 11 December 2015 with lease terms commencing from March 2016. The target assets in the Assets Lease Framework Agreement included self-owned vessels and containers, chartered-in vessels and leased-in containers, with which the Group operated container shipping business before the commencement of the lease terms.

During the year, apart from container shipping business which was terminated at the end of February 2016, the other principal activities of the Group were as follows:

(a) Vessel chartering and container leasing (including the business transitioned from former container shipping business according to the Assets Lease Framework Agreement);

(b) Non-shipping related leasing;

(c) Manufacture and sale of containers;

(d) Provision of financial and insurance brokerage services;

(e) Equity investment; and

(f) Cargo and liner agency services.

In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company are China Shipping (Group) Company and China COSCO SHIPPING Corporation Limited, respectively, both established in the PRC.

1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
China Shipping Container Lines (Hong Kong) Co., Ltd.	Hong Kong	HK$1,000,000 and US$1,628,558,800	100%	–	Vessel chartering and container leasing
CSCL Star Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Venus Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Jupiter Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Mercury Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Mars Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Saturn Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Uranus Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Neptune Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Bohai Sea Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Yellow Sea Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL East China Sea Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL South China Sea Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Spring Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Summer Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Autumn Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Winter Shipping Co., Ltd	Hong Kong	HK$10,000	–	100%	Vessel chartering

1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
CSCL Globe Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Pacific Ocean Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Indian Ocean Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Atlantic Ocean Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Arctic Ocean Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
China Shipping Container Lines (Asia) Co., Ltd.	British Virgin Islands ("BVI")	US$514,465,000	–	100%	Vessel chartering and container leasing
Arisa Navigation Company Limited	Cyprus	CYP1,000	–	100%	Vessel chartering
YangshanA Shipping Company Limited	BVI	US$50,000	–	100%	Vessel chartering
YangshanB Shipping Company Limited	BVI	US$50,000	–	100%	Vessel chartering
YangshanC Shipping Company Limited	BVI	US$50,000	–	100%	Vessel chartering
YangshanD Shipping Company Limited	BVI	US$50,000	–	100%	Vessel chartering
Helen Insurance	Hong Kong	HK$3,000	–	100%	Provision of insurance brokerage services
OFICL (formerly known as China Shipping Nauticgreen Holdings Company Limited)	Hong Kong	HK$140,000	–	100%	Investment holding
China Shipping Nauticgreen Bulk 01 Limited	Hong Kong	HK$10	–	100%	Vessel chartering
China Shipping Nauticgreen Bulk 02 Limited	Hong Kong	HK$10	–	100%	Inactive
China Shipping Nauticgreen Bulk 03 Limited	Hong Kong	HK$10	–	100%	Inactive
China Shipping Nauticgreen Bulk 04 Limited	Hong Kong	HK$10	–	100%	Inactive

1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
DFII	BVI	US$100,000	–	100%	Investment holding and container leasing
Dong Fang International Container Limited	BVI	US$50	–	100%	Investment holding
Dong Fang Container Finance (SPV) Limited ("DFCF (SPV)")	BVI	–	–	100%	Container leasing
Dong Fang Container Finance II (SPV) Limited ("DFCF II (SPV)")	BVI	–	–	100%	Container leasing
Florens Asset Management (Singapore) PTE. Limited (formerly known as Dong Fang International Asset Management (Singapore) Private Limited)	Singapore	SGD10	–	100%	Provision of container management services
Dong Fang International Asset Management Limited	Hong Kong	–	–	100%	Provision of management service
Florens Container Investment (SPV) Ltd. (formerly known as Dong Fang Container Finance III (SPV) Limited)	BVI	–	–	100%	Inactive
FIL	BVI	US$50,000	–	100%	Investment holding
Florens Capital Management Company Limited	Hong Kong	HK$2,000	–	100%	Investment holding
Florens (Tianjin) Finance Leasing Co., Ltd.	PRC	US$50,000,000	–	100%	Financial leasing
Florens (China) Company Limited	PRC	US$12,800,000	–	100%	Container leasing
Florens Maritime Limited	Bermuda	US$12,000	–	100%	Container leasing
Florens Container (Macao Commercial Offshore) Limited	Macao	MOP100,000	–	100%	Sale of containers

1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Florens Management Services (Macao Commercial Offshore) Limited	Macao	MOP100,000	–	100%	Provision of container management services
Florens Container Corporation S.A.	Panama	US$10,000	–	100%	Container leasing
Florens Asset Management Company Limited (formerly known as Florens Container Services Company Limited)	Hong Kong	HK$100	–	100%	Provision of container management services
Florens Container Services (Australia) Pty Limited	Australia	AUD100	–	100%	Provision of container management services
Florens Container Services (Deutschland) GmbH	Deutschland	EURO25,564.60	–	100%	Provision of container management services
Florens Container Services (Italy) S.R.L.	Italy	EURO10,400	–	100%	Provision of container management services
Florens Container Services (USA), Ltd.	United States	US$1	–	100%	Provision of container management services
Florens Container, Inc. (2002)	United States	US$1	–	100%	Sale of containers
Florens Shipping Corporation Limited	Bermuda	US$12,000	–	100%	Container leasing
Fairbreeze Shipping Company Limited	Hong Kong	HK$500,000	–	100%	Property investment
Long Honour	BVI	US$1	–	100%	Investment holding
COSCO Container Industry Co., Ltd.	BVI	US$1	–	100%	Investment holding
China Shipping (Africa) Holdings (PTY) Ltd.	South Africa	US$2,000,000	100%	–	Inactive
China Shipping (South Africa) Agency (PTY) Ltd.	South Africa	ZAR1,700,000	–	100%	Inactive

1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
CS Leasing	PRC	RMB1,500,000,000	100%	–	Financial leasing
Haihui Commercial Factoring (Tianjin) Co., Ltd.	PRC	RMB50,000,000	–	100%	Commercial factoring
CS Investment	PRC	RMB2,713,000,000	100%	–	Investment holding
China COSCO SHIPPING Development (Tianjin) Leasing Company Limited	PRC	RMB1,000,000,000	100%	–	Leasing
Shanghai Universal Logistics Equipment Co., Ltd.	PRC	RMB850,000,000	–	100%	Investment holding
Dong Fang International Container (Lianyungang) Co., Ltd.	PRC	RMB208,140,000	–	100%	Container manufacturing
Dong Fang International Container (Jinzhou) Co., Ltd.	PRC	RMB160,210,000	–	100%	Container manufacturing
Dong Fang International Container (Guangzhou) Co., Ltd.	PRC	RMB160,630,000	–	100%	Container manufacturing
Dong Fang International Container (Hong Kong) Co., Ltd.	Hong Kong	US$10,000	–	100%	Trading
Shanghai Haining Insurance Broker Co., Ltd.	PRC	RMB10,000,000	–	100%	Provision of insurance brokerage services
CS Finance	PRC	RMB600,000,000	65%	–	Provision of banking services
Zhuhai Shipping Co., Ltd. ("Zhuhai Shipping")	PRC	RMB21,033,540.37	100%	–	Investment holding
China COSCO SHIPPING Guanghua Investment Management Limited	PRC	RMB200,000,000	100%	–	Investment holding

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The financial statements have been prepared under the going concern basis notwithstanding that the Group had net current liabilities of RMB17,758,258,000 as at 31 December 2016. The directors of the Company are of opinion that based on the available unutilised banking facilities as at 31 December 2016, the Group will have the necessary liquid funds to finance its working capital and to meet its capital expenditure requirements. Accordingly, the directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.1 BASIS OF PREPARATION (continued)

BASIS OF CONSOLIDATION (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 MERGER ACCOUNTING FOR COMMON CONTROL COMBINATIONS

The Group and all the Acquirees in note 1 to the financial statements are under common control of SASAC before and after those acquisitions. In addition, the Group and Zhuhai Shipping, another subsidiary acquired from a fellow subsidiary during the year, were under common control of SASAC before and after the acquisition. Therefore, these transactions are accounted for as business combination involving entities under common control.

The above transactions are accounted for as business combinations under common control as if the acquisitions had occurred on the date when the combining entities first came under the control of the ultimate shareholder of the Group. Accordingly, the assets and liabilities acquired in the common control combinations are stated at their carrying amounts from the controlling party's perspective as if they had been combined from the date when the Acquirees and Zhuhai Shipping first came under the control of the controlling party. The comparative amounts of the consolidated financial statements of the Group have been restated to include the financial statement items of the Acquirees and Zhuhai Shipping.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
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*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

The adoption of these new and revised standards has had no significant financial effect on these financial statements.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

While the adoption of some of the new and revised HKFRSs may result in changes in accounting policies, none of these amendments is expected to have a significant impact on the Group's results of operations and financial position, except the following:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15.

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

FAIR VALUE MEASUREMENT

The Group measures its certain financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FAIR VALUE MEASUREMENT (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RELATED PARTIES

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment, other than vessels under construction and construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Container vessels	3.6%-3.7%
Leasehold improvements	Over the shorter of the lease terms and 5 years
Buildings	1.8%-5.0%
Containers	4.8%-5.3%
Machinery, motor vehicles and office equipment	4.8% to 32.0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

With effect from 1 January 2016, the Group made a change in depreciation estimates as follows:

- Estimated residual value of vessels changed from US$420 to US$280 per ton;
- Estimated useful life of certain containers changed from 12 years to 15 years; and
- Estimated residual value of certain containers changed from US$830-US$1,344 to US$560-US$896 per container.

This constitutes a change in accounting estimates. In the opinion of the directors, based on the current business condition, the estimated residual value and useful lives of these vessels and containers are more appropriately reflected by the change.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (continued)

The change has been applied prospectively and has resulted in an increase in depreciation of approximately RMB134,000,000 for the year.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Vessels under construction and construction in progress are stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Vessels under construction and construction in progress are reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

INVESTMENT PROPERTIES

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on a straight-line basis to write off the cost of each item of investment properties. The principal annual rates used for this purpose range from 1.8% to 2.5%.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Computer software

Computer software is stated at cost less any impairment losses and is amortised on the straight-line based on its estimated useful lives of 4 to 8 years.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

When the Group is a lessor under finance leases, an amount representing the minimum lease payment receivables and initial direct costs is included in the consolidated statement of financial position as finance lease receivables. Any unguaranteed residual value is also recognised at the inception of the lease. The difference between the sum of the minimum lease payment receivables, initial direct costs, the unguaranteed residual value and their present value is recognised as unearned finance income. Unearned finance income is recognised over the period of the lease using the effective interest rate method.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as other gains or losses in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in revenue for finance lease receivables and loans and receivables and in other income for the other interest-bearing loans and receivables in the statement of profit or loss, respectively. The loss arising from impairment is recognised in the statement of profit or loss in selling, administrative and general expenses for loans and receivables.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Subsequent measurement (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other gains or losses, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERECOGNITION OF FINANCIAL ASSETS

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

IMPAIRMENT OF FINANCIAL ASSETS

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. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to selling, administrative and general expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (continued)

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and notes payables, financial liabilities included in other payables and accruals, bank and other borrowings, corporate bonds, finance lease obligations, deposits from customers and other long term payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (continued)

Initial recognition and subsequent measurement (continued)

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the hedging reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

Amounts recognised in other comprehensive income are transferred to the statement of profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised in other comprehensive income are transferred to the statement of profit or loss in the same period or periods during which the asset acquired or liability assumed affects the statement of profit or loss.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, the amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction occurs or the foreign currency firm commitment is met.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

PROVISIONS

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

INCOME TAX

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

REVENUE RECOGNITION

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the operation of international and domestic containerised transportation business, on a percentage of completion basis, which is determined on a time proportion method of each individual vessel voyage;

(b) from the chartering of vessels and container leasing under operating leases, on a straight-line basis over the lease terms;

(c) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(d) finance lease income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of a finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(f) dividend income, when the shareholders' right to receive payment has been established.

EMPLOYEE BENEFITS

The Group has participated in central pension schemes for its employees in the PRC pursuant to the relevant laws and regulations of the PRC. The Group makes monthly contributions and the contributions are charged to profit or loss on an accrual basis. The Group has no further obligations beyond the contributions made.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BORROWING COSTS

Borrowing costs directly attributable to certain vessels under construction are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate ranging between 1.5% and 3.0% has been applied to the expenditure on the individual assets.

FOREIGN CURRENCIES

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between finance leases and operating leases

Leases are required to be classified as either finance leases (which transfer substantially all the risks and rewards of ownership, and give rise to asset and liability recognition by the lessee and a receivable by the lessor) and operating leases (which result in expense recognition by the lessee, with the asset remaining recognised by the lessor). Management has to exercise judgement in determining the classification.

Situations that would normally lead to a lease being classified as a finance lease include the following:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable and, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

JUDGEMENTS (continued)

Impairment of non-financial assets

In determining if an asset is impaired or the event previously causing the impairment no longer exists, management has to exercise judgement in the area of asset impairment, particularly in assessing:

- whether an event has occurred that may affect asset value or such an event affecting the asset value has not been in existence;
- whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continuing use of the asset or derecognition; and
- the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and residual values of property, plant and equipment

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment by reference to the Group's business model, its asset management policy, the industry practice, expected usage of the asset, and the current scrap values of steel in an active market at each measurement date. The depreciation expense will change where the useful lives or residual values of property, plant and equipment are different from the previous estimates.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has seven reportable operating segments as follows:

(a) The container shipping segment, which renders container marine transportation services and related businesses;

(b) The vessel chartering and container leasing segment, which specifically leases vessels and containers;

(c) The non-shipping related leasing segment, other than leases of vessels and containers;

(d) The container segment, which manufactures and sells containers;

(e) The financial services segment, which renders corporate banking and insurance brokerage services;

(f) The equity investment segment, which focuses on equity investments, including investments in associates, investments in joint ventures and available-for-sale equity investments; and

(g) The "others" segment comprises, principally, cargo and liner agency services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit/(loss) before tax from continuing operations except that unallocated finance costs are excluded from such measurement.

Segment assets are measured consistently with the Group's assets.

Segment liabilities exclude certain bank and other borrowings as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION (continued)

	2016								2015							
	Container shipping RMB'000	Vessel chartering and container leasing RMB'000	Non-shipping related leasing RMB'000	Container RMB'000	Financial services RMB'000	Equity investment RMB'000	Others RMB'000	Total RMB'000	Container shipping RMB'000 (Restated)	Vessel chartering and container leasing RMB'000 (Restated)	Non-shipping related leasing RMB'000 (Restated)	Container RMB'000 (Restated)	Financial services RMB'000 (Restated)	Equity investment RMB'000 (Restated)	Others RMB'000 (Restated)	Total RMB'000 (Restated)
Segment revenue:																
Sales to external customers from continuing operations	3,649,467	9,151,834	888,734	1,484,413	328,577	–	24,862	15,527,887	26,789,601	3,932,421	223,969	1,521,335	372,715	–	47,457	32,887,498
Intersegment sales	10,979	–	–	1,580,213	67,903	–	16,419	1,675,514	64,643	147,748	–	1,679,114	10,188	–	–	1,901,693
Total revenue	3,660,446	9,151,834	888,734	3,064,626	396,480	–	41,281	17,203,401	26,854,244	4,080,169	223,969	3,200,449	382,903	–	47,457	34,789,191
Segment results	(1,044,238)	216,763	410,281	1,595	148,882	1,311,878	(3,884)	1,041,277	(3,428,262)	1,305,782	106,657	155,662	222,804	2,021,035	(3,722)	379,956
Elimination of intersegment results								(97,077)								(201,843)
Unallocated finance costs								(427,200)								–
Profit before tax from continuing operations								517,000								178,113
Segment assets	116,006	78,369,291	16,619,444	2,440,082	13,862,070	33,567,074	6,390	144,980,357	52,826,623	24,299,492	5,034,998	3,976,433	10,262,076	21,507,908	49,358	117,956,888
Elimination of intersegment assets								(19,520,052)								(5,719,723)
Total assets								125,460,305								112,237,165
Segment liabilities	150,489	14,451,007	13,770,422	1,076,008	13,473,817	36,583,789	27	79,505,559	34,622,203	12,408,457	3,589,440	3,619,989	9,782,986	8,583,009	27,397	72,633,481
Unallocated liabilities								51,561,814								–
Elimination of intersegment liabilities								(19,170,182)								(5,672,939)
Total liabilities								111,897,191								66,960,542
Supplementary segment information:																
Depreciation and amortisation	318,452	2,476,633	1,480	52,709	2,355	–	282	2,851,911	1,485,652	1,378,875	184	62,601	3,638	–	475	2,931,425
Provision/(reversal of provision) of impairment on receivables	(3,935)	224,293	122,781	9,036	(4,373)	–	–	347,802	6,314	(6,535)	24,896	8,078	(24,877)	–	–	7,876
Impairment of property, plant and equipment	–	126,645	–	–	–	–	–	126,645	804,464	–	–	–	–	–	–	804,464
Write-down of inventories to net realisable value	–	134,866	–	4,171	–	–	–	139,037	6,955	–	–	–	–	–	–	6,955
Impairment of investment in an associate	–	–	–	–	–	61,765	–	61,765	–	–	–	–	–	–	–	–
Dividend income	–	–	–	–	–	31,163	–	31,163	–	–	–	–	–	89,987	–	89,987
Share of profits of:																
Associates	–	–	–	–	–	1,538,043	–	1,538,043	–	–	–	–	–	1,786,971	–	1,786,971
Joint ventures	–	–	–	–	–	8,532	–	8,532	–	–	–	–	–	3,841	–	3,841
Investments in associates	–	–	–	–	–	18,244,380	–	18,244,380	–	–	–	–	–	20,096,311	–	20,096,311
Investments in joint ventures	–	–	–	–	–	137,349	–	137,349	–	–	–	–	–	56,243	–	56,243
Capital expenditure*	–	4,934,209	11,307	67,447	695	–	1,230	5,014,888	3,259,290	3,936,902	2,453	46,214	884	–	–	7,245,743

* Capital expenditure consists of additions to property, plant and equipment and intangible asset.

4. OPERATING SEGMENT INFORMATION (continued)

GEOGRAPHICAL INFORMATION

(a) Revenue from external customers

	2016 **RMB'000**	2015 RMB'000 (Restated)
Hong Kong	**6,289,049**	391,767
Mainland China	**2,859,362**	5,679,705
Asia (excluding Hong Kong and Mainland China)	**2,456,882**	8,552,359
United States	**1,909,216**	8,756,849
Europe	**1,451,384**	7,333,702
Others	**561,994**	2,173,116
	15,527,887	32,887,498

The revenue information of continuing operations above is based on the locations of the customers.

(b) Non-current assets

	2016 **RMB'000**	2015 RMB'000 (Restated)
Hong Kong	**50,716,811**	47,628,830
Mainland China	**26,446,986**	29,486,211
Others	**1,515**	1,250
	77,165,312	77,116,291

The non-current asset information of continuing operations above is based on the locations of the Company or its subsidiaries which own the assets and excludes financial instruments and deferred tax assets.

INFORMATION ABOUT A MAJOR CUSTOMER

Revenue from continuing operations of approximately RMB6,653,779,000 (2015: RMB1,138,468,000) was derived from sales by the vessel chartering and container leasing segment to a single customer.

5. REVENUE, OTHER INCOME AND GAINS/(LOSSES)

An analysis of revenue, other income and gains/(losses) from continuing operations is as follows:

(A) REVENUE

	2016 **RMB'000**	2015 RMB'000 (Restated)
Vessel chartering and container leasing	**8,974,145**	3,754,441
Liner services	**3,674,329**	26,837,058
Sale of goods	**1,484,413**	1,521,335
Finance lease income	**1,066,423**	401,949
Interest income	**289,742**	338,991
Others	**38,835**	33,724
	15,527,887	32,887,498

(B) OTHER INCOME

	2016 **RMB'000**	2015 RMB'000 (Restated)
Interest income generated from operations other than financial services	**80,930**	110,492
Government grants related to expense items	**309,822**	230,135
Refund of value-added tax	**–**	255,074
Dividends from available-for-sale investments	**30,972**	88,988
Dividends from held-for-trading investments	**191**	999
Others	**20,352**	38,661
	442,267	724,349

5. REVENUE, OTHER INCOME AND GAINS/(LOSSES) (continued)

(C) OTHER GAINS/(LOSSES)

	2016 RMB'000	2015 RMB'000 (Restated)
Loss on disposal of subsidiaries	(3,589)	–
Gain on disposal of interests in associates	50,997	–
Gain on disposal of interests in joint ventures	17,569	–
Gain/(loss) on disposal of items of property, plant and equipment	6,876	(80,887)
Gain on disposal of available-for-sale investments	77,000	17,028
Gain on disposal of held-for-trading investments	849	–
Fair value gain/(loss) on held-for-trading investments	44	(179)
Net foreign exchange loss	(31,566)	(11,050)
Others	(952)	7,598
	117,228	(67,490)

6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	Notes	**2016 RMB'000**	2015 RMB'000 (Restated)
Cost of goods sold		**1,159,600**	1,078,686
Cost of service provided		**4,828,803**	26,843,663
Depreciation of property, plant and equipment	*14*	**2,818,376**	2,907,048
Depreciation of investment properties		**376**	4,199
Amortisation of prepaid land lease payments	*15*	**3,904**	3,885
Amortisation of intangible asset	*16*	**29,255**	16,293
Auditor's remuneration		**7,280**	7,250
Employee benefit expenses (excluding directors' remuneration *(note 8)*):			
Wages and salaries		**1,416,536**	2,494,970
Pension scheme contributions (defined contribution scheme)		**184,798**	351,493
		1,601,334	2,846,463
Minimum lease payments under operating leases		**3,900,778**	4,792,177
Foreign exchange differences, net	*5*	**31,566**	11,050
Impairment of property, plant and equipment	*14*	**126,645**	804,464
Impairment of investment in an associate		**61,765**	–
Impairment of finance lease receivables recognised	*20*	**273,622**	29,184
Impairment of loan and receivables reversed	*21*	**(4,373)**	(26,078)
Impairment of trade receivables recognised/(reversed)	*24*	**82,144**	(8,542)
Impairment of other receivables (reversed)/recognised	*25*	**(3,591)**	13,312
Write-down of inventories to net realisable value		**139,037**	6,955
Loss on disposal of subsidiaries	*5*	**3,589**	–
Gain on disposal of associates	*5*	**(50,997)**	–
Gain on disposal of joint ventures	*5*	**(17,569)**	–
(Gain)/loss on disposal of items of property, plant and equipment	*5*	**(6,876)**	80,887
Gain on disposal of available-for-sale investments	*5*	**(77,000)**	(17,028)
Gain on disposal of held-for trading investments	*5*	**(849)**	–
Fair value (gain)/loss on held-for-trading investments	*5*	**(44)**	179
Dividends from available-for-sale investments	*5*	**(30,972)**	(88,988)
Dividends from held-for-trading investments	*5*	**(191)**	(999)
Interest income generated from operations other than financial services	*5*	**(80,930)**	(110,492)

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
Interest on borrowings and corporate bonds	**1,704,489**	900,551
Interest on finance leases	**572**	6,416
Total interest expense	**1,705,061**	906,967
Less: interest capitalised	**(14,120)**	(10,230)
	1,690,941	896,737

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors and chief executive's emoluments for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2016 RMB'000	2015 RMB'000
Fees	**1,076**	830
Other emoluments:		
Salaries, allowances and benefits in kind	**1,825**	600
Performance related bonuses	**2,667**	900
Pension scheme contributions	**372**	198
	4,864	1,698
	5,940	2,528

During the year, no director (2015: Nil) was granted share options.

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

The director's and chief executive's emoluments are set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2016					
Directors:					
Mr. Liu Chong (appointed on 30 June 2016)	–	575	747	127	1,449
Mr. Xu Hui (appointed on 30 June 2016)	–	450	622	97	1,169
Mr. Cai Hongping (appointed on 30 June 2016)	125	–	–	–	125
Mr. Tsang Hing Lun (appointed on 30 June 2016)	125	–	–	–	125
Ms. Hai Chi Yuet	300	–	–	–	300
Mr. Graeme Jack	300	–	–	–	300
Ms. Zhang Nan (resigned on 30 June 2016)	113	–	–	–	113
Mr. Guan Yimin (resigned on 30 June 2016)	113	–	–	–	113
	1,076	1,025	1,369	224	3,694
Chief executives:					
Mr. Wang Daxiong (appointed on 10 May 2016)	–	700	982	127	1,809
Mr. Zhao Hongzhou (resigned on 16 March 2016)	–	100	316	21	437
	–	800	1,298	148	2,246
	1,076	1,825	2,667	372	5,940

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2015					
Directors:					
Ms. Zhang Nan	150	–	–	–	150
Mr. Guan Yimin	150	–	–	–	150
Mr. Shi Xin	150	–	–	–	150
Ms. Hai Chi Yuet (appointed on 8 May 2015)	119	–	–	–	119
Mr. Graeme Jack (appointed on 26 June 2015)	79	–	–	–	79
Mr. Zhang Songshen (resigned on 8 May 2015)	182	–	–	–	182
	830	–	–	–	830
Chief executive:					
Mr. Zhao Hongzhou	–	600	900	198	1,698
	830	600	900	198	2,528

Save as disclosed above, none of the directors received any emoluments during 2016 and 2015.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

During the year, no emoluments were paid by the Group to any of the directors or chief executive officer as on inducement to join or upon joining the Group as compensation for loss of office (2015: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director and the chief executive appointed on 10 May 2016 (2015: the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining three (2015: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2016	2015
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**1,360**	2,040
Performance related bonuses	**2,413**	3,315
Pension scheme contributions	**370**	737
	4,143	6,092

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2016	2015
HK$1,500,001 to HK$2,000,000	**3**	4

During the year, no emoluments were paid by the Group to any of the five highest paid employees as on inducement to join or upon joining the Group or as compensation for loss of office (2015: Nil).

10. INCOME TAX

According to the Corporate Income Tax ("CIT") Law of the PRC, which was effective from 1 January 2008, the CIT rate applicable to the Company and its subsidiaries established in the PRC was 25% for the years ended 31 December 2016 and 2015.

Hong Kong profits tax was provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits of the Group's companies operating in Hong Kong during the year.

10. INCOME TAX (continued)

Taxes or profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

	2016	2015
	RMB'000	RMB'000
		(Restated)
Current income tax		
– PRC	**193,516**	136,232
– Hong Kong	**10,923**	5,529
– Elsewhere	**2,892**	54,588
Withholding tax on the distribution of dividends from the PRC associate to certain of the Group's overseas subsidiaries	**14,916**	21,538
Deferred income tax *(note 22)*	**(20,996)**	(17,137)
	201,251	200,750

A reconciliation of the tax expense applicable to profit before tax from continuing operations at the statutory rates for the countries or jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2016	2015
	RMB'000	RMB'000
		(Restated)
Profit before tax from continuing operations	**517,000**	178,113
Tax at the statutory tax rate	**129,250**	44,528
Effect of different tax rates for specific provinces or enacted by local authority	**(23,916)**	(41,219)
Effect of withholding tax on the distributable profits of the PRC associates of certain of the Group's overseas subsidiaries	**8,141**	32,453
Adjustments in respect of current tax of previous periods	**1,795**	(2,572)
Profits attributable to associates and joint ventures	**(386,644)**	(447,703)
Income not subject to tax	**(1,457,213)**	(2,806,394)
Expenses not deductible for tax	**1,872,846**	2,956,627
Tax losses not recognised	**99,375**	468,987
Tax losses utilised from previous periods	**(1,537)**	–
Temporary differences utilised from previous periods	**(40,846)**	(3,957)
Tax charge at the Group's effective rate	**201,251**	200,750

The share of tax attributable to associates and joint ventures amounting to RMB398,504,000 (2015: RMB348,157,000) and RMB918,000 (2015: RMB57,000), respectively, is included in "Share of profits of associates and joint ventures" in the consolidated statement of profit or loss.

11. DISCONTINUED OPERATION

In February 2016, the Restructuring set out in note 1 to the financial statements was approved by the independent shareholders of the Company as well as the relevant regulatory authorities.

Among the subsidiaries disposed of in note 1 to the financial statements, Puhai Group, Universal Shipping, Golden Sea and CS Singapore Petroleum constituted a major line of business of the provision of container marine transportation services and related business, which was classified as a discontinued operation.

The results of the discontinued operation for the year are presented below:

	2016 **RMB'000**	2015 RMB'000 (Restated)
Revenue	**402,761**	3,632,756
Cost	**(379,842)**	(3,496,325)
Expenses	**(26,422)**	(151,756)
Other income	**75,524**	55,726
Other gains/(loss)	**6,490**	(112,373)
Finance costs	**6**	(16)
Profit/(loss) before tax from the discontinued operation	**78,517**	(71,988)
Income tax expense	**(1,191)**	(8,345)
Profit/(loss) for the year from the discontinued operation	**77,326**	(80,333)
Earnings per share (expressed in RMB per share):		
Basic and diluted, from the discontinued operation	**0.0066**	(0.0069)

The calculations of basic and diluted earnings per share from the discontinued operation are based on:

	2016 **RMB'000**	2015 RMB'000 (Restated)
Profit/(loss) attributable to ordinary equity holders of the parent from the discontinued operation	**77,326**	(80,333)
Weighted average number of ordinary shares (in thousand) in issue during the year used in the basic and diluted earnings per share calculations *(note 13)*	**11,683,125**	11,683,125

11. DISCONTINUED OPERATION (continued)

The net cash flows incurred by the discontinued operation are as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
Operating activities	208,887	52,758
Investing activities	–	6,627
Financing activities	(38,072)	(28,821)
Effect of foreign exchange rate changes, net	3,030	564
Net cash flows	173,845	31,128

12. DIVIDENDS

The directors did not recommend the payment of any dividend for the year ended 31 December 2016 (2015: Nil).

13. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the year.

	2016 RMB'000	2015 RMB'000 (Restated)
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation		
From continuing operations	270,961	(114,043)
From a discontinued operation	76,542	(85,468)
Profit/(loss) attributable to ordinary equity holders of the parent	347,503	(199,511)

	2016 '000	2015 '000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	11,683,125	11,683,125

There was no dilutive effect for the year (2015: Nil).

14. PROPERTY, PLANT AND EQUIPMENT

	Container vessels RMB'000	Containers RMB'000	Buildings RMB'000	Machinery, motor vehicles and office equipment RMB'000	Leasehold improvements RMB'000	Vessels under construction RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2016								
At 31 December 2015 and at 1 January 2016:								
Cost (restated)	44,519,049	27,169,358	498,466	1,074,163	198,498	1,547,321	20,545	75,027,400
Accumulated depreciation and impairment (restated)	(10,647,340)	(6,850,056)	(137,048)	(658,920)	(130,018)	(12,770)	–	(18,436,152)
Net carrying amount (restated)	33,871,709	20,319,302	361,418	415,243	68,480	1,534,551	20,545	56,591,248
At 1 January 2016, net of accumulated depreciation and impairment as previously reported	33,703,529	3,876,770	51,327	44,032	60,172	600,123	210	38,336,163
Effect of merger accounting *(note 2.2)*	168,180	16,442,532	310,091	371,211	8,308	934,428	20,335	18,255,085
At 1 January 2016, net of accumulated depreciation and impairment as restated	33,871,709	20,319,302	361,418	415,243	68,480	1,534,551	20,545	56,591,248
Additions	12,462	4,711,578	–	23,605	7,589	154,543	73,808	4,983,585
Disposals	(61,610)	(2,145,099)	(414)	(18,744)	–	–	(210)	(2,226,077)
Disposal of subsidiaries *(note 39)*	(52,608)	–	(51,065)	(44,968)	(19,218)	–	–	(167,859)
Depreciation provided during the year *(note 6)*	(1,654,557)	(1,073,609)	(14,322)	(59,430)	(16,458)	–	–	(2,818,376)
Impairment *(note 6)*	–	(126,122)	–	(523)	–	–	–	(126,645)
Transfers	538,272	–	2,962	52,933	–	(538,272)	(55,895)	–
Exchange realignment	1,267,713	798,306	28	2,828	33	87,655	–	2,156,563
At 31 December 2016, net of accumulated depreciation and impairment	33,921,381	22,484,356	298,607	370,944	40,426	1,238,477	38,248	58,392,439
At 31 December 2016:								
Cost	46,375,805	30,855,378	444,889	949,849	69,996	1,252,118	38,248	79,986,283
Accumulated depreciation and impairment	(12,454,424)	(8,371,022)	(146,282)	(578,905)	(29,570)	(13,641)	–	(21,593,844)
Net carrying amount	33,921,381	22,484,356	298,607	370,944	40,426	1,238,477	38,248	58,392,439

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Container vessels RMB'000 (Restated)	Containers RMB'000 (Restated)	Buildings RMB'000 (Restated)	Machinery, motor vehicles and office equipment RMB'000 (Restated)	Leasehold improvements RMB'000 (Restated)	Vessels under construction RMB'000 (Restated)	Construction in progress RMB'000 (Restated)	Total RMB'000 (Restated)
31 December 2015								
At 31 December 2014 and at 1 January 2015:								
Cost	41,354,282	22,100,805	485,411	1,289,259	192,878	1,090,658	28,961	66,542,254
Accumulated depreciation and impairment	(8,726,353)	(5,362,138)	(122,500)	(822,437)	(106,293)	–	–	(15,139,721)
Net carrying amount	32,627,929	16,738,667	362,911	466,822	86,585	1,090,658	28,961	51,402,533
At 1 January 2015, net of accumulated depreciation and impairment as previously reported	32,631,272	2,768,380	46,253	48,104	77,245	791,071	7,483	36,369,808
Effect of merger accounting *(note 2.2)*	(3,343)	13,970,287	316,658	418,718	9,340	299,587	21,478	15,032,725
At 1 January 2015, net of accumulated depreciation and impairment as restated	32,627,929	16,738,667	362,911	466,822	86,585	1,090,658	28,961	51,402,533
Additions	47,872	3,110,671	16,725	69,950	4,537	3,211,418	779,747	7,240,920
Disposals	(393,548)	(156,323)	(1,648)	(31,535)	(471)	–	–	(583,525)
Disposal of subsidiaries *(note 39)*	–	–	–	(3,307)	–	–	–	(3,307)
Depreciation provided during the year *(note 6)*	(1,571,402)	(1,206,249)	(16,908)	(90,318)	(22,171)	–	–	(2,907,048)
Impairment *(note 6)*	(712,331)	(79,363)	–	–	–	(12,770)	–	(804,464)
Transfers	2,832,765	787,385	–	–	–	(2,832,765)	(787,385)	–
Exchange realignment	1,040,424	1,124,514	338	3,631	–	78,010	(778)	2,246,139
At 31 December 2015, net of accumulated depreciation and impairment	33,871,709	20,319,302	361,418	415,243	68,480	1,534,551	20,545	56,591,248
At 31 December 2015:								
Cost	44,519,049	27,169,358	498,466	1,074,163	198,498	1,547,321	20,545	75,027,400
Accumulated depreciation and impairment	(10,647,340)	(6,850,056)	(137,048)	(658,920)	(130,018)	(12,770)	–	(18,436,152)
Net carrying amount	33,871,709	20,319,302	361,418	415,243	68,480	1,534,551	20,545	56,591,248

14. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 December 2016, certain of the Group's container vessels and containers with a net carrying amount of approximately RMB24,792,246,000 (2015: RMB25,421,919,000) were pledged to secure general banking facilities granted to the Group (note 30) and corporate bonds (note 31).

During the year, the Group disposed of containers of RMB1,937,407,000 (2015: Nil) with the commencement of finance lease arrangements in which the Group was lessor.

During the year, one of the Group's customers in the vessel chartering and container leasing segment, Hanjing Shipping Co., Ltd. ("Hanjin"), filed for bankruptcy protection. As a result, the Group had terminated the operating lease agreements with Hanjin and is in the process of recovering the containers previously leased to Hanjin. As at 31 December 2016, certain containers were not probable to be recovered from Hanjin based on management's best estimate and an impairment of RMB126,122,000 was recognised.

As of 31 December 2015, indicator of impairment for container vessels, containers and vessels under construction, which belong to the former container shipping segment, was identified. Therefore, the Group estimated the recoverable amount of those assets by calculating the value in use with a discount rate of 7.7%. The Group recognised an impairment of RMB804,464,000 to reduce the carrying amount of those assets to the recoverable amount.

15. PREPAID LAND LEASE PAYMENTS

	2016	2015
	RMB'000	RMB'000
		(Restated)
Carrying amount at 1 January as previously reported	**–**	–
Effect of merger accounting	**218,293**	216,799
Carrying amount at 1 January as restated	**218,293**	216,799
Recognised during the year *(note 6)*	**(3,904)**	(3,885)
Exchange realignment	**6,346**	5,379
Carrying amount at 31 December	**220,735**	218,293
Current portion	**(3,918)**	(3,897)
Non-current portion	**216,817**	214,396

16. INTANGIBLE ASSET

	Computer software RMB'000
31 December 2016	
Cost at 1 January 2016, net of accumulated amortisation as previously reported	**15,572**
Effect of merger accounting *(note 2.2)*	**15,166**
Cost at 1 January 2016, net of accumulated amortisation as restated	**30,738**
Additions	**31,303**
Disposals	**(7,536)**
Disposal of subsidiaries *(note 39)*	**(4,234)**
Amortisation provided during the year *(note 6)*	**(29,255)**
Exchange realignment	**865**
At 31 December 2016	**21,881**
At 31 December 2016:	
Cost	**171,508**
Accumulated amortisation	**(149,627)**
Net carrying amount	**21,881**
31 December 2015 (restated)	
At 1 January 2015:	
Cost	160,371
Accumulated amortisation	(118,730)
Net carrying amount	41,641
Cost at 1 January 2015, net of accumulated amortisation as previously reported	18,916
Effect of merger accounting *(note 2.2)*	22,725
Cost at 1 January 2015, net of accumulated amortisation as restated	41,641
Additions	4,823
Amortisation provided during the year *(note 6)*	(16,293)
Exchange realignment	567
At 31 December 2015	30,738
At 31 December 2015 and at 1 January 2016:	
Cost	170,691
Accumulated amortisation	(139,953)
Net carrying amount	30,738

17. INVESTMENTS IN ASSOCIATES

	2016 RMB'000	2015 RMB'000 (Restated)
Share of net assets	**18,065,622**	19,754,132
Goodwill on acquisition	**240,523**	342,179
	18,306,145	20,096,311
Provision for impairment	**(61,765)**	–
	18,244,380	20,096,311

As of 31 December 2016, particulars of the material associates are as follows:

Name	Particulars of issued shares held	Place of registration	Percentage of ownership interest	Principal activities
China International Marine Containers (Group) Co., Ltd. ("CIMC")	Ordinary shares RMB1 each	PRC	22.76	Manufacture and sale of containers
China Bohai Bank Co., Ltd. ("CBB")	Ordinary shares RMB1 each	PRC	13.67	Banking
China Everbright Bank Co., Ltd. ("CEB")	Ordinary shares RMB1 each	PRC	1.551	Banking
Bank of Kunlun Co., Ltd. ("BOK")	Ordinary shares RMB1 each	PRC	3.74	Banking
Shanghai Life Insurance Co., Ltd. ("Shanghai Life")	Registered capital RMB1 each	PRC	16	Insurance

The Group has less than 20% of equity interests in CBB, CEB, BOK and Shanghai Life. With the Group's presence in the boards of these companies and participation in the financial and operating activities of these companies, the Group could exercise significant influence over these companies. Accordingly, these companies are accounted for as associates.

As at 31 December 2016, indicator of impairment for an investment in an associate was identified. Therefore, the Group estimated the recoverable amount of the investment by calculating the fair value less costs of disposal. The Group recognised an impairment of RMB61,765,000 (2015: Nil) to reduce the carrying amount of the investment to the recoverable amount.

17. INVESTMENTS IN ASSOCIATES (continued)

The following tables illustrate the summarised financial information in respect of each of the Group's material associates adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	CIMC		CBB		CEB		BOK		Shanghai Life		CSPD	
	2016 RMB'000	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000	**2016 RMB'000**	2015 RMB'000
Current assets	**49,754,644**	43,530,325	**456,572,790**	373,680,333	**2,652,160,767**	2,199,117,699	**109,119,907**	135,884,406	**15,605,245**	5,319,500	**–**	404,746
Non-current assets	**70,973,119**	63,232,846	**399,546,888**	390,555,107	**1,367,160,000**	968,026,000	**184,081,814**	155,970,146	**21,693,244**	12,995,896	**–**	7,940,687
Total liabilities	**83,060,848**	71,268,295	**814,656,311**	728,678,444	**3,768,974,000**	2,943,663,000	**267,092,004**	267,237,808	**31,632,562**	16,760,961	**–**	617,468
Net assets attributable to owners of the parent	**26,998,559**	26,508,276	**41,463,367**	35,556,996	**219,786,767**	202,961,699	**26,048,471**	24,560,503	**5,665,927**	1,554,435	**–**	7,286,300
Other equity instrument – perpetual debt	**4,035,535**	2,033,043	**–**	–	**29,947,000**	19,965,000	**–**	–	**–**	–	**–**	–
Non-controlling interests	**6,632,821**	6,953,557	**–**	–	**613,000**	554,000	**61,246**	56,241	**–**	–	**–**	441,665
Net assets	**37,666,915**	35,494,876	**41,463,367**	35,556,996	**250,346,767**	223,480,699	**26,109,717**	24,616,744	**5,665,927**	1,554,435	**–**	7,727,965
Reconciliation to the Group's interests in the associates:												
Proportion of the Group's ownership	**22.76%**	22.77%	**13.67%**	13.67%	**1.551%**	1.551%	**3.74%**	3.975%	**16.00%**	16.00%	**–**	49.00%
Group's share of net assets of the associates	**6,144,872**	6,035,934	**5,668,042**	4,860,641	**3,408,893**	3,147,936	**974,213**	976,280	**906,548**	248,710	**–**	3,570,287
Group's share of the revaluation surplus of assets of the associate	**831,063**	810,345	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Goodwill on acquisition	**–**	–	**81,337**	81,337	**–**	–	**159,186**	159,186	**–**	–	**–**	25,452
Provision for impairment	**–**	–	**–**	–	**–**	–	**(61,765)**	–	**–**	–	**–**	–
Carrying amounts of the investments	**6,975,935**	6,846,279	**5,749,379**	4,941,978	**3,408,893**	3,147,936	**1,071,634**	1,135,466	**906,548**	248,710	**–**	3,595,739
Revenue	**51,111,652**	58,685,804	**21,893,372**	18,493,017	**94,037,000**	93,364,000	**9,264,156**	11,539,157	**13,410,032**	4,640,202	**88,609**	401,661
Attributable to owners of parent:												
Profit/(loss) for the year	**194,468**	1,580,263	**6,473,428**	5,688,512	**29,114,068**	28,961,699	**2,539,607**	2,939,145	**68,913**	(512,163)	**17,229**	282,628
Other comprehensive income/(loss) for the year	**993,256**	(445,734)	**(567,057)**	372,191	**(3,420,000)**	3,707,000	**(298,442)**	247,748	**(197,423)**	66,597	**(10,046)**	85,269
Total comprehensive income/(loss) for the year	**1,187,724**	1,134,529	**5,906,371**	6,060,703	**25,694,068**	32,668,699	**2,241,165**	3,186,893	**(128,510)**	(445,566)	**7,183**	367,897
Dividends declared	**655,822**	833,030	**–**	–	**8,869,000**	8,685,000	**774,866**	767,487	**–**	–	**–**	–

17. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2016 RMB'000	2015 RMB'000 (Restated)
Share of the associates' profit for the year	36,887	26,957
Share of the associates' other comprehensive income	5	1,782
Share of the associates' total comprehensive income	36,892	28,739

	2016 RMB'000	2015 RMB'000 (Restated)
Aggregate carrying amount of the Group's investments in the associates	131,991	180,203

18. INVESTMENTS IN JOINT VENTURES

	2016 RMB'000	2015 RMB'000 (Restated)
Share of net assets	137,349	56,243

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2016 RMB'000	2015 RMB'000 (Restated)
Share of the joint ventures' profit and total comprehensive income for the year	8,532	3,841

	2016 RMB'000	2015 RMB'000 (Restated)
Aggregate carrying amount of the Group's investments in the joint ventures	137,349	56,243

19. AVAILABLE-FOR-SALE INVESTMENTS

	2016	2015
	RMB'000	RMB'000
		(Restated)
Funds, at fair value	**4,196,942**	686,666
Wealth management products, at cost	**150,000**	295,000
Listed equity investments, at fair value	**1,170,709**	205,468
Unlisted equity investments, at cost	**596,431**	162,781
	6,114,082	1,349,915

During the year, the gain net of tax in respect of the Group's available-for-sale investments recognised in other comprehensive income amounted to RMB66,325,000 (2015: RMB39,343,000). In addition, the reclassification adjustments for gains included in the consolidated statement of profit or loss amounted to RMB33,019,000 for the year (2015: RMB122,000).

The unlisted available-for-sale investments are stated at cost because the range of reasonable fair value estimates is so significant that the directors are of the opinion that the fair value cannot be measured reliably.

20. FINANCE LEASE RECEIVABLES

	2016			2015		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000 (Restated)
Current portion	**3.21 to 16.0**	**2017**	**3,629,348**	3.21 to 14.5	2016	1,687,513
Non-current portion	**3.21 to 16.0**	**2018-2028**	**15,311,914**	3.21 to 14.5	2017-2026	5,730,373
			18,941,262			7,417,886
Less: impairment			**(336,969)**			(54,901)
			18,604,293			7,362,985

20. FINANCE LEASE RECEIVABLES (continued)

	Minimum lease receivables		Present value of minimum lease receivables	
	2016	2015	**2016**	2015
	RMB'000	RMB'000 (Restated)	**RMB'000**	RMB'000 (Restated)
Amounts receivables:				
Within one year	**4,731,683**	2,157,114	**3,629,348**	1,687,513
In the second to fifth years, inclusive	**14,738,899**	5,755,729	**12,709,125**	4,856,576
After five years	**2,972,939**	1,042,080	**2,602,789**	873,797
Total minimum finance lease receivables	**22,443,521**	8,954,923	**18,941,262**	7,417,886
Less: unearned finance income	**(3,502,259)**	(1,537,037)		
	18,941,262	7,417,886		
Less: impairment	**(336,969)**	(54,901)		
Total net finance lease receivables	**18,604,293**	7,362,985		
Portion classified as current assets	**(3,593,896)**	(1,682,327)		
Non-current portion	**15,010,397**	5,680,658		

The tables below summarise the movements in impairment losses on finance lease receivables:

	2016	2015
	RMB'000	RMB'000 (Restated)
At 1 January as previously reported	**–**	–
Effect of merger accounting *(note 2.2)*	**54,901**	24,111
At 1 January as restated	**54,901**	24,111
Impairment losses recognised *(note 6)*	**273,622**	29,184
Exchange realignment	**8,446**	1,606
At 31 December	**336,969**	54,901

As of 31 December 2016, finance lease receivables with a carrying amount of RMB18,604,293,000 (2015: RMB7,362,985,000) were neither past due nor impaired.

At 31 December 2016, certain of the Group's finance lease receivables with a net carrying amount of approximately RMB1,379,841,000 (2015: RMB226,705,000) were pledged to secure general banking facilities granted to the Group (note 30).

21. LOANS AND RECEIVABLES

	2016	2015
	RMB'000	RMB'000
		(Restated)
Corporate loans	**3,416,437**	3,591,305
Less: impairment	**(85,410)**	(89,783)
Carrying amount at 31 December	**3,331,027**	3,501,522
Current portion	**(3,132,913)**	(3,133,055)
Non-current portion	**198,114**	368,467

The tables below summarise the movements in impairment losses on loans and receivables:

	2016	2015
	RMB'000	RMB'000
		(Restated)
At 1 January as previously reported	**–**	–
Effect of merger accounting *(note 2.2)*	**89,783**	115,861
At 1 January as restated	**89,783**	115,861
Impairment losses reversed *(note 6)*	**(4,373)**	(26,078)
At 31 December	**85,410**	89,783

As of 31 December 2016, loan and receivables with a carrying amount of RMB3,331,027,000 (2015: RMB3,501,522,000) were neither past due nor impaired.

22. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

DEFERRED TAX LIABILITIES

	Withholding taxes RMB'000	Accelerated tax depreciation and amortisation RMB'000	Changes in fair value of available-for-sale investments RMB'000	Total RMB'000
At 1 January 2016 as previously reported	–	94	–	94
Effect of merger accounting *(note 2.2)*	263,481	8,201	9,192	280,874
At 1 January 2016 as restated	263,481	8,295	9,192	280,968
Deferred tax (credited)/charged to the profit or loss during the year *(note 10)*	(6,775)	(1,917)	7	(8,685)
Deferred tax credited to other comprehensive income during the year	–	–	(8,242)	(8,242)
Disposal of subsidiaries *(note 39)*	–	(85)	–	(85)
Exchange realignment	–	85	–	85
At 31 December 2016	256,706	6,378	957	264,041
At 1 January 2015 as previously reported	–	75	–	75
Effect of merger accounting *(note 2.2)*	252,566	36,131	22,122	310,819
At 1 January 2015 as restated	252,566	36,206	22,122	310,894
Deferred tax charged/(credited) to the profit or loss during the year year *(note 10)*	10,915	(29,701)	25	(18,761)
Deferred tax credited to other comprehensive income during the year	–	–	(12,955)	(12,955)
Exchange realignment	–	1,790	–	1,790
At 31 December 2015 (restated)	263,481	8,295	9,192	280,968

Pursuant to the PRC CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. For the Group, the applicable rate is 10%. Certain of the Group's overseas subsidiaries are therefore liable for withholding taxes on dividends distributed by certain associates established in Mainland China in respect of earnings generated from 1 January 2008.

22. DEFERRED TAX (continued)

DEFERRED TAX ASSETS

	Impairment losses on receivables RMB'000	Accelerated tax depreciation and amortisation RMB'000	Changes in fair value of available-for-sale investments RMB'000	Total RMB'000
At 1 January 2016 as previously reported	**–**	**4,358**	**–**	**4,358**
Effect of merger accounting *(note 2.2)*	**19,692**	**11,861**	**20,429**	**51,982**
At 1 January 2016 as restated	**19,692**	**16,219**	**20,429**	**56,340**
Deferred tax credited/(charged) to the profit or loss during the year *(note 10)*	**41,097**	**(2,320)**	**(26,466)**	**12,311**
Deferred tax credited to other comprehensive income during the year	**–**	**–**	**21,009**	**21,009**
Disposal of subsidiaries *(note 39)*	**–**	**(1,044)**	**–**	**(1,044)**
Exchange realignment	**112**	**754**	**–**	**866**
At 31 December 2016	**60,901**	**13,609**	**14,972**	**89,482**
At 1 January 2015 as previously reported	6,250	4,229	–	10,479
Effect of merger accounting *(note 2.2)*	17,379	9,071	–	26,450
At 1 January 2015 as restated	23,629	13,300	–	36,929
Deferred tax (charged)/credited to the profit or loss during the year *(note 10)*	(3,937)	2,313	–	(1,624)
Deferred tax credited to other comprehensive income during the year	–	–	20,429	20,429
Exchange realignment	–	606	–	606
At 31 December 2015 (restated)	19,692	16,219	20,429	56,340

Deferred tax assets have not been recognised in respect of the following items:

	2016 RMB'000	2015 RMB'000 (Restated)
Tax losses	**4,131,943**	5,368,446
Deductible temporary differences	**692,240**	855,624
	4,824,183	6,224,070

23. INVENTORIES

	2016 RMB'000	2015 RMB'000 (Restated)
Raw materials	**242,464**	134,592
Spare parts	**358,734**	353,061
Finished goods	**258,217**	751,115
	859,415	1,238,768

24. TRADE AND NOTES RECEIVABLES

The aging analysis of the trade and notes receivables, based on the invoice date, is as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
Trade receivables	**1,811,570**	2,583,186
Notes receivable	**5,100**	202,295
	1,816,670	2,785,481
Impairment	**(161,014)**	(97,375)
	1,655,656	2,688,106

Credit terms in a range within three months are granted to those customers with a good payment history. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, which are internationally dispersed.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
Within 3 months	**1,215,511**	2,498,706
4 to 6 months	**91,244**	177,278
7 to 12 months	**334,252**	3,213
Over 1 year	**14,649**	8,909
	1,655,656	2,688,106

24. TRADE AND NOTES RECEIVABLES (continued)

The movements in provision for impairment of trade receivables are as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
At beginning of year as previously reported	**92,976**	67,848
Effect of merger accounting *(note 2.2)*	**4,399**	25,770
At beginning of year as restated	**97,375**	93,618
Impairment losses recognised/(reversed) *(note 6)*	**82,144**	(8,542)
Amount written off as uncollectable	**(54)**	10,617
Disposal of subsidiaries	**(17,191)**	–
Exchange realignment	**(1,260)**	1,682
	161,014	97,375

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB161,014,000 (2015: RMB97,375,000) with a carrying amount before provision of RMB161,014,000 (2015: RMB97,375,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
Neither past due nor impaired	**1,650,556**	2,485,811

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

25. PREPAYMENTS AND OTHER RECEIVABLES

	2016 RMB'000	2015 RMB'000 (Restated)
Prepayments	**599,823**	217,590
Other receivables	**303,639**	1,667,405
Impairment	**(3,529)**	(19,942)
	899,933	1,865,053

The movements in the provision for impairment of other receivables are as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
At beginning of year as previously reported	**7,001**	6,563
Effect of merger accounting *(note 2.2)*	**12,941**	–
At beginning of year as restated	**19,942**	6,563
Impairment losses (reversed)/recognised *(note 6)*	**(3,591)**	13,312
Amount written off as uncollectable	**–**	(45)
Disposal of subsidiaries	**(12,941)**	–
Exchange realignment	**119**	112
	3,529	19,942

26. HELD-FOR-TRADING INVESTMENTS

	2016 RMB'000	2015 RMB'000 (Restated)
Funds, at fair value	**72,189**	200,104
Listed equity investments, at fair value	**277**	245
	72,466	200,349

27. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2016	2015
	RMB'000	RMB'000
		(Restated)
Cash and bank balances	**16,656,679**	16,853,939
Mandatory reserves with the central bank *(note a)*	**(834,184)**	(624,391)
Pledged time deposits for bank loans and corporate bonds	**(107,848)**	(182,066)
Pledged time deposits for bank acceptance bills	**(18,200)**	–
Time deposits with original maturity of more than three months	**(104,055)**	(60,000)
Pledged to customs as guarantees for import	**(100)**	(1,410)
Restricted insurance premium received	**(65,038)**	(54,401)
Restricted cash	**(1,129,425)**	(922,268)
Cash and cash equivalents	**15,527,254**	15,931,671

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB10,247,330,000 (2015: RMB6,257,048,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Note:

(a) CS Finance is required to place mandatory reserve deposits with the People's Bank of China, the PRC's central bank. Mandatory reserve deposits with the central bank are not available for use in CS Finance's daily operations.

28. TRADE AND NOTES PAYABLES

An aged analysis of the trade payables as at end of the reporting date, based on the invoice date, is as follows:

	2016 **RMB'000**	2015 RMB'000 (Restated)
Within 3 months	**1,026,115**	3,743,330
4 to 6 months	**24,359**	180,625
7 to 12 months	**684,191**	71,642
Over 1 year	**4,077**	46,057
	1,738,742	4,041,654

29. OTHER PAYABLES AND ACCRUALS

	2016 **RMB'000**	2015 RMB'000 (Restated)
Other payables	**2,071,688**	1,621,559
Accruals	**113,035**	101,820
	2,184,723	1,723,379

30. BANK AND OTHER BORROWINGS

	2016		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans – secured	2.55-4.90	2017	2,857,397
Bank loans – unsecured	1.86-5.35	2017	18,471,868
Commercial paper notes – unsecured	1.62	2017	375,986
Borrowings from fellow subsidiaries – unsecured	4.35	2017	2,720,000
Borrowings from an immediate holding company – unsecured	2.65-2.99	2017	5,500,000
			29,925,251
Non-current			
Bank loans – secured	2.55-4.90	2018-2027	10,963,999
Bank loans – unsecured	1.49-4.70	2018-2022	50,838,362
Borrowings from an immediate holding company – unsecured	2.65-3.325	2018-2019	2,300,000
			64,102,361
			94,027,612

30. BANK AND OTHER BORROWINGS (continued)

	2015		
	Effective interest rate (%)	Maturity	RMB'000 (Restated)
Current			
Bank loans – secured	0.96-4.90	2017	2,079,708
Bank loans – unsecured	0.96-4.90	2017	5,065,276
Commercial paper notes – unsecured	0.40-1.62	2017	4,870,200
Non-interest-bearing borrowings from fellow subsidiaries – unsecured	–	2017	10,491,127
Borrowings from fellow subsidiaries – unsecured	2.25-3.25	2017	42,532
Borrowings from an immediate holding company – unsecured	3.18-4.61	2017	4,270,000
			26,818,843
Non-current			
Bank loans – secured	0.96-4.90	2018-2027	9,957,490
Bank loans – unsecured	0.96-4.90	2018-2020	13,818,237
Borrowings from fellow subsidiaries – unsecured	2.25-3.25	2018	324,680
Borrowings from an immediate holding company – unsecured	3.18-4.61	2018	1,249,360
			25,349,767
			52,168,610

30. BANK AND OTHER BORROWINGS (continued)

	2016 RMB'000	2015 RMB'000 (Restated)
Analysed into:		
Bank borrowings:		
Within one year or on demand	**21,329,265**	7,144,984
In the second year	**14,860,321**	8,761,247
In the third to fifth years, inclusive	**35,227,889**	10,830,888
Beyond five years	**11,714,151**	4,183,592
	83,131,626	30,920,711
Other borrowings:		
Within one year or on demand	**8,595,986**	19,673,859
In the second year	**600,000**	974,040
In the third to fifth years, inclusive	**1,700,000**	600,000
	10,895,986	21,247,899
	94,027,612	52,168,610

Certain of the Group's bank loans are secured by:

	2016 RMB'000	2015 RMB'000 (Restated)
Property, plant and equipment	**22,837,658**	23,236,040
Finance lease receivables	**1,379,841**	226,705
Pledged deposits	**35,981**	103,134
	24,253,480	23,565,879

31. CORPORATE BONDS

	2016 RMB'000	2015 RMB'000 (Restated)
Current portion	**2,075,822**	245,617
Non-current portion	**1,426,942**	3,449,494
	3,502,764	3,695,111

On 12 June 2007, the Company issued corporate bonds in the PRC with a face value of RMB1,800,000,000 ("Bond A"), pursuant to the approval obtained from the National Development and Reform Commission of the PRC. The bonds are denominated in RMB and for a ten-year period fully repayable by 12 June 2017, and bear interest at a rate of 4.51% per annum. The bonds are guaranteed by Bank of China, Shanghai branch, and have been listed on the interbank bond market in the PRC. As of 31 December 2016, the carrying amount of Bond A was RMB1,798,884,000 (2015: RMB1,796,432,000).

On 25 September 2013, DFCF (SPV), a subsidiary of the Company, issued a note with an aggregate principal amount of US$200,000,000 ("Note 2013"). The note carried an interest yield of 3.96% per annum and was issued at a price of 99.1001049% of its principal amount. The note bears interest from 25 September 2013, payable monthly in arrears. Unless previously prepaid by DFCF (SPV), the note is repayable monthly in accordance with the repayment schedule in the note offering memorandum commencing from October 2013. The note is subject to repayment in whole or in part, at a price equal to 102% of the aggregate principal amount if the repayment is made from 25 October 2015 to 24 October 2018 or 100% of the aggregate principal amount if the repayment is made on or after 25 October 2018, together with accrued interest, at the discretion of DFCF (SPV) at any time after 25 October 2015. As of 31 December 2016, the carrying amount of Note 2013 was RMB891,068,000 (2015: RMB1,012,753,000).

On 4 December 2014, DFCFII (SPV), a subsidiary of the Company, issued notes with 2 classes (together refer to as "Note 2014"). The notes are set out as follows:

(a) principal amount of US$35,000,000 class A-1 notes (the "Class A-1 Notes"); and

(b) principal amount of US$124,000,000 class A-2 notes (the "Class A-2 Notes").

Class A-1 Notes carried an interest yield of 1.95% per annum and were issued at a price of 99.99017% of its principal amount. Class A-2 Notes carried an interest yield of 3.55% per annum and were issued at a price of 99.89347% of its principal amount.

31. CORPORATE BONDS (continued)

The notes bear interest from 4 December 2014, payable monthly in arrears. Unless previously repaid by DFCFII (SPV), Class A-1 Notes and Class A- 2 Notes are repayable monthly in accordance with the repayment schedule in the note offering memorandum commencing from December 2014. The notes are subject to prepayment in whole or in part at their principal amount, together with accrued interest, at the discretion of DFCFII (SPV) at any time after 4 December 2016. As of 31 December 2016, the carrying amount of Note 2014 was RMB812,812,000 (2015: RMB885,926,000).

As of 31 December 2016, certain of the Group's corporate bonds are secured by pledged deposits with a carrying amount of RMB71,867,000 (2015: RMB78,932,000) and property, plant and equipment with a carrying amount of RMB1,954,588,000 (2015: RMB2,185,879,000).

32. DEPOSITS FROM CUSTOMERS

	2016 **RMB'000**	2015 RMB'000 (Restated)
Current		
Demand deposits	**7,402,597**	4,482,658
Time deposits	**1,147,969**	–
	8,550,566	4,482,658
Non-current		
Time deposits	**951**	8,900
	8,551,517	4,491,558

33. DERIVATIVE FINANCIAL INSTRUMENTS

	2016	
	Assets	**Liabilities**
	RMB'000	**RMB'000**
Current portion of interest rate swaps	**1,340**	**–**
Non-current portion of interest rate swaps	**6,702**	**–**
	8,042	**–**

	2015	
	Assets	Liabilities
	RMB'000	RMB'000
	(Restated)	(Restated)
Current portion of interest rate swaps	–	147
Non-current portion of interest rate swaps	–	691
	–	838

At 31 December 2016, the Group had interest rate swap agreements in place with a total notional amount of US$380,755,200 whereby they receive interest at variable rates equal to the 3-month London Interbank Offered Rate ("LIBOR") on the notional amounts and pay interest at fixed rates of 1.37% to 1.58%. The swaps are used to hedge the exposure to changes in the cash flow of its secured loans with variable rates. The secured loans and the interest rate swap agreements have the same principal terms. The hedge of the interest rate swaps was assessed to be effective.

34. PROVISION

	Legal claim
	RMB'000
At 1 January 2015, 31 December 2015 and 1 January 2016	25,000
Reversal of unutilised amounts	(25,000)
At 31 December 2016	–

The provision for legal claim of RMB25,000,000 is related to a legal claim brought against the Group by a customer of the Group. Based on the decision made by the superior court of Togo on 21 July 2016, the Group won the related lawsuit, and thus the legal claim will not give rise to any loss to the Group. As a result, the balance was reversed during the year.

35. FINANCE LEASE OBLIGATIONS

The Group leases certain of its containers for its container leasing business.

At 31 December 2016, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease		Present value of minimum lease payments	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		(Restated)
Amounts payables:				
Within one year	**45,229**	177	**36,104**	141
In the second to fifth years, inclusive	**337,000**	410	**311,344**	326
Total minimum finance lease payments	**382,229**	587	**347,448**	467
Less: future finance charges	**(34,781)**	(120)		
	347,448	467		
Portion classified as current liabilities	**(36,104)**	(141)		
Non-current portion	**311,344**	326		

36. SHARE CAPITAL

	2016	2015
	RMB'000	RMB'000
Issued and fully paid:		
11,683,125,000 (2015: 11,683,125,000) ordinary shares with par value of RMB1 each	11,683,125	11,683,125

As at 31 December 2016, the shares included 7,932,125,000 A Shares and 3,751,000,000 H Shares (2015: 7,932,125,000 A Shares and 3,751,000,000 H Shares).

37. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 106 to 107 of the financial statements.

(A) SPECIAL RESERVE

According to "Circular on Printing and Distributing the Administrative Measures for the Withdrawal and Use of Expenses for Safety Production of Enterprises" issued by the Ministry of Finance and the Safety Production General Bureau on 14 February 2012, the Group is required to accrue a "Safety Fund" to improve the production safety. The Group should accrue the Safety Fund from 1 January 2012. The accrual standard rate is 1% of the revenue from transportation services of the Company and certain of its subsidiaries in the PRC. The fund is accrued monthly according to revenue and in a progressive way.

(B) GENERAL RESERVE

Pursuant to Caijin 2012 No. 20 Requirements on Impairment Allowance for Financial Institutions ("Requirements"), issued by the Ministry of Finance, in addition to the impairment allowance, CS Finance establishes a general reserve within the equity holders' equity through the appropriation of the profit to address unidentified potential impairment losses. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the Requirements, and the minimum threshold can be accumulated over a period of no more than five years.

37. RESERVES (continued)

(C) OTHER RESERVES

The movements in each type of other reserves are as follows:

	Capital surplus RMB'000	Statutory reserve fund* RMB'000	Available-for-sale investment revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000
At 1 January 2016 as previously reported	17,027,767	1,355,763	–	(1,177,289)	17,206,241
Effect of merger accounting *(note 2.2)*	9,589,113	–	101,589	(1,320,665)	8,370,037
At 1 January 2016 (restated)	26,616,880	1,355,763	101,589	(2,497,954)	25,576,278
Available-for-sale investments:					
Changes in fair value, net of tax	–	–	70,730	–	70,730
Reclassification adjustments for gains included in the consolidated statement of profit or loss	–	–	(33,019)	–	(33,019)
Cash flow hedges:					
Effective portion of changes in fair value of hedging instruments arising during the year	8,555	–	–	–	8,555
Exchange differences:					
Exchange differences on translation of foreign operations	–	–	–	(719,381)	(719,381)
Reclassification adjustments for foreign operations disposed of	–	–	–	37,937	37,937
Associates:					
Share of other comprehensive loss of associates	47,135	–	–	–	47,135
Reclassification adjustments for associates disposed of	(1,179)	–	–	–	(1,179)
Acquisition of non-controlling interests	(21,590)	–	–	–	(21,590)
Consideration for acquisition of subsidiaries under common control	(24,435,902)	–	–	–	(24,435,902)
Consideration for acquisition of an associate under common control	(6,398,877)	–	–	–	(6,398,877)
Dividends paid to a former shareholder of an acquired associate under common control	(137,558)	–	–	–	(137,558)
Loss on dilution of investment in an associate	(60,353)	–	–	–	(60,353)
Others	(594)	–	–	–	(594)
At 31 December 2016	(4,383,483)	1,355,763	139,300	(3,179,398)	(6,067,818)

37. RESERVES (continued)

(C) OTHER RESERVES (continued)

	Capital surplus RMB'000	Statutory reserve fund* RMB'000	Available-for-sale investment revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000
At 1 January 2015 as previously reported	16,992,686	1,355,763	–	(1,474,845)	16,873,604
Effect of merger accounting *(note 2.2)*	8,390,122	–	59,907	(1,482,004)	6,968,025
At 1 January 2015 (restated)	25,382,808	1,355,763	59,907	(2,956,849)	23,841,629
Available-for-sale investments:					
Changes in fair value, net of tax	–	–	41,804	–	41,804
Reclassification adjustments for gains included in the consolidated statement of profit or loss	–	–	(122)	–	(122)
Cash flow hedges:					
Effective portion of changes in fair value of hedging instruments arising during the year	(5,682)	–	–	–	(5,682)
Exchange differences:					
Exchange differences on translation of foreign operations	–	–	–	458,895	458,895
Associates:					
Share of other comprehensive income of associates	70,948	–	–	–	70,948
Capital injection from former shareholders of acquired subsidiaries under common control	1,320,000	–	–	–	1,320,000
Disposal of subsidiaries	(58,273)	–	–	–	(58,273)
Dividends paid to a former shareholder of an acquired associate under common control	(134,657)	–	–	–	(134,657)
Gain on dilution of investment in an associate	41,736	–	–	–	41,736
At 31 December 2015 (restated)	26,616,880	1,355,763	101,589	(2,497,954)	25,576,278

* In accordance with the PRC regulations and the articles of association of the companies of the Group, before distributing the net profit of each year, companies of the Group registered in the PRC are required to set aside 10% of their statutory net profit for the year after offsetting any prior year's losses as determined under relevant PRC accounting standards to the statutory surplus reserve fund. When the balance of this reserve reaches 50% of each PRC entity's share capital, any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior years' losses or to issue bonus shares.

38. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2016 RMB'000	2015 RMB'000
Percentage of equity interest held by non-controlling interests:		
CS Finance	**35%**	35%
Profit for the year allocated to non-controlling interests:		
CS Finance	**37,487**	72,828
Dividends paid to non-controlling interests of CS Finance	**122,190**	46,935
Accumulated balances of non-controlling interests at the reporting dates:		
CS Finance	**313,067**	402,175

The following tables illustrate the summarised financial information of CS Finance. The amounts disclosed are before any inter-company eliminations:

	2016 RMB'000	2015 RMB'000
Revenue	**350,077**	342,262
Total expenses	**242,972**	134,181
Profit for the year	**107,105**	208,081
Total comprehensive income for the year	**94,518**	201,048
Current assets	**12,344,031**	10,124,899
Non-current assets	**1,957,564**	751,812
Current liabilities	**13,406,134**	9,714,658
Non-current liabilities	**984**	12,981
Net cash flows from operating activities	**1,726,978**	6,075,525
Net cash flows from/(used in) investing activities	**173,515**	(5,923)
Net cash flows used in financing activities	**(349,114)**	(134,100)
Net increase in cash and cash equivalents	**1,551,379**	5,935,502

39. DISPOSAL OF SUBSIDIARIES

(A) During the year, the Group disposed of a series of subsidiaries, particulars of which can be referred to note 1 to the financial statements.

Details of the net assets disposed of and loss on disposal are as follows:

	2016 RMB'000
Net assets disposed of:	
Property, plant and equipment	167,392
Investment properties	2,028
Intangible asset	4,234
Deferred tax assets	1,044
Inventories	18,671
Trade and notes receivables	2,734,578
Prepayments and other receivables	670,800
Cash and cash equivalents	1,252,831
Trade and notes payables	(2,999,572)
Other payables and accruals	(852,124)
Tax payable	(20,253)
Deferred tax liabilities	(85)
Other long term payables	(334)
Non-controlling interests	(65,015)
	914,195
Exchange fluctuation reserve	37,937
Loss on disposal of subsidiaries	(5,440)
	946,692
Satisfied by:	
Cash	918,972
Other receivables	27,720
	946,692

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2016 RMB'000
Cash and cash equivalents disposed of	(1,252,831)
Cash received	918,972
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(333,859)

39. DISPOSAL OF SUBSIDIARIES (continued)

(B) The Group had 25% equity interests in E-shipping Global Supply Chain Management Co., Ltd. ("E-shipping") and controlled E-shipping with dominant voting rights from a contractual arrangement with the other vote holders of E-shipping as at 31 December 2015. During the year, such contractual arrangement ceased. Accordingly, the Group lost control over E-shipping, which was transferred from a subsidiary of the Group to an associate of the Group.

Details of the net assets disposed of and gain on disposal are as follows:

	2016 RMB'000
Net assets disposed of:	
Property, plant and equipment	467
Inventories	331
Trade and notes receivables	3,464
Prepayments and other receivables	911
Cash and cash equivalents	19,377
Trade and notes payables	(1,209)
Other payables and accruals	(16,569)
Non-controlling interests	(1,839)
	4,933
Gain on disposal of a subsidiary	1,851
	6,784
Satisfied by:	
Investment in an associate	6,784

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2016 RMB'000
Cash and cash equivalents disposed of and net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	(19,377)

39. DISPOSAL OF SUBSIDIARIES (continued)

(C) On 1 January 2015, the Group transferred 100% equity interests in four subsidiaries, Shanghai Zhenjing Industrial Co., Ltd., Shanghai Chutai Industrial Co., Ltd., Shanghai Chaokun Industrial Co., Ltd., and Shanghai Yuekun Industrial Co., Ltd. to China Shipping Property Co.,Ltd., a fellow subsidiary, for nil consideration. These four subsidiaries were engaged in property investment.

Details of the net assets disposed of and equity charged on disposal are as follows:

	2016 RMB'000
Net assets disposed of:	
Property, plant and equipment	**3,307**
Investment properties	**429,686**
Prepayments and other receivables	**18,812**
Cash and cash equivalents	**8,005**
Other payables and accruals	**(4,322)**
	455,488
Charged to other reserves	**(58,273)**
Charged to retained profits	**(397,215)**
	–

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2016 RMB'000
Cash and cash equivalents disposed of and net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	**(8,005)**

40. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

A reconciliation of the profit/(loss) before tax to cash generated from operations is as follows:

	Notes	2016 RMB'000	2015 RMB'000 (Restated)
Profit/(loss) before tax:			
From continuing operations		**517,000**	178,113
From a discontinued operation		**78,517**	(71,988)
Adjustments for:			
Finance costs		**1,690,935**	896,753
Share of profits of joint ventures and associates		**(1,546,575)**	(1,790,812)
Interest income		**(81,644)**	(120,252)
Dividends from available-for-sale financial investments	5	**(30,972)**	(88,988)
Dividends from held-for-trading financial investments	5	**(191)**	(999)
Loss on disposal of subsidiaries	5	**3,589**	–
Gain on disposal of interests in associates	5	**(50,997)**	–
Gain on disposal of interests in joint ventures	5	**(17,569)**	–
(Gain)/loss on disposal of property, plant and equipment	5	**(6,876)**	198,896
Gain on disposal of available-for-sale investments	5	**(77,000)**	(17,028)
Gain on disposal of held for trading investments	5	**(849)**	–
Fair value (gain)/loss on held-for-trading investments	5	**(44)**	179
Depreciation of property, plant and equipment	14	**2,818,376**	2,907,048
Depreciation of investment properties		**376**	4,199
Recognition of prepaid land lease payments	15	**3,904**	3,885
Amortisation of intangible asset	16	**29,255**	16,293
Impairment of items of property, plant and equipment	14	**126,645**	804,464
Impairment of investment in an associate		**61,765**	–
Provision of impairment on finance lease receivables	20	**273,622**	29,184
Reversal of provision of impairment on loans and receivables	21	**(4,373)**	(26,078)
Write-down of inventories to net realisable value	6	**139,037**	6,955
Provision/(reversal of provision) of impairment on trade receivables	24	**82,144**	(8,542)
(Reversal of provision)/provision of impairment on other receivables	25	**(3,591)**	13,312
Reversal of unutilised amounts of provision	34	**(25,000)**	–
		3,979,484	2,934,594
Decrease in loans and receivables		**174,868**	1,043,122
Decrease in inventories		**221,314**	895,779
(Increase)/decrease in trade and notes receivables		**(1,549,479)**	362,294
(Increase)/decrease in prepayments and other receivables		**(232,622)**	70,635
(Increase)/decrease in restricted cash		**(281,375)**	552,774
Increase/(decrease) in trade and notes payables		**697,869**	(1,004,072)
Increase/(decrease) in other payables and accruals		**770,610**	(220,440)
Increase/(decrease) in deposits from customers		**4,059,959**	(2,085,866)
Cash generated from operations		**7,840,628**	2,548,820

41. OPERATING LEASE ARRANGEMENTS

(A) AS LESSOR

The Group leases its certain items of property, plant and equipment and investment properties under operating lease arrangements.

At 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2016	2015
	RMB'000	RMB'000
		(Restated)
Within 1 year	**9,079,547**	2,942,652
In the second to fifth years, inclusive	**24,120,403**	4,565,941
After five years	**2,787,696**	1,204,953
	35,987,646	8,713,546

(B) AS LESSEE

The Group leases certain of its office properties, vessels and containers under operating lease arrangements.

At 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2016	2015
	RMB'000	RMB'000
		(Restated)
Within 1 year	**1,950,242**	3,704,638
In the second to fifth years, inclusive	**2,960,789**	4,714,765
After five years	**27,683**	586,286
	4,938,714	9,005,689

42. COMMITMENTS

In addition to the operating lease commitments detailed in note 41(b) above, the Group had the following capital commitments at the end of the reporting period:

	2016 RMB'000	2015 RMB'000 (Restated)
Contracted, but not provided for:		
Equity investments	**1,843,000**	–
Containers	**–**	19,954
Vessels under construction	**11,091,514**	10,528,286
Others	**10,459**	69,325
	12,944,973	10,617,565

43. SIGNIFICANT RELATED PARTY TRANSACTIONS

(A) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2016 RMB'000	2015 RMB'000 (Restated)
Interest income from:		
Immediate holding company*	**35,415**	7,142
Fellow subsidiaries	**72,491**	110,218
Interest expenses to:		
Immediate holding company*	**190,571**	76,459
Fellow subsidiaries	**262,571**	63,375
Sales of goods to fellow subsidiaries	**146,438**	211,249
Rendering of services to fellow subsidiaries:		
Vessel chartering and container leasing*	**6,820,474**	2,168,336
Liner services	**68,465**	208,825
Finance lease income	**1,610**	–
Others	**16,208**	13,978
Receiving of services from fellow subsidiaries	**1,255,320**	3,963,727
Purchases of goods from fellow subsidiaries	**680,853**	2,193,371
Purchases of items of property, plant and equipment from fellow subsidiaries	**196,287**	–

The related party transactions above were made according to the published prices or interest rates and conditions similar to those offered to the respective major customers.

* Certain related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

43. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(B) COMMITMENTS WITH RELATED PARTIES

The tables below summarise the commitments with fellow subsidiaries:

As lessor

	2016 **RMB'000**	2015 RMB'000 (Restated)
Within 1 year	**7,196,340**	846,539
In the second to fifth years, inclusive	**19,224,327**	2,275,439
After five years	**1,269,925**	1,035,842
	27,690,592	4,157,820

As lessee

	2016 **RMB'000**	2015 RMB'000 (Restated)
Within 1 year	**12,535**	143,098
In the second to fifth years, inclusive	**54,059**	190,439
After five years	**27,683**	80,145
	94,277	413,682

43. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(C) OUTSTANDING BALANCES WITH RELATED PARTIES

	Notes	**2016** **RMB'000**	2015 RMB'000 (Restated)
Amounts due from:			
Ultimate holding company		**4,095**	–
Immediate holding company		**1,775**	2,140
Fellow subsidiaries		**670,822**	465,291
Amounts due to:			
Immediate holding company		**46,736**	111,409
Fellow subsidiaries		**1,707,797**	1,032,144
Loans to:			
Immediate holding company	*(i)*	**1,813,500**	1,462,500
Fellow subsidiaries	*(ii)*	**1,517,527**	2,039,022
Loans from:			
Immediate holding company	*(iii)*	**7,800,000**	5,519,360
Fellow subsidiaries	*(iii)*	**2,720,000**	10,858,339

Notes:

(i) The loan to immediate holding company is unsecured. The interest rate is 4.35% (2015: 4.6%) per annum and the loan is repayable from 2016 to 2017.

(ii) The loans to fellow subsidiaries are unsecured. The interest rate is ranging from 3.0% to 4.9% (2015: 2.5% to 4.6%) per annum and the loan is repayable from 2012 to 2025.

(iii) Details of the Group's loans from immediate holding company and fellow subsidiaries as at the end of the reporting period are included in note 30 to the financial statements.

Save as disclosed above, the rest of the outstanding balances with related parties were unsecured, non-interest-bearing and had no fixed repayment terms.

43. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(D) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

	2016 RMB'000	2015 RMB'000
Salaries, allowances and benefits in kind	**3,890**	4,365
Performance related bonuses	**7,148**	6,984
Pension scheme contributions	**971**	1,592
	12,009	12,941

44. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

FINANCIAL ASSETS – HELD-FOR-TRADING FINANCIAL ASSETS

	2016 RMB'000	2015 RMB'000 (Restated)
Held-for-trading investments	**72,466**	200,349
Derivative financial instruments	**8,042**	–
	80,508	200,349

FINANCIAL ASSETS – LOANS AND RECEIVABLES

	2016 RMB'000	2015 RMB'000 (Restated)
Cash and cash equivalents	**15,527,254**	15,931,671
Restricted cash	**1,129,425**	922,268
Trade and notes receivables	**1,655,656**	2,688,106
Financial assets included in prepayments and other receivables	**300,110**	1,647,463
Finance lease receivables	**18,604,293**	7,362,985
Loans and receivables	**3,331,027**	3,501,522
	40,547,765	32,054,015

44. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

FINANCIAL ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016	2015
	RMB'000	RMB'000
		(Restated)
Available-for-sale investments	**6,114,082**	1,349,915

FINANCIAL LIABILITIES – HELD-FOR-TRADING FINANCIAL LIABILITIES

	2016	2015
	RMB'000	RMB'000
		(Restated)
Derivative financial instruments	**–**	838

FINANCIAL LIABILITIES – OTHER LIABILITIES AT AMORTISED COST

	2016	2015
	RMB'000	RMB'000
		(Restated)
Trade and notes payables	**1,738,742**	4,041,654
Financial liabilities included in other payables and accruals	**2,071,688**	1,621,559
Bank and other borrowings	**94,027,612**	52,168,610
Corporate bonds	**3,502,764**	3,695,111
Finance lease obligations	**347,448**	467
Deposits from customers	**8,551,517**	4,491,558
Other long term payables	**1,157,078**	404,803
	111,396,849	66,423,762

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
		(Restated)		(Restated)
Finance lease receivables	**15,010,397**	5,680,658	**15,010,397**	5,680,658
Bank and other borrowings	**64,102,361**	25,349,767	**64,064,806**	25,144,797
Corporate bonds	**1,426,942**	3,449,494	**1,417,571**	3,336,457
Finance lease obligations	**311,344**	326	**311,344**	326
Other long term payables	**1,157,078**	404,803	**1,129,560**	395,494
	82,008,122	34,885,048	**81,933,678**	34,557,732

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade and notes receivables, financial assets included in prepayments and other receivables, the current portion of finance lease receivables and loans and receivables, trade and notes payables, financial liabilities included in other payables and accruals, the current portion of bank and other borrowings, the current portion of corporate bonds, the current portion of finance lease obligations and the current portion of deposits from customers, respectively, approximate to their carrying amounts largely due to the short term maturities of these instruments.

Management has assessed that the fair values of the non-current portion of loans and receivables and the non-current portion of deposits from customers of the Group approximate to their fair values due to their floating interest rates.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair value of the non-current portion of finance lease receivables, bank and other borrowings, corporate bonds, finance lease obligations and other long term payables has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for finance lease obligations, and interest-bearing bank loans as at 31 December 2016 was assessed to be insignificant.

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

FAIR VALUE HIERARCHY

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Financial assets measured at fair value

31 December 2016

	Fair value measurement categorised into			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Held-for-trading investments	**72,466**	**–**	**–**	**72,466**
Available-for-sale investments	**5,367,651**	**–**	**–**	**5,367,651**
Derivative financial instruments	**–**	**8,042**	**–**	**8,042**
	5,440,117	**8,042**	**–**	**5,448,159**

31 December 2015 as restated

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Held-for-trading investments	200,349	–	–	200,349
Available-for-sale investments	892,134	–	–	892,134
	1,092,483	–	–	1,092,483

Financial liabilities measured at fair value

31 December 2015 as restated

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial instruments	–	838	–	838

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities (2015: Nil).

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank and other borrowings, corporate bonds, finance lease obligations, deposits from customers and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables, and trade and notes payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swaps. The purpose is to manage the interest rate arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.5 to the financial statements.

INTEREST RATE RISK

The Group's exposure to risk of changes in market interest rates relates primarily to the Group's bank borrowings with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts and using interest rate swaps contracts.

As at 31 December 2016, if interest rates had been 100 basis points higher/lower with all other variables held constant, profit before tax for the year would have been RMB699,293,000 lower/higher (2015: RMB431,240,000 lower/higher), mainly as a result of higher/lower interest expense on floating rate bank borrowings.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CREDIT RISK

The Group is exposed to credit risk primarily from finance lease receivables, loans and receivables and trade receivables in its operation.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all counterparties are subject to credit verification procedures. For certain loans and receivables, the Group holds adequate collateral. In addition, receivable balances are monitored on an ongoing basis.

(a) Maximum credit risk exposure

The credit risk of the Group's financial assets arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments without taking account of any collateral held or other credit enhancements.

(b) Impairment assessment

The Group periodically reviews finance lease receivables, loans and receivables and trade receivables on individual basis. If there is objective evidence that impairment has incurred, 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 discounted at the asset's original effective interest rate.

The Group periodically performs impairment reviews on a collective basis as well. The receivables are grouped by homogeneous characteristics. The collective impairment is assessed taking account of historical and industry experience.

(c) Collateral

As of 31 December 2016, the Group held collateral with a total fair value of RMB1,670,760,000 (2015: RMB2,219,910,000) for loans and receivables of RMB203,193,000 (2015: RMB675,660,000). The Group might sell the collateral for repayment if necessary.

(d) Credit quality by class of financial assets

The Group manages the credit quality of financial assets by class of asset, classified as neither past due nor impaired, past due but not impaired and impaired. Receivables without any objective impairment evidence identified are classified as neither past due nor impaired.

(e) Concentration

Concentrations of credit risk are managed by counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the receivables are widely dispersed in different sectors and industries.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

LIQUIDITY RISK

The Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations, bank and other borrowings, corporate bonds, finance lease obligations and deposits from customers.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

31 December 2016

	Less than 1 year RMB'000	**1 to 2 years** RMB'000	**2 to 5 years** RMB'000	**Over 5 years** RMB'000	**Total** RMB'000
Trade and notes payables	**1,738,742**	**–**	**–**	**–**	**1,738,742**
Financial liabilities included in other payables and accruals	**2,071,688**	**–**	**–**	**–**	**2,071,688**
Bank and other borrowings	**33,162,254**	**18,097,502**	**38,880,499**	**12,223,052**	**102,363,307**
Corporate bonds	**2,126,182**	**279,395**	**721,571**	**517,360**	**3,644,508**
Finance lease obligations	**45,229**	**45,229**	**291,771**	**–**	**382,229**
Deposits from customers	**8,589,124**	**1,042**	**–**	**–**	**8,590,166**
Other long term payables	**–**	**324,005**	**636,388**	**196,685**	**1,157,078**
Total	**47,733,219**	**18,747,173**	**40,530,229**	**12,937,097**	**119,947,718**

31 December 2015

	Less than 1 year RMB'000 (Restated)	1 to 2 years RMB'000 (Restated)	2 to 5 years RMB'000 (Restated)	Over 5 years RMB'000 (Restated)	Total RMB'000 (Restated)
Trade and notes payables	4,041,654	–	–	–	4,041,654
Financial liabilities included in other payables and accruals	1,621,559	–	–	–	1,621,559
Bank and other borrowings	28,156,061	10,061,075	12,166,137	4,539,693	54,922,966
Corporate bonds	318,165	2,131,617	834,526	720,154	4,004,462
Finance lease obligations	177	410	–	–	587
Deposits from customers	4,502,247	9,699	–	–	4,511,946
Other long term payables	–	113,110	222,821	68,872	404,803
Total	38,639,863	12,315,911	13,223,484	5,328,719	69,507,977

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

EQUITY PRICE RISK

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale investments (note 19) and held-for-trading investments (note 26) as at 31 December 2016, which are valued at quoted market prices.

As at 31 December 2016, if fair values of the equity investments had been 5% higher/lower with all other variables held constant, profit before tax for the year would have been RMB3,623,000 higher/lower (2015: RMB10,017,000 higher/lower) and equity would have been RMB204,004,000 higher/lower (2015: RMB40,968,000 higher/lower). For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the statement of profit or loss.

CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2016 and 31 December 2015.

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. Net debt includes interest-bearing bank and other borrowings, corporate bonds, finance lease obligations and deposits from customers, less restricted cash and cash and cash equivalents. The gearing ratios as at the end of the reporting periods were as follows:

	2016 RMB'000	2015 RMB'000 (Restated)
Interest-bearing bank and other borrowings	**94,027,612**	41,351,102
Corporate bonds	**3,502,764**	3,695,111
Finance lease obligations	**347,448**	467
Deposits from customers	**8,551,517**	4,491,558
Less: restricted cash	**(1,129,425)**	(922,268)
Less: cash and cash equivalents	**(15,527,254)**	(15,931,671)
Net debt	**89,772,662**	32,684,299
Total equity	**13,563,114**	45,276,623
Gearing ratio	**662%**	72%

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CAPITAL MANAGEMENT (continued)

In addition to the capital management above, certain subsidiaries are subject to externally imposed capital requirements as follows:

- CS Finance is subject to capital adequacy ratio according to the regulations issued by the China Banking Regulatory Commission; and

- CS Leasing is subject to the ratio of assets at risk to equity according to the regulations issued by the Ministry of Commerce of the PRC.

Therefore, CS Finance and CS Leasing adjust the level of risk assets on an ongoing basis to comply with those externally imposed capital requirements. The Company closely monitors the compliance as well to inject capital to CS Finance or CS Leasing when necessary.

47. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 31 December 2016.

48. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the application of merger accounting, certain comparative amounts have been restated.

In addition, the comparative statement of profit or loss has been re-presented as if the operation discontinued during the year had been discontinued at the beginning of the comparative period (note 11).

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016 RMB'000	2015 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**14,293,436**	15,155,948
Investment properties	**–**	10,032
Intangible asset	**926**	–
Investments in associates	**6,784**	3,644,569
Investments in joint ventures	**–**	41,500
Investments in subsidiaries	**34,985,588**	12,104,329
Available-for-sale investments	**1,071,057**	–
Loans to subsidiaries	**3,081,100**	–
Total non-current assets	**53,438,891**	30,956,378
CURRENT ASSETS		
Inventories	**291,015**	573,141
Trade and notes receivables	**2,115,510**	942,689
Prepayments and other receivables	**262,811**	255,964
Loans to subsidiaries	**900,000**	–
Restricted cash	**200**	100
Cash and cash equivalents	**1,283,144**	5,610,905
Total current assets	**4,852,680**	7,382,799
CURRENT LIABILITIES		
Trade and notes payables	**277,697**	3,574,368
Other payables and accruals	**7,037,625**	4,673,081
Bank and other borrowings	**4,639,836**	–
Corporate bonds	**1,798,883**	–
Provision	**–**	25,000
Total current liabilities	**13,754,041**	8,272,449
NET CURRENT LIABILITIES	**(8,901,361)**	(889,650)
TOTAL ASSETS LESS CURRENT LIABILITIES	**44,537,530**	30,066,728

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	2016 RMB'000	2015 RMB'000
NON-CURRENT LIABILITIES		
Bank and other borrowings	**15,577,600**	600,000
Corporate bonds	**–**	1,796,432
Total non-current liabilities	**15,577,600**	2,396,432
Net assets	**28,959,930**	27,670,296
EQUITY		
Share capital	**11,683,125**	11,683,125
Other reserves *(note)*	**19,133,946**	19,012,889
Accumulated losses *(note)*	**(1,857,141)**	(3,025,718)
Total equity	**28,959,930**	27,670,296

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves and accumulated losses is as follows:

	Special reserve RMB'000	Other reserves RMB'000	Accumulated losses RMB'000
At 1 January 2015	14,902	19,012,889	(1,437,547)
Loss and total comprehensive loss for the year	–	–	(1,603,073)
Accrual of special reserve	193,520	–	(193,520)
Utilisation of special reserve	(208,422)	–	208,422
At 31 December 2015 and 1 January 2016	–	19,012,889	(3,025,718)
Profit for the year	–	–	1,168,577
Other comprehensive income:			
Changes in fair value of available-for-sale investments, net of tax	–	121,057	–
Total comprehensive income for the year	–	121,057	1,168,577
Accrual of special reserve	139,935	–	139,935
Utilisation of special reserve	(139,935)	–	(139,935)
	–	19,133,946	(1,857,141)

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2017.

RESULTS

	Year ended 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)	(Restated)	(Restated)
CONTINUING OPERATIONS					
REVENUE	**15,527,887**	32,887,498	38,782,909	36,241,457	35,073,260
Costs of services	**(13,849,363)**	(32,120,147)	(35,808,128)	(36,486,183)	(34,176,905)
Gross profit/(loss)	**1,678,524**	767,351	2,974,781	(244,726)	896,355
Selling, administrative and general expenses	**(1,576,653)**	(2,140,172)	(1,282,518)	(1,126,383)	(1,177,753)
Other income	**442,267**	724,349	793,961	433,657	487,337
Other gains/(losses), net	**117,228**	(67,490)	1,960,743	135,484	1,320,358
Finance costs	**(1,690,941)**	(896,737)	(754,501)	(642,351)	(660,802)
Share of profits and losses of:					
Associates	**1,538,043**	1,786,971	1,417,273	1,130,099	818,780
Joint ventures	**8,532**	3,841	6,209	5,541	(13,823)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**517,000**	178,113	5,115,948	(308,679)	1,670,452
Income tax expense	**(201,251)**	(200,750)	(772,181)	(165,573)	323,156
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**315,749**	(22,637)	4,343,767	(474,252)	1,993,608
DISCONTINUED OPERATION					
Profit/(loss) for the year from a discontinued operation	**77,326**	(80,333)	69,951	323,725	171,281
PROFIT/(LOSS) FOR THE YEAR	**393,075**	(102,970)	4,413,718	(150,527)	2,164,889
Attributable to:					
Owners of the parent	**347,503**	(199,511)	4,304,084	(248,377)	2,054,233
Non-controlling interests	**45,572**	96,541	109,634	97,850	110,656
	393,075	(102,970)	4,413,718	(150,527)	2,164,889

Five Years Financial Summary

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2016	2015	2014	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)	(Restated)	(Restated)
TOTAL ASSETS	**125,460,305**	112,237,165	101,277,379	90,937,850	87,057,547
TOTAL LIABILITIES	**(111,897,191)**	(66,960,542)	(56,464,971)	(51,311,591)	(44,177,775)
NON-CONTROLLING INTERESTS	**(313,067)**	(497,549)	(502,675)	(800,235)	(1,244,789)
	13,250,047	44,779,074	44,309,733	38,826,024	41,634,983