中遠海運控股股份有限公司

COSCO SHIPPING Holdings Co., Ltd.

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

(Stock Code: 1919)

ANNUAL REPORT

2017

Important notice

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

All Directors attended the Board meeting held on 29 March 2018.

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

The authorized person of the Company, Mr. Huang Xiaowen (vice chairman), Mr. Wang Haimin (executive Director and general manager), Mr. Deng Huangjun (person-in-charge of accounting) and Mr. Xu Hongwei (head of the accounting department), declare that they confirm the truthfulness, accuracy and completeness of the financial reports in this report.

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

Pursuant to the audited financial statements of the Company for the year 2017, which were prepared in accordance with Hong Kong Financial Reporting Standards, the profit attributable to equity holders of the Company for 2017 was RMB2.662 billion. Since total net profit attributable to owners of the parent company of COSCO SHIPPING Holdings for the year was used to recover previous years' losses, the aggregate undistributed profit was negative. According to the relevant requirements under the Company Law of the People's Republic of China, no profit shall be distributed provided that the aggregate undistributed profit of a company is negative. After due consideration, the Board recommended that no profit should be distributed for 2017.

The proposal will be submitted to the 2017 annual general meeting for consideration.

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

No.

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

No.

Forward-looking statements

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

Material risk warning

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

Miscellaneous

1. The Company intended to make a pre-conditional voluntary general cash offer to all shareholders of Orient Overseas (International) Limited ("**OOIL**", a company listed on The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**") with the stock code of 00316) to acquire all issued shares of OOIL through Faulkner Global Holdings Limited, an overseas wholly-owned subsidiary of the Company, together with Shanghai Port Group (BVI) Development Co., Limited.

2. The Company proposed non-public issuance of A shares.

   For details, please refer to the sub-section headed "Other Significant Events" in the section headed "Management Discussion and Analysis" of this annual report.

Contents

Company's Basic Information

I. Company's Information

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

Note: The former legal representative of the Company was Mr. WAN Min, (the former chairman of the Company), who resigned on 8 January 2018. For details, please refer to the announcement dated 8 January 2018 of the Company. In accordance with the articles of association of the Company (the "**Articles of Association**"), the vice chairman of the Company shall perform the duties of chairman until a new chairman is elected.

II. Contact Persons and Methods

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

III. Basic Profile

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

Ⅳ. Information Disclosure and Inspection

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

V. Information on the Company's Shares

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

VI. Other Information

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

Chairman's Statement

Dear shareholders,

First of all, on behalf of the Board and the management of COSCO SHIPPING Holdings, I would like to express my sincere gratitude to all our shareholders and customers around the world for their continuous attention, trust and support to COSCO SHIPPING Holdings. Meanwhile, I would also like to thank all of our staff, onshore and offshore, for their dedication and devoted efforts over the years in helping COSCO SHIPPING Holdings make new achievements.

In 2017, with a broad economic recovery globally and increasing demand for container shipping services, the landscape of the container shipping industry was reshuffled and the service quality and stability of liner companies were improved significantly. According to statistics from a number of research institution shipping industry, the growth of shipping demand has outpaced the growth of shipping capacity in the global container shipping industry for two consecutive years, which mitigated the contradiction between supply and demand and drove market freight rates to bottom out. In 2017, the average value of the China Containerized Freight Index (CCFI) was 820 points, representing an increase of 15.4% as compared to the same period of last year.

In 2017, COSCO SHIPPING Holdings actively seized opportunities brought by the market pick-up, focused on growth by promoting efficiency and innovation, and achieved further synergies by continuously deepening reform with the combined effect from a number of internal and external positive factors. During the Reporting Period, the Company turned losses into profits and improved operation efficiency significantly. In 2017, the Company recorded net profit attributable to the shareholders of the Company of RMB2.662 billion.

Chairman's Statement

COSCO SHIPPING Lines Co., Ltd. ("**COSCO SHIPPING Lines**"), a wholly-owned subsidiary of the Company, and COSCO SHIPPING Ports Limited ("**COSCO SHIPPING Ports**"), a non-wholly owned subsidiary of the Company, achieved better operating results in 2017. COSCO SHIPPING Lines achieved an increase in both volume and price and completed a shipping volume of 20,913,746 TEUs, representing an increase of 23.7% as compared to the same period of last year; the average income per TEU was RMB3,723, representing an increase of 11.1% as compared to the same period of last year. Meanwhile, the Company continued to explore the potential of synergies and achieved remarkable results with a year-on-year decline of 0.9% in average cost per TEU in spite of a sharp increase in fuel price. In 2017, the total terminal throughput of COSCO SHIPPING Ports was 100,202,185 TEUs, of which the total terminal throughput in overseas regions was 18,840,664 TEUs, representing a high increase of 38.7% as compared to the same period of last year.

2017 was a critical year for implementing the strategies of COSCO SHIPPING Holdings. During the year, COSCO SHIPING Holdings continued to boost the construction of "four platforms", while COSCO SHIPPING Lines and COSCO SHIPPING Ports put proactive efforts and achieved good results in implementing their operation strategies.

The headquarters of the Group is a platform of strategic guidance, capital operation, compliance management and collaborative services for COSCO SHIPPING Holdings. In 2017, in line with the "6+1" strategy of China COSCO Shipping Corporation Limited ("**China COSCO SHIPPING**") and its subsidiaries, the Company formulated its 2020 strategic planning with a clearer roadmap for development and completed a series of major asset acquisitions and capital operation projects, the global deployment of container shipping and port business has been gradually put in place, the operation results and market capitalization of the Company have increased significantly, which laid a solid foundation for their future development.

COSCO SHIPPING Lines adhered to its core strategy of "expanding business scale, taking part in globalization, focusing on customers, lowering costs and enhancing the capability to provide customers with full trip transportation solutions", endeavored to further enhance its revenue management capability and made continuous efforts in building up a world class liner company with international competitiveness. During the Reporting Period, COSCO SHIPPING Lines further expanded its business scale, enhanced its position in the industry and continued to optimize the global layout of its shipping routes. As at the end of 2017, the Company owned and operated 360 container vessels with a total capacity of 1,819,091 TEUs, representing a year-on-year increase of 10.3%, and ranked 4th in the world in terms of shipping capacity. The OCEAN Alliance came into operation on 1 April 2017. As an important member of the OCEAN Alliance, the Company provides shipping services with higher frequency, larger scale, broader coverage and higher efficiency. In view of the changes in the landscape of global trade and economy, the Company made efforts to strengthen its business in the eastern and western major routes markets, enhance its shipping capacity in emerging and regional markets and further optimize the layout of its shipping routes; continued to boost the construction of the global standardization of its customer service processes, enhance its capability in providing digitalized customer service and promote the convenience and efficiency of its services; continued to optimize its shipping networks and fleet structure to enhance its level of container management and strengthen supplier and procurement management, which in turn will create further synergies to implement its low-cost strategy; and endeavored to upgrade its "end to end" full trip transport service capability and meet the higher standards demanded by the customers, and further enhanced its operation and service capabilities in the global supply chain.

By adhering to the strategies of "making globalized deployment, improving collaboration among container ship fleets and reinforcing control and management capabilities on port and terminal businesses", COSCO SHIPPING Ports made efforts to boost the globalized distribution of its terminals, further reinforced its control over terminal assets and endeavored to improve the operating efficiency of its terminals. The terminal network of the Company covers the top five coastal port clusters in China as well as Hong Kong, Taiwan, Southeast Asia, Europe, the Mediterranean, the Middle East and other regions in the world. As at the end of 2017, the Company had 35 ports in operation across the world and had 179 berths for containers in operation with a total annual capacity of 102,720,000 TEUs; and the Company had a total of 86 berths in operation for bulk cargoes with a total annual capacity of 262,670,000 tons.

Chairman's Statement

In 2017, COSCO SHIPPING Holdings made in-depth efforts to carry out the Belt and Road Initiative of the PRC by actively participating in the construction of logistics channels and logistics nodes along the Belt and Road and boosting the interconnection among countries and regions along the Belt and Road with an aim to meet the increasing demand of customers for cross-border intermodal transportation.

The Company made positive progress in the construction of the logistics channels along the Belt and Road. About 180 container vessels with a total capacity of 1,150,000 TEUs were deployed along the Belt and Road, accounting for approximately 62% of the Company's total container shipping capacity. By consolidating its global shipping route networks, the Company not only enhanced its service frequency and efficiency along the 21st Century Maritime Silk Road, but also connected the shipping routes along the 21st Century Maritime Silk Road with other important emerging regional markets such as America, West Africa, the Caribbean and Northern Europe to form a more comprehensive and balanced globalized network layout. The Company actively took part in the constructions along the Silk Road Economic Belt. In 2017, the Company had more than 150 sea-rail container transportation routes in operation, covering more than 100 major ports and hinterland stations across 27 provinces, autonomous regions and centrally administered municipalities. The Company continued to strengthen the position of Piraeus Port of Greece as a transportation hub and accelerated the development of China-European Sea-rail Express business. In 2017, the freight volume completed by China-European Sea-rail Express increased by 134% as compared to the same period last year. On 5 January 2018, the first regular train of the China Railway Express to Russia of COSCO SHIPPING Lines departed Tianjin and headed to Moscow. It was the first international regular train operated by the Company, indicating that the Company is able to, by leveraging on a rich network of container liner shipping routes and intermodal transportation services at home and abroad, build up a more comprehensive logistics system to provide customers across the world with end-to-end supply chain service solutions and play a positive role in the development of foreign trade and the construction along the Belt and Road.

The Company achieved fruitful results in the construction of logistics nodes along the Belt and Road. On 20 January 2017, COSCO SHIPPING Ports entered into a strategic cooperation agreement with Qingdao Port International Co., Ltd. ("**Qingdao Port International**") and held 18.41% equity interests in Qingdao Port International; on 15 May 2017, COSCO SHIPPING Lines acquired 24.5% equity interests in KTZE-Khorgos Gateway LLP; on 31 October 2017, COSCO SHIPPING Ports completed the acquisition of 51% equity interests in Noatum Port Holdings, S.L.U. ("**NPH**"), a port company in Spain; on 5 November 2017, COSCO SHIPPING Ports commenced the construction of the terminal in Abu Dhabi; on 30 November 2017, COSCO SHIPPING Ports completed the acquisition of additional equity interests in APM Terminals Zeebrugge NV in Belgium and took full control of its operation.

In 2017, in line with the trend of industry expansion and consolidation, COSCO SHIPPING Holdings announced two significant capital operation projects which were in smooth progress.

COSCO SHIPPING Holdings published an announcement on 9 July 2017 that a subsidiary of the Company and a subsidiary of Shanghai International Port (Group) Co., Ltd made a pre-conditional voluntary general offer to all shareholders of OOIL at an offer price of HK$78.67 per share. If the acquisition is successfully completed, the scale of the shipping capacity (including orders) of COSCO SHIPPING Holdings will exceed 2.9 million TEUs and its leading position in the global container shipping industry will be further enhanced. COSCO SHIPPING Lines and OOIL will continue to operate under their respective brands, providing container transport and logistics services. By leveraging the strengths of each company and achieving synergies, the shipping capacities and shipping routes networks, management experiences and information technologies of both companies will be complementary to each other, and will enhance their operating efficiencies and competitive positions to achieve sustainable growth in the long term.

Chairman's Statement

On 30 October 2017, the Company announced a proposal for non-public issuance of A Shares with an aim to enhancing the core competitiveness of its principal businesses by utilizing the capital market. The Company intended to issue A Shares not exceeding 20% of the total share capital of the Company prior to the issuance or approximately 2,043 million A Shares, which would raise gross proceeds of not more than RMB12.9 billion. Such proceeds would be used for the payment of the consideration for 20 container vessels under construction. These ultra large container vessels adopted advanced and environment-friendly designing concept and shipbuilding technology and would play an important role for the Company to enhance customer service capability and enrich service product offerings, would be important for the Company to improve its overall competitiveness. Once delivered and put into operation, these vessels will effectively increase the percentage of owned vessels, further reduce the average age of our vessels, optimize the layout of the Company's fleet, improve the structure of the Company's vessel assets and drive the Company to participate in the construction along the Belt and Road with a larger fleet and optimized fleet structure and play a better role in boosting global trade flow.

In 2017, COSCO SHIPPING Holdings adopted the concept of sustainable development, fulfilled social responsibilities and building positive enterprise brand and public image.

COSCO SHIPPING Holdings adopted the concept of environmental-friendly development to protect the ecological environment by promoting and applying advanced technologies, and made good progress in environmental protection work, such as applying energy saving and emission reducing technologies and making better use of resources, to effectively mitigate the impact of its business operation on the environment and reduce carbon emissions; took an active part in promoting the investor protection program of the China Securities Regulatory Commission, which was well recognized by relevant regulatory authorities; and carried out accurate poverty alleviation programs by pairing up with poor regions to provide support and assistance, with more than RMB4 million of special funds invested in 2017 to construct rural and urban infrastructure and education facilities for a number of deprived regions in China. Ports and agency companies of the Company across the world provided job opportunities to local people. In 2017, the Company created 4,300 direct job opportunities and thousands of indirect job opportunities in overseas regions. In 2017, the Company sponsored a program named "Tour of COSCO SHIPPING" with the Endeavour Education Centre Limited and other institutions in Hong Kong, organizing teachers from primary and middle schools in Hong Kong to visit terminals, vessels, shipyards and other sites in the mainland relating to the Belt and Road Initiative with an aim to enhancing the sense of national pride of Hong Kong youngsters.

By virtue of the efforts of the Company in serving the development of global trade and economy and fulfilling social responsibilities, COSCO SHIPPING Holdings ranked 104th among the 2,000 renowned listed companies in the list of the World's Top Regarded Companies released by Forbes in October 2017; ranked first among the domestic listed companies named in the list; and ranked first among the shipping companies in the list. In January 2018, COSCO SHIPPING Holdings was honored as the Most Socially Responsible Listed Company in the "Golden Hong Kong Stocks Awards".

Looking forward to 2018, the world economy will maintain a good momentum for recovery and China will continue to deepen its economy transformation and high quality development. With steady progress in carrying out the Belt and Road Initiative, new cooperation results and opportunities are continuously emerging. However, due to intensified competitions in world trade, policy adjustments in major economies and the uncertainties derived therefrom, the risk of the spread of trade protectionism is increasing. In addition, there is oversupply in some shipping routes and concern over the concentrated new vessel delivery in the first half of the year. All of these will bring uncertainties to the container shipping market. However, we believe, with in-depth consolidation of the container shipping industry, the overall operation in the market will focus more on enhancing quality of customer service and improving service products, rendering competitions in the market more rational. COSCO SHIPPING Holdings will adhere to its established strategies, seize opportunities, enhance its competitive strengths and endeavor to realize sustainable development with higher quality and efficiency in the course of upgrading and transformation.

For container shipping business, the Company will continue to build a world-class liner company with international competitive strengths, continue to expedite the implementation of its strategies, upgrade the products of the Company gradually from "shipping routes" to "shipping routes + digitalized services + end to end solutions" and thus create value for customers. Firstly, the Company will continue to optimize and upgrade its global network layout of shipping routes and shipping capacity structure and explore new points for profit growth. Secondly, the Company will reinforce its marketing capability to provide strong volume support for its large-scale development and realize continuous growth in both shipping volume and shipping capacity. Thirdly, the Company will expedite the construction of its digitalized shipping capacity, continue to enhance its digitalized customer service capability with a customer-focused and digitally-driven approach and explore the value of its system data to realize digitalized interconnection with customers. Fourthly, the Company will put vigorous efforts in the development of cross-border intermodal transportation and end to end service in hinterland, provide customers with diversified choices of services, build up a complete full trip supply chain solution and increase the overall revenue of the Company. Fifthly, the Company will continue to improve the level of its yield management, and continue to explore the potentials to reduce costs and enhance efficiency by means of optimizing the network layout of its shipping routes, container management cost control, fuel cost control, supplier management and operation management.

For terminal business, the Company will optimize its global layout with a focus on the Belt and Road, further expedite the deployment of its strategic presence along the Maritime Silk Road, enhance control capability, extend services along the industrial chain and strengthen its core competitiveness. This year, the Company will make full use of the synergies between its two major business segments, i.e. the container shipping business and terminal business, and the OCEAN Alliance, grasping the huge market share of the OCEAN Alliance, reinforce its service capability for shipping alliance and shipping companies, continue to improve the global network layout of its terminals, seek opportunities for investing in ports in Southeast Asia, South Asia, West Asia, Africa, America and Latin America and boost its terminal projects in due course. Meanwhile, the Company will also continue to boost its domestic ports consolidation projects, and seek cooperation with port groups with an aim to strengthen and expand its terminal business in multiple aspects, increase its market share, optimize its terminal assets and operation efficiency and enhance the overall profitability of the terminal business.

In the new year, COSCO SHIPPING Holdings, together with elites from various fields, will continue to overcome all kinds of challenges, constantly improve the operation standard and corporate governance of the Company with the concept for sustainable development as foundation, endeavor to build the Company as a first-tier provider of container shipping and terminal investment and operation services in the world, provide customers with better services and create greater values for shareholders.

Summary of Accounting Data

Results for the year ended 31 December 2017 (the "Reporting Period") prepared under the Hong Kong Financial Reporting Standards

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2016 RMB'000	Change in Amount RMB'000
Revenues from continuing operations	**90,399,078**	69,833,164	20,565,914
Profit/(Loss) before income tax from continuing operations	**5,703,036**	(5,456,070)	11,159,106
Loss for the year from discontinued operations	**—**	(3,138,723)	3,138,723
Profit/(Loss) attributable to equity holders of the Company	**2,661,936**	(9,906,003)	12,567,939
Basic and diluted earnings/(loss) per share (RMB)	**0.26**	(0.97)	1.23
Final dividend per share (RMB)	**—**	—	—
Final dividend payout ratio	**—**	—	—
Total assets	**133,190,005**	119,652,733	13,537,272
Total liabilities	**89,479,425**	82,103,864	7,375,561
Non-controlling interests	**23,041,293**	19,225,573	3,815,720
Equity attributable to the Company's equity holders	**20,669,287**	18,323,296	2,345,991
Net debt to equity ratio	**86.1%**	67.1%	19.0%
Gross profit/(loss) margin	**8.4%**	(0.8%)	9.2%

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

In 2017, the Group achieved operating revenue of RMB90,399,078,000 from continuing operations, representing a year-on-year increase of RMB20,565,914,000 or 29.45%. Profit attributable to equity holders of the Company for 2017 was RMB2,661,936,000, whilst loss attributable to equity holders of the Company in 2016 was RMB9,906,003,000.

	Period from 1 January to 31 December 2017 RMB'000	Period from 1 January to 31 December 2016 RMB'000	Difference RMB'000	Percentage of Change (%)
Continuing operations				
Revenues	**90,399,078**	69,833,164	20,565,914	29.45
Operating profit/(loss)	**5,663,723**	(5,040,949)	10,704,672	—
Profit/(loss) before income tax from continuing operations	**5,703,036**	(5,456,070)	11,159,106	—
Profit/(loss) after income tax from continuing operations	**4,830,685**	(5,962,509)	10,793,194	—
Discontinued operations				
Loss after tax from discontinued operations	**—**	(708,461)	708,461	—
Loss on disposals of discontinued operations	**—**	(2,430,262)	2,430,262	—
Loss from discontinued operations	**—**	(3,138,723)	3,138,723	—
Profit/(loss) for the period	**4,830,685**	(9,101,232)	13,931,917	—
Profit/(loss) attributable to equity holders of the Company	**2,661,936**	(9,906,003)	12,567,939	—
Basic earnings/(loss) per share (RMB)	**0.26**	(0.97)	1.23	—

Management Discussion and Analysis

(I) Analysis of principal businesses

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

Item	Year ended 31 December 2017 RMB'000	Year ended 31 December 2016 RMB'000	Difference RMB'000	Percentage of Change (%)
Continuing operations:				
Revenues	**90,399,078**	69,833,164	20,565,914	29.45
Cost of services and inventories sold	**(82,761,870)**	(70,382,845)	(12,379,025)	17.59
Other income/(expense), net	**1,108,134**	(470,193)	1,578,327	—
Gain on disposal of a joint venture	**1,886,333**	—	1,886,333	—
Gain on remeasurement of previously held interest of an available-for-sale financial asset upon further acquisition to become an associate	**264,099**	—	264,099	—
Selling, administrative and general expenses	**(5,232,051)**	(4,021,075)	(1,210,976)	30.12
Finance income	**484,725**	499,728	(15,003)	(3.00)
Finance costs	**(2,111,535)**	(1,912,878)	(198,657)	10.39
Net related exchange loss	**(35,833)**	(401,579)	365,746	(91.08)
Net cash flows generated from operating activities	**7,092,039**	1,519,533	5,572,506	366.72
Net cash flows (used in)/ generated from investing activities	**(15,233,054)**	4,986,406	(20,219,460)	—
Net cash flows generated from/ (used in) financing activities	**2,796,966**	(9,497,917)	12,294,883	—
Research and development expenses	**13,570**	15,756	(2,186)	(13.87)

2. Revenues

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

(1) Analysis of reasons for changes in revenues

In 2017, COSCO SHIPPING Holdings realized revenue of RMB90,399,078,000 from continuing operations, representing a year-on-year increase of RMB20,565,914,000 or 29.45%.

Among which:

Container shipping business

In 2017, revenues from container shipping and related business amounted to RMB86,751,206,000, representing an increase of RMB20,173,268,000 or 30.30%.

As at the end of 2017, the self-operating container fleets consisted of 360 vessels, representing an increase of 48 vessels or 15.38% from the beginning of 2017; the capacity of self-operating vessels amounted to 1,819,100 TEUs, representing an increase of 170,300 TEUs or 10.33% from the beginning of 2017.

In 2017, container shipping volume amounted to 20,913,700 TEUs, representing an increase of 23.73% as compared to last year, among which, the container shipping volume from international routes amounted to 14,501,700 TEUs, representing an increase of 2,745,288 TEUs or 23.35% as compared to last year; the container shipping volume from domestic trade routes amounted to 6,412,000 TEUs, representing an increase of 1,265,900 TEUs or 24.60% as compared to last year.

In 2017, the average income per TEU from international routes amounted to RMB4,641.34 per TEU, representing a year-on-year increase of 12.08%; the average income per TEU from domestic trade routes amounted to RMB1,632.13 per TEU, representing a year-on-year increase of 3.22%.

In 2017, container shipping volume and revenue from container shipping increased significantly as compared to last year. Such increases were attributable to the continued market recovery and the improvement of operating conditions in the container shipping industry on one hand, and the substantial increase in the shipping capacity of COSCO SHIPPING Lines, the further improvement in shipping routes deployment as a result of the completion of business reorganization and integration and the increase in the delivery of new vessels on the other hand.

Terminal business

In 2017, revenues generated from the terminal and related business amounted to RMB4,292,927,000, representing a year-on-year increase of RMB525,673,000 or 13.95%, among which, the throughput of terminals with controlling stakes amounted to 17,353,400 TEUs, representing an increase of 1,618,200 TEUs or 10.28% as compared to last year; the throughput of controlled bulk terminals amounted to 15,531,500 tons, representing an increase of 743,500 tons or 5.03% as compared to last year. Revenue generated from the terminal and related business increased by RMB204,483,000 or 5.43% in 2017 as compared to last year, excluding the impact of the acquisitions of NOATUM Terminal and Zeebrugge Terminal; and the throughput of controlled container terminals amounted to 16,798,200 TEUs, representing an increase of 1,063,100 TEUs or 6.76% as compared to last year.

(2) Major customers

Total sales to the top five customers of the Group in 2017 amounted to RMB2,298,665,000, accounting for 2.54% of the total sales for the year.

3. Costs

Cost analysis

Business segment	Components of cost	From 1 January to 31 December 2017 RMB'000	From 1 January to 31 December 2016 RMB'000	Difference RMB'000	Percentage of change %
Container shipping and related business	Equipment and cargo transportation costs	39,837,978	33,364,415	6,473,563	19.40
	Voyage costs	16,863,203	11,776,780	5,086,423	43.19
	Vessel costs	16,037,001	14,202,625	1,834,376	12.92
	Freight forwarding and shipping agency costs	7,621,592	9,041,577	(1,419,985)	(15.71)
	Subtotal	80,359,774	68,385,397	11,974,377	17.51
Container terminal and related business	Container terminal and related business costs	2,867,542	2,384,520	483,022	20.26
Other business	Other business costs	–	182	(182)	(100.00)
	Elimination between different businesses	(631,043)	(508,197)	(122,846)	24.17
	Tax and surcharges	165,597	120,943	44,654	36.92
	Total operating costs	82,761,870	70,382,845	12,379,025	17.59

In 2017, the operating cost of the Group amounted to RMB82,761,870,000, representing a year-on-year increase of RMB12,379,025,000 or 17.59%, among which:

Container shipping business

In 2017, the operating costs of container shipping and related business amounted to RMB80,359,774,000, representing a year-on-year increase of RMB11,974,377,000 or 17.51%, among which, the average shipping cost per TEU decreased by 0.94% as compared to last year; the average shipping cost per TEU excluding the fuel cost decreased by 5.46% as compared to last year.

Terminal business

In 2017, the operating costs of terminal and related business amounted to RMB2,867,542,000, representing a year-on-year increase of RMB483,022,000 or 20.26%. Excluding the impact of the acquisitions of NOATUM Terminal and Zeebrugge Terminal, the operating costs of terminal and related business increased by RMB234,049,000 or 9.82% in 2017 as compared to last year.

4. **Expenses**

Other income/(expense), net

The net amount of other income of the Group in 2017 was RMB1,108,134,000, representing a year-on-year increase of RMB1,578,327,000, among which, (i) the one-off income related to the implementation of Dalian Port restructuring project amounted to RMB49,751,000; and (ii) government grants for 2017 amounted to RMB1,171,581,000, representing a year-on-year increase of RMB630,668,000, among which, subsidies for the demolition of vessels amounted to RMB509,663,000, representing a year-on-year increase of RMB320,146,000. In 2017, a net loss of RMB91,163,000 was incurred for the demolition of a vessel of COSCO SHIPPING Lines, while in the previous year, a net loss of RMB1,038,656,000 was incurred for the demolition of 16 vessels.

Disposal of a joint venture and further acquisition of available-for-sale financial asset to become an associate

On 20 January 2017, Shanghai China Shipping Terminal Development Co., Ltd. ("**Shanghai China Shipping Terminal**") and Qingdao Port International entered into an agreement under which, Shanghai China Shipping Terminal subscribed for 1,015,520,000 non-circulating domestic shares in Qingdao Port International at a total consideration of RMB5,798,619,000 (being RMB5.71 per share), of which RMB3,198,651,000 was settled by the transfer of 20% equity interest in Container Terminal Co., Ltd. (青島前灣集裝箱碼頭有限責任公司) ("**Qingdao Qianwan Terminal**") to Qingdao Port International and the remaining RMB2,599,968,000 was settled in cash. The disposal was completed on 19 May 2017 and resulted in a gain of RMB1,886,333,000 recognized in the consolidated income statement for the year ended 31 December 2017. The subscription was completed on 22 May 2017. After the subscription of the aforesaid Qingdao Port International's non-circulating domestic shares, the Group's equity interest in Qingdao Port International increased from 1.59% to 18.41% and Qingdao Port International became an associate of the Group since then. In addition, the gain from the remeasurement of the 1.59% interest previously held in Qingdao Port International of approximately RMB264,099,000 had been recognized in the consolidated income statement for the year ended 31 December 2017.

Selling, administrative and general expenses

In 2017, the selling, administrative and general expenses of the Group amounted to RMB5,232,051,000, representing an increase of RMB1,210,976,000 or 30.12% as compared to last year. The increase was due to, on one hand, an increase in relevant administrative expenses such as staff cost in line with significant growth of container shipping and terminal businesses during 2017; and on the other hand, a year-on-year increase in intermediary fees such as consulting fees in relation to the proposed acquisition of the equity interest of OOIL by way of pre-conditional voluntary general offer and the acquisitions of domestic and international terminals.

Finance income

In 2017, the finance income of the Group amounted to RMB484,725,000, representing a decrease of RMB15,003,000 or 3.00% as compared to last year. The decrease was mainly due to a gradual decrease in the balance of monetary funds in 2017 with an aim to reduce leverage ratio, liabilities and financial risks. As at the end of 2017, the balance of monetary funds amounted to RMB26,089,746,000, representing a decrease of RMB6,422,474,000 or 19.75% from the beginning of the year.

Finance costs

In 2017, the finance costs of the Group amounted to RMB2,111,535,000, representing an increase of RMB198,657,000 as compared to last year. As compared to last year, the interest rate of USD-denominated loans increased in 2017, which led to an increase in the interest expenses of borrowings and bank processing fees related to borrowings as there was a year-on-year increase in the interest-bearing liabilities of the Group.

Net related exchange (loss)/gain

In 2017, the Group's net exchange loss related to borrowings amounted to RMB35,833,000, representing a decrease of RMB365,746,000 in net exchange loss as compared to last year. In 2017, under the situation of the fall in USD to RMB exchange rate and the rise of Euro to RMB exchange rate, the Group adjusted the structure of its borrowings dominated in USD and Euro to reduce the exchange losses from borrowings dominated in non-functional currencies.

Share of profits/losses of joint ventures and associates

The Group's share of profits of joint ventures and associates in aggregate amounted to RMB1,701,956,000 in 2017, representing a year-on-year increase of RMB302,348,000, among which the investment income from associated companies and joint ventures of COSCO SHIPPING Ports increased by RMB268,819,000 as compared to last year.

Income tax expenses from continuing operations

Income tax expenses of the Group from continuing operations in 2017 amounted to RMB872,351,000, representing a year-on-year increase of RMB365,912,000.

Major suppliers

Total purchases from the top five suppliers of the Group in 2017 amounted to RMB12,879,198,000, accounting for 15.59% of the total purchases for the year.

5. Analysis of loss from discontinued operations for the year

In 2017, there were no discontinued operations. Loss from discontinued operations of the Group in the previous year amounted to RMB3,138,723,000, among which RMB2,430,262,000 was a net loss on disposal of China COSCO Bulk Shipping (Group) Co., Ltd. and Florens Container Holding Limted.

6. **Cash flow**

As at the end of 2017, the cash and cash equivalents amounted to RMB25,738,526,000, representing a decrease by RMB6,450,046,000 or 20.04% from the beginning of the year.

(1) **Net cash flow from operating activities**

In 2017, the net cash inflow from operating activities amounted to RMB7,092,039,000, representing an increase of RMB5,572,506,000 or 366.72% as compared to last year. In 2017, as the container shipping market continued to recover, both container shipping volume and freight rate increased on a year-on-year basis, the port business developed steadily and the synergies between ports operation and shipping business were further developed. This was the major reason for the significant increase in the net cash inflow from operating activities in 2017 as compared to last year.

(2) **Net cash flow from investing activities**

In 2017, the net cash outflow from investing activities amounted to RMB15,233,054,000 as compared to the net cash inflow of RMB4,986,406,000 for last year, of which: an amount of RMB11,145,984,000 was paid in cash for purchasing fixed assets, intangible assets and other long-term assets (including: RMB7,411,984,000 paid for purchasing container vessels and RMB1,445,229,000 paid for purchasing containers); RMB3,361,700,000 paid in cash for investment; RMB2,039,459,000 paid for acquiring subsidiaries and other entities; RMB1,237,796,000 received in cash from investment income; and RMB45,956,000 received in cash from investment returns.

(3) **Net cash flow from financing activities**

In 2017, the net cash inflow from financing activities amounted to RMB2,796,966,000 as compared to a net outflow of RMB9,497,917,000 for last year, which included net inflow of loan proceeds from banks and non-bank financial institutions of RMB5,463,815,000; an amount of RMB2,359,256,000 paid in cash for distributing dividends and profits and repaying interest; and an amount of RMB967,309,000 received in cash from inbound investment (including RMB678,096,000 of capital contribution from new minority shareholders as a result of the capital increase and employees participation plan by Shanghai Pan Asia Shipping Co., Ltd ("**Shanghai Pan Asia**"), a subsidiary of COSCO SHIPPING Lines; and RMB286,000,000 of further capital contribution from minority shareholders upon completion of the acquisition of the Nantong Tonghai Terminal of COSCO SHIPPING Ports by COSCO Shipping Port (Nantong) Co., Ltd., a subsidiary of COSCO SHIPPING Ports).

(4) **Impact of changes in exchange rate on cash and cash equivalents**

As at the end of 2017, balance of cash and cash equivalents decreased by RMB1,105,997,000, primarily due to a fall in the USD to RMB exchange rate, as compared to the beginning of the year.

(II) Industry Operation Information Analysis

Container shipping business

In 2017, the container transportation demand experienced higher growth driven by the global economic recovery. The market demand growth surpassed the shipping capacity growth for two consecutive years, and the supply and demand relationship was further improved. Market freight rates recovered steadily and CCFI increased by 15.4% in 2017 as compared to last year.

During the Reporting Period, COSCO SHIPPING Lines focused on the "Growth" theme by continuously putting greater efforts on improvement in quality and efficiency and deepening reforms. It adhered to the core strategies of "scaling up and globalization, customer orientation, cost-saving and gradual enhancement of capability in providing comprehensive logistics solutions to customers", continued to strengthen the revenue management ability of the Company, and synergies continued to be generated.

After implementing the scaling-up strategy, the reorganized COSCO SHIPPING Lines further expanded its business operation, enhanced its position in the industry and continued to optimize its service network. As at 31 December 2017, the Company operated 360 container vessels with a total shipping capacity of 1,819,091 TEUs, representing a year-on-year increase of 10.3%, and ranked fourth in the world in terms of shipping capacity. With the coverage of the shipping services continuously extended, shipping routes operated had anchors in 289 ports covering 90 countries and regions around the world as at the end of 2017.

The Company continued to improve global capacity distribution by implementing the strategy of globalization. It increasingly put shipping capacity in emerging and regional markets and continued to accelerate the layout of overseas service points in emerging markets. In light of the trends of the return of manufacturing operations and short-distance purchasing in developed countries, the Company promoted the development of regional markets such as Southeast Asia, Europe and Central America. Multiple routes in such regions were opened with rapid growth during the year. In addition, in response to the Belt and Road Initiative, the Company increasingly put shipping capacity in markets along the Belt and Road, and supported the construction along the routes in the country's the Belt and Road Initiative with shipping services.

The Company adhered to its customer-centric policy by boosting global standardized customer service process and promoting nine service standards globally. It focused on four types of marketing teambuilding, including new customer development, import marketing, customer maintenance and specialization by industry. The Company further expanded service channels, enhanced digital customer service ability, and improved the customer service virtual center mechanism in the PRC, added functions to the public service platform, increased service convenience and interactive efficiency, so as to satisfy diversified service demands of customers.

The Company implemented a low cost strategy with the effect of continuously achieving synergies from business restructuring, by means of optimized shipping routes resources, increased turnaround of containers, reduced transportation of empty containers, enhanced control over fuel and management of suppliers, as well as shortening of transit routes. On the other hand, the Company reduced cost per TEU by leveraging cost competitiveness of large vessels and scaling up of shipping routes resources.

The Company implemented the strategy of increasing comprehensive transportation capacity, explored potential customer demands from new perspective and enhanced its ability to develop the global supply chain business. With active participation in the operation of China-Europe trains, the Company studied the feasibility of running self-operating international trains. The Company will continue to strengthen the position of Piraeus Port as a transportation hub and accelerate the development of China-European Sea-rail Express business. The Company actively implemented project investment to complete the acquisition of 24.5% equity interest in Kazakh Horgos Eastern Gate dry port, which will accelerate the Company's distribution of key supply chain point resources along the Belt and Road, which in turn can increase its comprehensive transportation capability and enterprise value.

Throughout 2017, there were six new container vessels with 65,500 TEUs delivered for operation. There was no new order of container vessel during the year. As at 31 December 2017, the Company had 28 orders of container vessels with 497,753 TEUs.

Containers shipped (TEU):

	2017	2016	Year-on-year increase (%)
Routes			
Pacific routes	3,093,349	2,501,040	23.68
Asia and Europe (Mediterranean) routes	3,871,055	3,608,717	7.27
Asia Pacific Region routes	5,638,301	4,427,274	27.35
Other international regions	1,899,040	1,219,626	55.71
China domestic routes	6,412,001	5,146,133	24.60
Total	20,913,746	16,902,790	23.73

Revenue from routes (RMB'000)

	2017	2016	Year-on-year increase (%)
Trans-Pacific	**22,333,624**	17,383,204	28.48
Asia and Europe (including the Mediterranean)	**18,632,357**	14,349,012	29.85
Asia Region (including Australia)	**16,939,785**	11,890,662	42.46
Other international region (including the Atlantic)	**9,401,763**	5,061,659	85.74
China	**12,453,037**	10,045,557	23.97
Offset of internal transactions among routes	**(1,908,038)**	(2,091,458)	—
Total	**77,852,528**	56,638,636	37.45

Terminal business

Benefitting from the continuous improvement of the global economy and trading environment, the container terminal business of main ports in the world maintained a growth trend in 2017 with a more rapid growth in main regions' throughput in general. According to the latest survey of Drewry, the aggregate container throughput of main ports in the world was expected to be 743 million TEUs in 2017, representing a year-on-year growth of 6.0%, which is much higher than 2.5% of last year. Among seven regional markets, North America was expected to grow at the fastest pace of 7.8%, significantly higher than 1.3% of last year, followed by Middle East/South Asia which was expected to grow at 6.9% as compared to 3.9% of last year. Europe also delivered a good performance with an expected growth rate of 5.0%, higher than 3.3% of last year. In 2017, the container throughput of Latin America and Africa grew at 6.9% and 3.6%, respectively. Negative growth has been reversed and the situation in the regional terminal industry has been substantially improved.

Upon completion of consolidation in 2016, with the support of China COSCO Shipping and COSCO SHIPPING Holdings, COSCO SHIPPING Ports actively developed in coordination with fellow companies, including COSCO SHIPPING Lines, and contributed to the brand advantages of COSCO SHIPPING. 2017 is a year of significant reforms for COSCO SHIPPING Ports. The brand image of "The Ports For ALL" was constantly enhanced, the globalization of layout for the terminal network was accelerated and remarkable success was seen in the regional terminal consolidation. In 2017, COSCO SHIPPING Ports had an aggregate container throughput of 100.2 million TEUs, representing a growth of 5.4% as compared to last year.

Throughput of terminals by region (TEU)

Unit: TEU

Location of terminal	Year ended 31 December 2017	Year ended 31 December 2016	Difference	Percentage of increase (%)
Bohai Rim Region	**15,974,976**	15,112,768	862,208	5.71
Yangtze River Delta Region	**19,630,693**	18,508,168	1,122,525	6.07
Southeast Coast and others	**5,079,660**	4,533,026	546,634	12.06
Pearl River Delta Region	**27,049,187**	24,697,218	2,351,969	9.52
Southwest Coast	**1,357,005**	1,138,057	218,948	19.24
Overseas	**18,840,664**	13,582,982	5,257,682	38.71
Total	**87,932,185**	77,572,219	10,359,966	13.36
Of which: Controlled terminals	**17,353,422**	15,735,175	1,618,247	10.28
Participating terminals	**70,578,763**	61,837,044	8,741,719	14.14

Note:

In 2017, the Group acquired additional 16.82% equity interests in Qingdao Port International with the consideration settled by the 20% equity interest transfer in Qingdao Qianwan Terminal plus cash. As a result, the total throughput of Qingdao Qianwan Terminal had not been consolidated into the total throughput of the Group since 1 January 2017. In order to make the total throughput data in the current period comparable to last year, Bohai Rim Region's throughput, participating terminals' throughput and the total throughput for 2017 set out in the above table did not contain the total throughput of 12,270,000 TEUs of Qingdao Port International from May to December 2017, and those for 2016 did not contain the total throughput of 17,499,703 TEUs of Qingdao Qianwan Terminal in 2016. If such throughput was included, the total throughput of container terminals of the Group would be 100,202,185 TEUs in 2017, representing a year-on-year increase of 5.40% as compared to 95,071,922 TEUs of last year, among which the non-controlled container terminals' total throughput would be 82,848,763 TEUs, representing a year-on-year increase of 4.43% as compared to 79,336,747 TEUs of last year.

(III) Analysis of assets and liabilities

As at 31 December 2017, the total assets of the Group amounted to RMB133,190,005,000, representing an increase of RMB13,537,272,000 or 11.31% from the beginning of the year. The total liabilities amounted to RMB89,479,425,000, representing an increase of RMB7,375,561,000 or 8.98% from the beginning of the year.

As at 31 December 2017, bank deposits and cash and cash equivalents of the Group were RMB25,738,526,000, most of which were denominated in RMB and US dollar and the rest were denominated in Euro, Hong Kong dollar and other currencies.

As at 31 December 2017, the outstanding borrowings of the Group amounted to RMB63,389,747,000, representing an increase of RMB6,012,772,000 or 10.48% from the beginning of the year; net debt amounted to RMB37,651,221,000, representing an increase of RMB12,462,818,000 or 49.48% from the beginning of the year. As at 31 December 2017, the gearing ratio (net liability to equity ratio) was 86.14%, representing an increase of 19.06 percentage points from the beginning of the year.

The working capital and capital resources of the Group have been and will continue to be generated from cash flows from operating activities, proceeds from new share issuance and debt financing from banks. Cash of the Group has been and is expected to be utilized for various purposes such as payment of operating costs, purchases of container vessels, investments in terminals and repayment of loans.

Certain property, plant and equipment of the Group with net book value of RMB23,905,072,000 (31 December 2016: RMB22,601,560,000) were pledged to banks and financial institutions as collaterals for borrowings in the total amount of RMB20,940,293,000 (31 December 2016: RMB14,109,096,000), representing 41.63% of the total value of the property, plant and equipment (31 December 2016: 46.67%).

Debt analysis

Categories	As at 31 December 2017 RMB'000	As at 31 December 2016 RMB'000
Short-term borrowings	10,939,802	3,246,917
Long-term borrowings	52,449,945	54,130,058
Among which: Less than 1 year	8,540,731	6,661,134
1 to 2 years	8,476,861	14,536,972
3 to 5 years	17,580,968	16,723,202
Over 5 years	17,851,385	16,208,750
Total of long-term and short-term borrowings	63,389,747	57,376,975

Classification by categories of borrowings

As at 31 December 2017, the Group had bank borrowings of RMB41,092,226,000, notes and bonds payable of RMB17,374,249,000 and other borrowings of RMB4,923,272,000, representing 64.82%, 27.41% and 7.77% respectively of the total borrowings. Of the bank borrowings, secured borrowings amounted to RMB20,868,293,000 and unsecured borrowings amounted to RMB20,223,933,000, representing 32.92% and 31.90% respectively of the total borrowings.

The borrowings of the Group denominated in US dollars amounted to RMB34,100,207,000, borrowings denominated in RMB amounted to RMB23,382,074,000, and borrowings denominated in Euro amounted to RMB5,907,466,000, representing 53.79%, 36.89% and 9.32% respectively of the total borrowings. Save for the issued medium-term notes and bonds, most of the borrowings of the Group bear floating interest rate.

Guarantees

As at 31 December 2017, the Group had provided a guarantee on a banking facility granted to Guangxi Qin Zhou International Container Terminal Co. Ltd., a joint venture, in the amount of RMB60,282,000 (as at 31 December 2016: RMB63,200,000).

Contingent liabilities

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

As at 31 December 2017, the Group was unable to ascertain the likelihood and amounts of the above mentioned claims. However, based on advice of legal counsel and/or information available to the Group, the Directors are of the opinion that the relevant claims amounts should not be material to the Group's consolidated financial statements for the year ended 31 December 2017.

Foreign exchange risk

The Group operates internationally and is exposed to various foreign exchange risks arising from non-functional currencies. Foreign exchange risks are derived from future business transactions and recognized assets and liabilities. The actual foreign exchange risks faced by the Group are therefore primarily with respect to non-functional currency bank balances, receivable and payable balances and bank borrowings. The management monitors the exposure to foreign exchange risks and will consider hedging certain foreign currency risks exposure with derivative financial instruments should the need arise.

Others

Capital commitments

The Group currently has a total of 28 container vessels under construction. The capital commitments for future construction of container vessels amounted to RMB18,720,565,000.

Containers under construction amounted to 82,000 TEUs. The capital commitments for future construction of containers amounted to RMB5,120,000.

The capital commitments for investment in terminals amounted to RMB6,660,125,000 in aggregate, among which the commitments for purchasing fixed assets amounted to RMB3,766,153,000 and the equity investment commitment of terminals amounted to RMB2,893,972,000.

Financing plans

The Group will take its material capital expenditure for 2018 into consideration, including the proposed acquisition of shares in companies including OOIL, construction of containers and expenditure for terminal infrastructure projects, formulate relevant financing arrangements, enhance capital management, optimize the utilization efficiency of funds and control the scale of debts effectively.

Significant acquisitions and disposals of assets and equity interests

1. On 20 January 2017, the Company convened the 33rd meeting of the fourth session of the Board, at which the Board considered and approved the subscription of 1,015,520,000 non-circulating domestic shares issued by Qingdao Port International at a consideration of RMB5,798,619,000 (equivalent to approximately RMB5.71 per share) by COSCO SHIPPING Ports (a controlled subsidiary of the Company) through Shanghai China Shipping Terminal, its wholly-owned subsidiary. RMB3,198,651,000 of the consideration was settled by the transfer of 20% equity interest in Qingdao Qianwan Terminal by Shanghai China Shipping Terminal and the remaining RMB2,599,968,000 was settled in cash. The transaction was completed during the Reporting Period.

   Such acquisition and disposal were meaningful steps in the implementation of COSCO SHIPPING Ports' strategy, which enhanced its competitive advantage and created greater value. The investment in, and the subsequent strategic co-operation with, a major port in China will also strengthen COSCO SHIPPING Ports' leading position in the Greater China region, which is in line with COSCO SHIPPING Ports' strategy of enhancing control over terminal assets.

   For details of investment cost for the subscription of shares in Qingdao Port International and the profit and loss on disposal of equity interest in Qingdao Qianwan Terminal, please refer to "Discussion and Analysis regarding the Operation — (IV) Investment analysis" in the section headed "Management Discussion and Analysis" of this annual report.

2. COSCO SHIPPING Holdings published an announcement on 9 July 2017 that a subsidiary of the Company and a subsidiary of Shanghai International Port (Group) Co., Ltd. had made a pre-conditional voluntary general offer to all shareholders of OOIL at an offer price of HK$78.67 per share (the "**Offer**"). If the acquisition is successfully completed, the scale of the shipping capacity (including orders) of COSCO SHIPPING Holdings will exceed 2.9 million TEUs and its leading position in the global container shipping industry will be further enhanced. COSCO SHIPPING Lines and OOIL will continue to operate under their respective brands, providing container transport and logistics services. By leveraging the strengths of each company and achieving synergies, the businesses will enhance their operating efficiencies and competitive positions to achieve sustainable growth in the long term.

As the making of the Offer is subject to the satisfaction or waiver of the pre-conditions to the Offer, the Offer is a possibility only and may or may not be made. As at the date of this announcement, the transactions under the Offer has not been completed yet. Shareholders of OOIL, shareholders of COSCO SHIPPING Holdings and prospective investors are advised to exercise caution when dealing in the securities of OOIL or of COSCO SHIPPING Holdings.

For details of the Offer, please refer to the joint announcements dated 7 July 2017, 7 August 2017, 7 September 2017, 9 October 2017, 16 October 2017, 23 October 2017, 7 November 2017, 6 December 2017, 8 January 2018, 7 February 2018 and 7 March 2018 made by the Company, Faulkner Global Holdings Limited, Shanghai Port Group (BVI) Development Co., Limited and OOIL; the announcements of the Company dated 31 August 2017 and 16 October 2017; and the circular of the Company dated 25 September 2017.

Events after the balance sheet date:

None

(IV) Investment analysis

1. Analysis of external equity investments

As at the end of 2017, the equity investment of the Group in associated companies and joint ventures amounted to RMB25,862,036,000, representing an increase of RMB5,431,482,000 or 26.59% from the beginning of the year. In 2017, the Group incurred an additional investment cost of RMB7,414,476,000 for eight new associated companies and joint ventures, and a net gain on disposal of four joint ventures of RMB1,936,284,000.

(1) Significant equity investments

Increases in the year:

Invested Companies	Shareholding as at the end of 2017 (%)	Increase in investment costs during the year RMB'000
COSCO SHIPPING Lines (Israel) Co., Ltd.	60	448
COSRACO LLC	49	1,239
APM Terminals Vado Holdings B.V.	40	50,441
KTZE-Khorgos Gateway LLP	24.5	256,834
Qingdao Port International Co., Ltd.	18.41	6,341,266
Dalian Container Terminal Co., Ltd.	19	755,932
Conte-Rail, S.A.	50	7,334
Servicios Intermodales Bilbaoport, S.L.	13.87	982
Total	–	7,414,476

Decreases in the year:

Invested Companies	Shareholding as at the beginning of 2017 (%)	Opening carrying amount for 2017 RMB'000	Gain or loss on disposal (gain is +) RMB'000
Qingdao Qianwan Terminal	20	1,315,954	1,886,333
Dalian Port Container Terminal Co., Ltd.	20	146,378	12,659
Dalian International Container Terminal Co., Ltd.	40	543,750	37,092
CSP Zeebrugge Terminal NV	24	119,625	200
Total	–	2,125,707	1,936,284

Notes:

1. After the acquisition of the additional 16.82% equity interests in Qingdao Port International by Shanghai China Shipping Terminal and delegation of a director to the company during the Reporting Period, the 2.01% equity interest in Qingdao Port International, which was previously held by Shanghai China Shipping Terminal and stated under available-for-sale financial assets, was transferred to long-term equity investments and was measured using the equity method based on the diluted shareholding percentage of 1.59%.

2. China Shipping Ports Development Co., Limited (中海港口發展有限公司), owned by COSCO SHIPPING Ports, previously held a 24% equity interest in Zeebrugge Terminal. As it acquired an additional 76% equity interest in Zeebrugge Terminal during the Reporting Period, Zeebrugge Terminal was no longer an associated company and became a wholly-owned subsidiary which was included in the consolidated financial statement of the Group.

2. Financial assets at fair value

Short name of securities	Initial investment cost RMB'000	Shareholding at the end of period (%)	Opening carrying amount RMB'000	Profit or loss for the reporting period RMB'000	Change in carrying amount during the reporting period RMB'000	Sources of shares
Haitong Securities	7,017	0.05	76,698	1,071	(14,025)	Acquisition at establishment
Tianjin Quanye Chang	99	0.02	990	0	(405)	Purchase of original legal person shares
Northeast Pharmaceutical	200	0.03	1,247	0	219	Purchase of original legal person shares
QHD Port	194,345	0.88	70,530	2,268	27,223	Purchase of original legal person shares
Qingdao Port International	284,061	2.01	316,871	264,099	(316,871)	Purchase of original legal person shares
Port of Guangzhou	498,096	3.98	499,445	5,982	1,007,172	Acquisition at establishment
Total	983,818	—	965,781	273,420	703,313	

Note:

At the beginning of 2017, Shanghai China Shipping Terminal held a 3.98% equity interest in Guangzhou Port Company Limited, the value of which as stated under available-for-sale financial assets of the Group amounted to 499,445,000. Prior to 29 March 2017, the Group measured such available-for-sale financial asset at cost. On 29 March 2017, the shares of Guangzhou Port Company Limited were listed on Shanghai Stock Exchange at the price of RMB2.29 per share and the Group was able to realize the market value from such available-for-sale financial assets. Therefore, the Group started to measure such asset at fair value. As at the end of 2017, the balance of the available-for-sale financial assets amounted to RMB1,506,617,000.

3. Wealth management entrusted to non-financial companies and derivatives investments (none)

Not applicable.

4. Use of proceeds from raised funds

Not applicable.

5. Analysis of principal subsidiaries and companies with equity interest

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

(1) Analysis of acquisition and disposal of subsidiaries during the year

A total of 314 consolidated subsidiaries were included in the consolidated financial statements of the Group as at the end of 2017, among which 33 controlled subsidiaries were newly added in 2017, including 22 newly established subsidiaries and 11 acquired subsidiaries, while 36 consolidated controlled subsidiaries ceased to be included in the consolidated financial statements of the Group due to liquidation and closure.

The Group acquired 11 controlled subsidiaries as a result of acquisitions in 2017 at a total consideration of RMB2,175,233,000, details of which are set forth below:

COSCO SHIPPING Ports (Nantong) Co., Ltd. (中遠海運港口(南通)有限公司), owned by COSCO SHIPPING Ports, acquired 51% equity interest in Nantong Tonghai Port Co., Ltd. (南通通海港口有限公司).

Shanghai China Shipping Terminal, owned by COSCO SHIPPING Ports, acquired 70% equity interest in Wuhan Yangluo Jiutong Ports Co., Ltd. (武漢陽邏九通港務有限公司).

COSCO SHIPPING Ports (Spain) Limited, owned by COSCO SHIPPING Ports, acquired 51% equity interest in Noatum Terminal in Spain, as a result of which the number of additional consolidated subsidiaries was eight.

China Shipping Ports Development Co., Limited, owned by COSCO SHIPPING Ports, acquired additional 76% equity interest in Zeebrugge Terminal.

(2) Major holding subsidiaries

COSCO SHIPPING Lines, a wholly-owned subsidiary of COSCO SHIPPING Holdings, is principally engaged in international and domestic container shipping services and related businesses. Its registered capital is RMB17,328,273,082. As at the end of 2017, its total assets and total equity amounted to RMB68,025,988,000 and RMB7,857,947,000 respectively. Total equity attributable to owners of the parent company amounted to RMB7,061,591,000 (as at the end of 2016: RMB4,517,866,000). Revenue and net profit in 2017 was RMB86,751,206,000 and RMB1,663,586,000 respectively. Net profit attributable to the equity holders of the parent company amounted to RMB1,560,267,000 (2016: net loss of RMB6,925,850,000).

COSCO SHIPPING Ports and its subsidiaries are principally engaged in the management and operation of terminals. COSCO SHIPPING Ports is a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of Hong Kong Stock Exchange. As at the end of 2017, COSCO SHIPPING Ports was owned as to 46.91% by COSCO SHIPPING Holdings. As at the end of 2017, the authorized share capital of COSCO SHIPPING Ports was HK$400,000,000 and its issued share capital and paid up capital was HK$305,711,272.

As at the end of 2017, the total asset and total equity of COSCO SHIPPING Ports amounted to RMB58,629,980,000 and RMB38,108,641,000 respectively. Total equity attributable to equity holders of the parent company amounted to RMB33,816,934,000 (as at the end of 2016: RMB30,116,162,000). Revenue and net profit in 2017 was RMB4,357,807,000 and RMB3,650,378,000 respectively. Net profit attributable to equity holders of the parent company amounted to RMB3,388,904,000 (2016: RMB1,031,149,000).

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

(I) Competition in the industry and development trend

Container shipping market

Competition landscape

With deepening industry adjustment and reorganized structure in the alliance being basically settled, corresponding changes will occur in the competitive landscape of the container shipping market in the future. With large container vessels being put into use successively, accelerating scientific and technologic innovation and development and increasingly strict global environmental protection standards, market entry and competitive barriers become increasingly high. Allied operations in the market continued to expand. Currently, the scope of cooperation in the alliance has been expanded to the sub-main routes of the Far East from/to the Middle East and the Red Sea. In the future, members in the alliance may continue to carry out in-depth cooperation in the extended shipping services and competition among liner companies may gradually expand from shipping services to the whole supply chain. Meanwhile, with change in the competitive landscape of the container shipping market and further enhancement of industry concentration, avoidance in competition in low prices and establishment of a new industry ecology has become a general consensus.

Market outlook

In 2018, concentrated delivery of large vessels will occur in the container shipping market and the demolition volume is expected to decrease from a high level. However, benefiting from continual recovery trend of the global economy and trade, the growth of container shipping demand is expected to be strongly supported. Despite a high base in 2017 resulting in the potential decrease in the growth of container shipping demand in 2018, the container shipping market may remain in a moderate supply and demand situation in general in 2018. With deepening adjustment in the container shipping industry, the overall operation in the market is expected to focus more on enhancing customer service quality and improving service products to make competition more reasonable.

Development trend

In line with change in global economic and trading environment, emerging markets and regional markets will play a leading role in the next round of industry growth. In the future, competition in the market may show a trend of globalization coexisting with regionalization, and fleets in the market will also become huger and agiler in line with the trend. With deepening industry consolidation and in-depth development of alliance cooperation, the operation strategies of carriers will gradually shift from the sole provision of standard shipping services to the provision of more diversified and customized shipping services across the whole process. Scientific and technologic innovation and development will also accelerate the development of digital and intelligent shipping and big data may become the third fundamental strategic resource and core asset after vessels and containers of the container shipping industry.

Terminal market

It is expected that in the global container terminal industry, there will be two major development trends in the next two years:

Firstly, the integration between global terminal operators and liner companies will continue to improve.

There are two major reasons. First, overcapacity and narrowing profit space resulting in continual increase in the efforts of liner companies and terminal operators in lean management, and the synergy between terminals and shipping companies is a relatively desirable resolution for both parties to create win-win situation. This can be fully proved by enhancement of comparative competitive advantages of terminal operators with a shipping background, while in respect of global public terminal operators, it will be strategic requirement for them to attract shipping companies for investment, establishing terminal joint ventures and creating a community of shared interests in order to secure stable source of goods and improve market competitiveness. Second, the increasing integration between terminals and shipping companies facilitates the increase of both parties' operational efficiency, the improvement of customer service quality and the enhancement of market competitiveness.

Secondly, cooperation among terminal operators will continue to expand.

Cooperation among global terminal operators will continue to expand and deepen, which is, on one hand, beneficial to improving the competitiveness of the terminal industry and better cope with alliance pressure, and is, on the other hand, also beneficial for terminal operators to reduce operation costs and operation risks. In-depth cooperation among global terminal operators will generate an all-win market structure, which is beneficial to the sustainable, stable and healthy development of the terminal industry.

(II) Development strategy

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

(III) Operation plan

Container shipping business

The Company will continuously establish itself as a world first-class liner company with international competitiveness, continue to accelerate its strategy implementation and upgrade the Company's product gradually from current "route products" to "route products + digital services + end-to-end solutions" in order to create values for customers.

The Company will continue to optimize and upgrade global route network layout and shipping capacity structure to fully demonstrate the Company's ability of global layout matching with the Company's scale and strength. In addition, the Company will improve and optimize its products and continuously explore new profit growth driver.

The Company will strengthen its ability of precise marketing to provide strong support in terms of cargo volume for the Company's scale development and achieve continual and simultaneous growth of cargo volume and shipping capacity. The Company will also further strengthen the construction of marketing team, release sales potential and expand market, combine improving cargo flow balance with increasing import cargo volume organically to increase revenue of overall routes.

The Company will continue to accelerate the construction of digital shipping by being customer-oriented and digital-driving and continue to improve digital customer service capacity, fully explore the value of system data and achieve digital connection with customers. Meanwhile, the Company will promote global service standardization, continuously optimize customer service process and improve customer experience.

Furthermore, the Company will put great efforts to develop domestic and overseas multimodal transport and inland end-to-end services, provide customers with diversified service choices, establish complete all-process transportation solution and improve the Company's overall revenue. The Company will also continue to expand the scale of China European land-ocean transportation business and improve brand effect.

Moreover, the Company will continue to promote the comprehensive improvement of lean management and continuously explore the potential of cost reduction and efficiency enhancement through route network optimization, container management costs and fuel costs control, supplier management and operation management.

Terminal business

The Company will continue to improve its global container hub port network by leveraging on the synergy effect with COSCO SHIPPING Lines and the OCEAN Alliance and the huge market share of the OCEAN Alliance and reinforcing its capability to serve the OCEAN Alliance. Meanwhile, the Company will continue to establish close partnerships and good relationships with port groups, terminal operators and international liner companies.

In respect of terminal investments, when selecting investment and merger projects, the Company emphasizes the control over terminals and considers whether it is helpful to enhance the rewards for shareholders, and assesses the value impact on the overall layout of its terminal networks. In order to improve the layout of its global terminal networks, COSCO SHIPPING Ports will, bring its own competitive edges into full play, continue to seek opportunities for investing in ports in Southeast Asia, South Asia, West Asia, Africa, America and Latin America and boost its terminal projects in due course. Meanwhile, the Company will also continue to boost its domestic ports consolidation projects and seek to cooperate with port groups, with an aim to strengthen and expand its terminal business in multiple aspects.

It is one of the strategic plans of the company to carry out the services derived from the downstream and upstream terminal industrial chain. The Company will expand its terminal derivative services to reinforce its competitive strengths by boosting the container yard project in Khalifa port, Abu Dhabi and the projects relating to the lands for logistics use in Tonghai, Nantong, and Yangluo, Wuhan.

The Company will follow its five-year strategic plan, seek opportunities and continue to implement the concept of "The Ports For ALL" to build up a win-win and shared platform that can create maximum value for all parties. Meanwhile, the Company will further enhance the brand recognition and influence of the Group, put more efforts in implementation, optimize its terminal assets and operation efficiency and improve the overall profitability of the Company.

(IV) Potential risks

I. Market demand risk

1. Risk description

Lack of market demand, changes in market mode, the contraction of traditional transactions and lack of new business and new customers may lead to insufficient supply or shrinking market supply.

2. Risk causes and impact analysis

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

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

3. Risk response strategies and recommendations

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

(2) The Company shall put proactive efforts in gathering information about the market, competitors and customers and report such information to headquarters on a regular basis to enrich the channels for headquarters to make judgement on the market.

II. Investment decision risk

1. **Risk description**

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

2. **Risk causes and impact analysis**

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

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

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

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

3. **Risk response strategies and recommendations**

(1) To formulate and improve the investment management system. For project preparation, general investment project decision-making, major investment project decision-making and post-investment assessment of projects, the Company should specify the investment decision-making, approval, implementation and supervision of the authority and work processes through formulating and improving the "Rules of Procedure of Investment and Strategic Planning Committee", "Investment Management Measures", "Project Development Management Regulations" and other investment management systems.

(2) To specify the principle of foreign investment. The Company should strictly abide by the principle of "overall planning, prudent investment, scientific decision-making and benefit first". The investment projects must be in line with the Company's overall

development plan, with "the Belt and Road" Initiative of the PRC and Yangtze River Economic Belt Strategy as guidelines, closely focusing on the hub port strategy of the Group and continuing to increase the investment and development efforts in emerging markets, third country markets, overseas regional markets and markets along "the Belt and Road".

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

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

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

(5) To develop the investment economic indicators and unified assessment criteria of the projects. The Company shall formulate the investment economic indicators, including the core business, the shareholding percentage, the internal rate of return, the annual profit contribution, the net present value and so on, and set the unified evaluation criteria for the investment such that the investment can improve the overall competitiveness of the Company and achieve the ultimate goal of maximizing the value of the Company, the benefits of the Company and the return of shareholders.

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

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

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

The Company distributes dividends to all Shareholders by way of cash or scrip dividend, and the total dividends shall be no less than 25% of the audited distributable profits of the Company during the accounting year or period concerned in principle. The actual distribution amount of dividends to Shareholders shall be based on the operating results, cash flow condition, current financial position and capital expenditure plans of the Company. The proposal of dividend distribution is formulated by the Board and implemented after approval by the general meeting of the Company. The amount of dividends to be distributed shall be determined based on the lower of the after-tax profits set out in the audited financial statements prepared pursuant to China Accounting Standards for Business Enterprises and HKFRSs.

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

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

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

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

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

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

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

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

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

   The Group recorded profit attributable to equity holders of the company in 2017. Since total net profit attributable to owners of the parent company of COSCO SHIPPING Holdings for the year was used to recover previous years' losses, the aggregate undistributed profit was negative. According to the relevant requirements of the Company Law of the PRC, no profit can be distributed provided that the aggregate undistributed profit of a company is negative. The Board does not recommend distributing any cash dividends.

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

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

Unit: RMB

Year of Distribution	Number of bonus shares for every 10 shares (share)	Dividend for every 10 shares (RMB) (tax inclusive)	Number of scrip shares for every 10 shares (share)	Cash dividend (tax inclusive)	Net profit/ (net loss) attributable to shareholders of the listed company in consolidated financial statements of the bonus distribution year	Ratio to net profit attributable to shareholders of the listed company in consolidated financial statements (%)
2017	0.00	0.00	0.00	0.00	2,661,935,871.48	0.00
2016	0.00	0.00	0.00	0.00	(9,906,003,612.80)	0.00
2015	0.00	0.00	0.00	0.00	469,301,789.49	0.00

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

Not applicable

(IV) During the Reporting Period, if the earnings and profits available for distribution to holders of ordinary shares of parent company were positive, but there was no proposed distribution of profit in cash for ordinary shares, the Company shall disclose the reasons and uses and proposed uses of undistributed profits in detail.

Not applicable

Significant Events

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

Not applicable

II. Material litigation and arbitration

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

Not applicable

III. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

(I) Trust, contracting and leasing

Not applicable

(II) Guarantees

Unit: Yuan Currency: RMB

External guarantees provided by the Company (excluding guarantees provided for its subsidiaries)													
Guarantor	Relationship of the Guarantor with the Company	Beneficiary	Amount of the guarantee	Date of guarantee (Date of agreement)	Commencement Date of guarantee	End date of Guarantee	Type of guarantee	Whtether the guarantee is discharged	Whether the guarantee is overdue	Amount of overdue guarantee	Whether there is any counter guarantee	Whether it is a connected party guarantee	Connected relationship
China Shipping Terminal Development Co., Ltd.	Controlled subsidiary	Guangxi Qin Zhou International Container Terminal Co., Ltd.	40,800,000.00	26 May 2016	26 May 2016	26 May 2024	Guarantee with joint liability	No	No		No	Yes	Joint venture
China Shipping Terminal Development Co., Ltd.	Controlled subsidiary	Guangxi Qin Zhou International Container Terminal Co., Ltd.	3,482,000.00	26 May 2016	17 February 2017	26 May 2024	Guarantee with joint liability	No	No		No	Yes	Joint venture
China Shipping Terminal Development Co., Ltd.	Controlled subsidiary	Guangxi Qin Zhou International Container Terminal Co., Ltd.	16,000,000.00	14 November 2017	16 August 2016	5 December 2018	Guarantee with joint liability	No	No		No	Yes	Joint venture
Total amount of guarantees provided during the Reporting Period (excluding guarantees provided for subsidiaries)													(2,918,000.00)
Total outstanding guarantee amount as at the end of the Reporting Period (A) (excluding guarantees provided for subsidiaries)													60,282,000.00
Guarantees provided by the Company and its subsidiaries for its subsidiaries													
Total amount of the guarantees provided to subsidiaries during the Reporting Period													(2,286,731,570.00)
Total outstanding guarantee amount of the guarantees provided to subsidiaries as at the end of the Reporting Period (B)													11,104,174,000.00
Total amount of the guarantees provided by the Company (including guarantees for subsidiaries)													
Total amount of guarantees (A+B)													11,164,456,000.00
Total amount of guarantees as a percentage to the net assets of the Company (%)													25.54
Of which:													
Amount of guarantees provided to shareholders, ultimate controller and its connected parties (C)													
Amount of guarantees directly or indirectly provided for liability of parties with a gearing ratio exceeding 70% (D)													11,104,174,000.00
The portion of total amount of guarantee in excess of 50% of the net assets (E)													
Total amount of the above three categories of guarantees (C+D+E)													11,104,174,000.00
Explanation on outstanding guarantees which may cause several and joint liability													Not applicable
Explanation on guarantees													All guarantees provided by the Company have been approved by the Board of Directors

Significant Events

(III) Other material contracts

On 12 June 2017, COSCO SHIPPING Ports and its wholly-owned subsidiary COSCO SHIPPING Ports (Spain) Limited ("**COSCO SHIPPING Ports Spain**"), a company incorporated under the laws of Hong Kong and TPIH Iberia, S.L.U. ("**TPIH**"), a company incorporated in Spain entered into a sale and purchase agreement (hereinafter referred to as the "**Sale and Purchase Agreement**") pursuant to which COSCO SHIPPING Ports Spain agreed to purchase the shares held by TPIH in Noatum Port Holdings, S.L.U. ("**NPH**"), a company incorporated in Spain, representing 51% equity interests of NPH, at a consideration of €203,490,000 (equivalent to approximately RMB1,555,500,000, based on the central parity rate of RMB against Euro issued by China Foreign Exchange Trading Center at the date on which the agreement was entered into, similarly hereinafter); and COSCO SHIPPING Ports agreed to guarantee the performance of the obligations of COSCO SHIPPING Ports Spain under the Sale and Purchase Agreement. Meanwhile, COSCO SHIPPING Ports, COSCO SHIPPING Ports Spain, TPIH and NPH entered into a shareholders' agreement, pursuant to which, upon satisfaction of certain agreed conditions, TPIH has an option to require COSCO SHIPPING Ports Spain to acquire all of its shares in NPH. For details, please refer to the announcement of the Company dated 12 June 2017. As at the date of this report, the transaction was completed.

VI. OTHER SIGNIFICANT EVENTS

1. After consideration and approval by the third meeting of the fifth session of the board of directors of the Company and the second meeting of the fifth session of the supervisory committee of the Company held on 7 July 2017, Faulkner Global Holdings Limited, an overseas wholly-owned subsidiary of the Company, and Shanghai Port Group (BVI) Development Co., Limited made the Offer to all shareholders of OOIL. The consideration of the Offer will be settled in cash and the offer price is HK$78.67 per share.

   On 7 July 2017, the controlling shareholders of OOIL, Fortune Crest Inc. and Gala Way Company Inc., entered into an irrevocable undertaking with Faulkner Global Holdings Limited, the Company and China COSCO Shipping, under which Fortune Crest Inc. and Gala Way Company Inc. have irrevocably undertaken to accept, or procure the acceptance of, the Offer within seven days after the date of the Offer once the offer is made and the following conditions are satisfied: (1) the offer price shall not be less than HK$78.67 per share; (2) Faulkner Global Holdings Limited shall make the offer within seven days of the fulfilment or waiver (as applicable) of the pre-conditions in the Offer, and the pre-conditions shall be satisfied or waived by no later than 30 June 2018.

   If the Offer is successfully completed, the scale of the container shipping capacity (including orders) of COSCO SHIPPING Holdings will exceed 2.9 million TEUs and its leading position in the global container shipping industry will be further enhanced. COSCO SHIPPING Lines and OOIL will continue to operate under their respective brands, providing container transport and logistics services. By leveraging the strengths of each company and achieving synergies, the businesses will enhance their operating efficiencies and competitive positions to achieve sustainable growth in the long term.

   The making of the Offer is subject to the satisfaction or waiver (if applicable) of the pre-conditions. All investors are advised to be cautious of the investment risks.

For details of the Offer, please refer to the joint announcements dated 7 July 2017, 7 August 2017, 7 September 2017, 9 October 2017, 16 October 2017, 23 October 2017, 7 November 2017, 6 December 2017, 8 January 2018, 7 February 2018 and 7 March 2018 published by the Company Faulkner Global Holdings Limited, Shanghai Port Group (BVI) Development Co., Limited and OOIL.

2. Proposed Non-public Issuance of A Shares

After consideration and approval by the fifth meeting of the fifth session of the Board and after approval by the third extraordinary general meeting of 2017, the first A Share class meeting for 2017 and the first H Share class meeting of 2017 of the Company, the Company proposed the non-public issuance of a maximum of 2,043,254,870 A Shares (the "**Proposed Non-public Issuance of A Shares**") to not more than 10 specific investors (including China COSCO SHIPPING) at a price not lower than 90% of the average trading price of the Company's A Shares during the 20 trading days immediately preceding the price determination date and not less than the latest audited net asset value per share of the Company before the Proposed Non-public Issuance of A Shares, which would raise gross proceeds of up to RMB12,900,000,000. The net proceeds after deducting all applicable costs and expenses incurred will be used for the payment of the consideration for 20 container vessels under construction. As at the date of this report, the Proposed Non-public Issuance of A Shares has been approved by the State-owned Assets Supervision and Administration Commission of the State Council ("**SASAC**") and accepted by the CSRC. The Company has replied to CSRC with regard to the "Notice Regarding China Securities Regulatory Commission's First Feedback on the Review of Administrative Permission Items" (No. 172638).

The Proposed Non-public Issuance of A Shares is subject to the approval by the CSRC and it is uncertain whether it will be approved. The Company will disclose relevant information based on the approval progress of the CSRC in a timely manner in accordance with the requirements under relevant laws and regulations. Investors are advised to be cautious of the investment risks.

For details of the Proposed Non-public Issuance of A Shares, please refer to the announcements of the Company dated 30 October 2017, 15 December 2017 and 5 March 2018 and the circular dated 1 December 2017.

VI. FULFILLMENT OF SOCIAL RESPONSIBILITIES

(I) Poverty alleviation work of the Company

1. Targeted poverty alleviation plan

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

2. Summary of targeted poverty alleviation work for the year

The Company studied the spirit of the work of the central government earnestly to focus on poverty alleviation work, comprehensively streamlined the requirement of the national policy of poverty alleviation in recent years, thoroughly implemented the SASAC requirements of the central enterprises to undertake the work of poverty alleviation, summarized the fixed-point poverty alleviation work for previous years, confirmed the thoughts on fixed-point poverty alleviation work, understood the ideas and the principles, improved the organization, specified job responsibilities and carried out fixed-point poverty alleviation work effectively.

3. Results in accurate poverty alleviation

Unit: RMB10,000 Currency: RMB

Items	Number and its implementation
I. General information	
Of which: Capital	463.13945
II. Capital injection by project	
1. Poverty alleviation through industrial development	
Of which:1.1 Type of industrial poverty alleviation projects	√ Poverty alleviation through agriculture and forestry ☐Poverty alleviation through tourism ☐Poverty alleviation through e-commerce ☐Poverty alleviation through assets income ☐Poverty alleviation through science and technology ☐Others
1.2 Number of industrial poverty alleviation projects	1
1.3 Amount invested in industrial poverty alleviation projects	26.297
2. Education Support	
Of which: 2.1 Amount invested for poor students	20
2. 2 Number of subsidized poor students	59
2.3 Improvement of educational resources in deprived regions	183
3. Poverty alleviation through improvement in health	
Of which: 3.1 Amount invested in medical resources in impoverished areas	75
4. Poverty alleviation through ecological protection	
Of which: 4.1 Name of projects	√ Ecological protection and construction ☐ Establishment of compensation forms of ecological protection ☐ Establishment of ecological public welfare post ☐Others
4.2 Invested amount	12
5. Social poverty alleviation	
Of which: 5.1 Amount invested in east-west cooperation for poverty alleviation	0
5.2 Amount invested in targeted poverty alleviation work	146.84245

4. Plom forfutuve targeted poverty alleviation work

The Company further fulfilled the responsibilities of poverty alleviation, specified the allocation and use of poverty alleviation funds, the responsibilities, rights and obligations involved in the implementation of poverty alleviation projects and supervision, helped the local poor benefit from poverty alleviation projects effectively; specified targets of poverty alleviation, implemented poverty alleviation projects according to the progress of the projects to allocate funds to ensure the implementation and constantly promote the fixed-point poverty alleviation work to be carried out effectively.

(I) Social responsibilities

In 2017, COSCO SHIPPING Holdings adopted a concept for sustainable development and put vigorous efforts in fulfilling social responsibilities and building up positive enterprise brand and public image. In respect of environmental protection, it abided by the requirements of the United Nations Global Compact on environmental protection; in respect of human rights and employment, it established a comprehensive labor employment system in accordance with the requirements of the Labor Law, the Provisions on Prohibition of Child Labor, the Law on Protection of Rights and Interests of Women and the Labor Union Law, formulated Employee Management Procedures and Employment Procedures for Administrative Officers to fully fulfill its responsibilities under the Global Compact and its social responsibilities, upheld the Universal Declaration of Human Rights, and complied strictly with international compacts and rights relating to human rights to prohibit recruitment of child labor, discrimination on employees and forced labor. Contributions to the society also reflected the social responsibility of an enterprise. In the course of promoting globalized development, COSCO SHIPPING Holdings not only emphasized the development of economic efficiency, but also dedicated itself to contribution to local society. The Company was honored as the Most Socially Responsible Listed Company in the "Golden Hong Kong Stocks Awards" in 2017.

The environmental, social and governance report of the Company for 2017 in accordance with Appendix 27 of the Listing Rules will be published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www,chinacosco.com) no later than three months after the publication of this annual report.

Significant Events

(II) Environmental protection

Companies which are not key pollutant discharge units

COSCO SHIPPING Holdings emphasizes energy conservation and environmental protection, minimizing pollution and damage to the environment, and promoting priority in maritime ecology and green development. The Company made vigorous efforts in promoting green shipping and building up low-carbon ports, carrying social responsibilities and complying with the requirements of the United Nations Global Compact on environmental protection. The Company cherishes the resources on the Earth, views safety and environmental protection as an important part of its operation, supports and participates in ecological protection activities and takes initiative to improve its environmental protection system. The subsidiaries of the Company have introduced the ISO14001 environmental management standard to establish and operate an environmental management system and have passed third-party certification. Meanwhile, all vessel companies have introduced the international security and pollution prevention rules of the ISMC and established safety management systems.

In 2017, COSCO SHIPPING Holdings continued to deepen its energy saving and emission reduction works, kept a close eye on the new requirements on international compact on energy saving and emission reduction, established and implemented an energy management system for vessels and accelerated the automation and electrification process of its terminals. In respect of container shipping business, the Company endeavored to, by using technical, operational and managerial energy saving methods, enhance the utilization rate of energy, control the emissions of nitrogen oxides and sulfur oxides and build up intelligent and environment-friendly vessels. In respect of ports business, the Company spared no efforts to build up low-carbon ports and accelerated to the construction of Xiamen ocean terminal, the first automated terminal in China. Meanwhile, the Company expanded the scope for fuel to electricity transformation of its terminals and its shoreside power upgrading projects, with an aim to reduce the energy consumption and emission by its terminals and achieved good economic and social results. COSCO SHIPPING Holdings put great emphasis on the protection of ocean environment and made proactive efforts to promote the management rules on ballast water with an aim to minimizing the possibility of bringing alien species into local waters during the shipping process. The Company has formulated operation rules and procedures to ensure the effective treatment of ship garbage and waste oil and water in order to reduce the pollution to the ocean caused by ship activities and contribute to the sustainable development of the shipping industry.

Changes in Equity and Shareholders Information

I. Changes in Equity

(i) Changes in shares

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

II. Shareholder and actual controller

(I) Total number of Shareholders:

Total number of ordinary Shareholders as at the end of the Reporting Period	321,761
Total number of ordinary Shareholders as at the end of March 2018	323,829

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

Unit: Share

Shareholdings of the top 10 Shareholders							
Name of Shareholder (In full)	Increase/ decrease during the Reporting Period	Number of shares held at the end of the period	Type	Percentage (%)	Number of shares subject to selling restrictions	Pledge or freezing Shares	Nature of shareholders
China Ocean Shipping Company Limited (formerly known as "China Ocean Shipping (Group) Company")	0	4,557,594,644	A shares	44.61%	0	Nil	State-owned legal person
HKSCC Nominees Limited	14,051,800	2,580,600,000	H shares	25.26%	0	Unknown	Other
Beijing Chengtong Financial Investment Co., Ltd.	0	306,488,200	A shares	3.00%	0	Nil	Other
Wuhan Iron and Steel Corporation	0	250,000,000	A shares	2.45%	0	Nil	Other
China State Shipbuilding Corporation	0	204,000,000	A shares	2.00%	0	Nil	Other
China Securities Finance Corporation Limited	(36,909,070)	152,908,408	A shares	1.50%	0	Nil	Other
China National Nuclear Corporation	0	72,000,000	A shares	0.70%	0	Nil	Other
National Social Security Fund 414	53,543,169	56,230,985	A shares	0.55%	0	Nil	Other
Central Huijin Asset Management Ltd.	0	54,466,500	A shares	0.53%	0	Nil	Other
National Social Security Fund 412	25,300,400	25,300,400	A shares	0.25%	0	Nil	Other

The top ten shareholders holding shares not subject to trading moratorium

Name of shareholder	Number of circulating shares not subject to trading moratorium held	Type and number of shares: Type	Type and number of shares: Number
China Ocean Shipping Company Limited	4,557,594,644	RMB-denominated ordinary shares	4,557,594,644
HKSCC NOMINEES LIMITED	2,580,600,000	Overseas listed foreign shares	2,580,600,000
Beijing Chengtong Financial Investment Co., Ltd.	306,488,200	RMB-denominated ordinary shares	306,488,200
Wuhan Iron and Steel Group Corporation	250,000,000	RMB-denominated ordinary shares	250,000,000
China State Shipbuilding Corporation	204,000,000	RMB-denominated ordinary shares	204,000,000
China Securities Finance Corporation Limited	152,908,408	RMB-denominated ordinary shares	152,908,408
China National Nuclear Corporation	72,000,000	RMB-denominated ordinary shares	72,000,000
National Social Security Fund 414	56,230,985	RMB-denominated ordinary shares	56,230,985
Central Huijin Asset Management Ltd.	54,466,500	RMB-denominated ordinary shares	54,466,500
National Social Security Fund 412	25,300,400	RMB-denominated ordinary shares	25,300,400
The explanations to the connected relationship or parties acting in concert among the aforesaid shareholders:	Unknown		
Description of preferential shareholders with restoration of voting rights and their shareholdings	Not applicable		

Note: As at the end of the Reporting Period, COSCO held 87,635,000 H shares through its affiliated companies, representing 3.40% of the issued H shares of the Company. The number of H shares was included in the total number of HKSCC Nominees Limited's holding. China Ocean Shipping Company and its subsidiaries held 45.47% of the shares of the Company in total.

Changes in Equity and Shareholders Information

III. Controlling shareholder and actual controller

(i) Specific description of controlling shareholder

1 Legal person

Details of direct controlling shareholder:

Name	China Ocean Shipping Company Limited
Person in charge or legal representative	Xu Lirong
Date of establishment	22 October 1983
Principal business	International freight; supporting international freight; procurement of ships, containers and maintenance and spare parts manufacturing business; ship escrowing business; domestic and foreign shipping business-related ship materials, spare parts, communications services; business operators, cargo agency business and seafarers assigned to the management of enterprises (the enterprise shall select operating items and operate autonomously according to law; international freight, supporting International freight and items that shall be approved according to law can be operated upon approval by relevant departments; the enterprise shall not engage in business activities prohibited by the industrial policies and restricted items of this city (note: Beijing).)
Control and shareholdings in other domestic or overseas listed companies during the Reporting Period	Controlling shareholdings: COSCO SHIPPING Specialized Carriers Co., Ltd. (600428) 50.94%; COSCO SHIPPING Ports (1199HK) 46.91%; COSCO SHIPPING International (0517HK) 66.12%; COSCO Investment (COS SP) 53.35%; Piraeus Port Authority S.A (PPA GA) 51%; Major shareholdings: China Merchants Bank (600036, 3968HK) 6.46%; Merchants Securities (600999, 6099HK) 6.25% etc.
Others	Not applicable

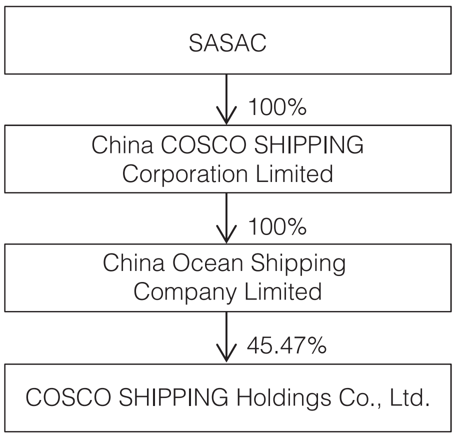
Details of indirect controlling shareholder:

Name	China COSCO SHIPPING Corporation Limited
Person in charge or legal representative	Xu Lirong
Date of establishment	5 February 2016
Principal business	International freight, supporting International freight; import and export of goods and technology; agent of international freight by sea, road, and air; rental of self-owned ship; ship, container, steel sales; marine engineering equipment design; terminal and port investment; communications equipment sales, information and technical services; warehousing (except dangerous chemicals); technology development related to shipping, spare parts, technology transfer, technical advice, technical services, equity investment funds. (Business activities can only operate after being approved by the relevant departments in accordance with the law.)
Control and shareholdings in other domestic or overseas listed companies during the Reporting Period	Controlling shareholdings: COSCO SHIPPING Development Co., Ltd. (601866, 2866HK) 39.02%; COSCO SHIPPING Energy Transportation Co., Ltd. (600026,1138HK) 38.56%; COSCO SHIPPING Specialized Carriers Co., Ltd. (600428) 50.94%; China Shipping Network Technology Co., Ltd. (002401) 50.01%; COSCO SHIPPING Ports (1199HK) 46.91%; COSCO SHIPPING International (0517HK) 66.12%; COSCO Investment (COS SP) 53.35%; Piraeus Port Authority (PPA GA) 51%; Major shareholdings: CIMC Group (000039, 2039HK) 22.77%; China Merchants Bank (600036, 3968HK) 9.97%; Lanhai Medical Investment (600896) 9.11%; China Merchants Securities (600999, 6099HK) 8.798%; Shanghai International Port Group (600018) 15%; Guangzhou Port Group (601228) 7.92% etc.
Others	Not applicable

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

(ii) Actual controller

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



Corporate Bonds

I. Overview of corporate bonds

Unit: 100 million Currency: US Dollar

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

II. The corporate bonds trustees and credit rating agency

Bond trustee	Name	The Hongkong and Shanghai Banking Corporation Limited
	Name	Deutsche Bank AG, Hong Kong Branch
Credit rating agency	Name	Moody's Investors Service Hong Kong Ltd

Other information:

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

Bond trustee: The Hongkong and Shanghai Banking Corporation Limited

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

COSCO Pacific Finance Guaranteed Notes:

Bond trustee: Deutsche Bank AG, Hong Kong Branch

Credit rating agency: Nil

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

COSCO Finance Credit Enhanced Bonds:

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

COSCO Pacific Finance Guaranteed Notes:

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

IV. Credit rating agencies of the Company's bonds

COSCO Finance Credit Enhanced Bonds:

The credit rating agency: Moody's Investors Service Hong Kong Ltd One Pacific

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

COSCO Pacific Finance Guaranteed Notes:

No rating result.

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

COSCO Finance Credit Enhanced Bonds:

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

COSCO Pacific Finance Guaranteed Notes:

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

VI. Performance of trustees of corporate bonds

COSCO Finance Credit Enhanced Bonds:

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

COSCO Pacific Finance Guaranteed Notes:

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

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

Unit: Yuan Currency: RMB

Key indicator	2017	2016	Year-on-year increase or decrease (%)
EBITDA	10,033,416,400.51	-3,885,658,053.83	
Liquidity ratio	0.91	1.35	-33.03%
Quick ratio	0.81	1.23	-33.97%
Gearing ratio	67.18%	68.62%	-1.44%
All debt ratio of EBITDA	15.95%	-6.82%	—
Interest coverage ratio	3.56	-3.12	—
Cash interest coverage ratio	5.28	1.88	181.12%
Interest coverage ratio of EBITDA	4.65	-1.84	—
Loan repayment rate	100.00%	100%	—
Interest coverage	100.00%	100%	—

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

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

As at the date of this report, the Company has paid interests in respect of the existing two medium-term notes without any default.

IX. Bank facilities of the Company during the Reporting Period

As at 31 December 2017, the loan facilities of the Group were approximately RMB72.031 billion, of which RMB37.571 billion was utilized and RMB34.460 billion was not utilized. The Group has highly emphasized on the potential financial risks of the loan facilities, strengthened the monitoring of liabilities and gearing ratio of its subsidiaries and repaid bank loans in full as scheduled.

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

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

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

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

Directors, Supervisors and Senior Management

Mr. WAN Min[2] (萬敏)

Mr. Wan, aged 49, was the chairman of the Board and a non-executive director of the Company. Mr. Wan Min was a director, general manager and deputy party secretary of COSCO SHIPPING. Mr. Wan was also a director and the chairman of the board of directors of COSCO SHIPPING Ports and the chairman of the board of directors of COSCO SHIPPING Specialized Carriers Co., Ltd. (中遠海運特種運輸股份有限公司) (formerly known as COSCO SHIPPING Co., Ltd. (中遠航運股份有限公司) ("**COSCOL**") (a company listed on the Shanghai Stock Exchange (stock code: 600428)). Mr. Wan previously held various positions including the assistant to the general manager of COSCO Shanghai International Freight Co., Ltd. (上海中遠國際貨運有限公司), the deputy general manager of COSCO SHIPPING Lines, the president of COSCO Americas Inc. (中遠美洲公司), the managing director of COSCO SHIPPING Lines, and the deputy general manager and a member of the party group of COSCO. Mr. Wan has over 20 years of experience in the shipping industry and has extensive experience in corporate management and container shipping. Mr. Wan graduated from Shanghai Jiao Tong University with a master's degree in business administration and is an engineer.

Mr. HUANG Xiaowen (黃小文)

Mr. Huang, aged 55, is currently the vice chairman of the Board and an executive director of the Company. Mr. Huang is also a deputy general manager and member of the party group of COSCO SHIPPING, the chairman of the board of directors and a non-executive director of COSCO SHIPPING Ports, the chairman of the board of COSCO SHIPPING Lines, the chairman of the board of COSCO SHIPPING Logistics Co., Ltd. (中遠海運物流有限公司) and serves as director of certain subsidiaries of COSCO SHIPPING. Mr. Huang started his career in 1981 and had served as the section chief of the container shipping section of Guangzhou Ocean Shipping Company Limited (廣州遠洋運輸公司), general manager of container transportation department of China Ocean Shipping Company (formerly known as "China Ocean Shipping (Group) Company"), container business advisor of Shanghai Haixing Shipping Co., Ltd. (上海海興輪船股份有限公司), the vice chairman, executive director, executive deputy general manager, managing director and deputy party secretary of COSCO SHIPPING Development Co., Ltd. (中遠海運發展股份有限公司) ("**COSCO SHIPPING Development**") (a company listed on the Stock Exchange (stock code: 2866) and the Shanghai Stock Exchange (stock code: 601866)), executive director of COSCO SHIPPING Energy Transportation Co., Ltd. (中遠海運能源運輸股份有限公司) (a company listed on the Stock Exchange (stock code: 1138) and the Shanghai Stock Exchange (stock code: 600026)) and the chairman of China Shipping Haisheng Co., Ltd. (中海(海南)海盛船務股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600896)). Mr. Huang had been the deputy general manager and a member of the party group of China Shipping. Mr. Huang has more than 30 years of experience in the shipping industry. Mr. Huang graduated from China Europe International Business School with an EMBA degree and is a senior engineer.

Mr. XU Zunwu[4] (許遵武)

Mr. Xu, aged 60, was an executive director, general manager and deputy party secretary of the Company. He is currently a director of COSCO SHIPPING Lines and a director of COSCO SHIPPING Ports. Mr. Xu previously held various positions including the deputy general manager of Guangzhou Ocean Shipping Co., Ltd. (廣州遠洋運輸有限公司), the deputy general manager of COSCO Bulk Carrier Co., Ltd. (中遠散貨運輸有限公司), the deputy general manager and managing director of COSCO (H.K.) Shipping Co., Limited (中遠(香港)航運有限公司), the vice president of COSCO SHIPPING (Hong Kong) Co., Limited (中遠(香港)集團有限公司), the general manager of Shenzhen Ocean Shipping Co., Ltd. (深圳遠洋運輸有限公司), the managing director of COSCO Bulk Carrier Co., Ltd. (中遠散貨運輸有限公司) and the vice chairman and managing director of COSCO SHIPPING Bulk Co., Ltd. (中遠海運散貨運輸有限公司) (formerly known as China COSCO Bulk Shipping (Group) Co., Ltd. (中遠散貨運輸集團有限公司) ("**COSCO SHIPPING Bulk**"), the deputy general manager and acting general manager of the Company. Mr. Xu has over 30 years of experience in the maritime industry and has extensive experience in corporate operation management. Mr. Xu graduated from Shanghai Maritime University majoring in ocean shipping. Mr. Xu is a senior economist.

Directors, Supervisors and Senior Management

Mr. WANG Haimin[4] (王海民)

Mr. Wang, aged 45, is currently an executive director and general manager of the Company. Mr. Wang is also an employee director of China COSCO SHIPPING, the general manager, the deputy party secretary and a director of COSCO SHIPPING Lines, a non-executive director of COSCO SHIPPING Ports and the chairman of the board of directors of Shanghai Pan Asia, a subsidiary of the Company. He previously held various positions including the head of planning and cooperation department of the strategic planning division, the deputy general manager of the corporation planning division and the general manager of the strategy and development division of COSCO SHIPPING Lines. Mr. Wang was also the general manager of the transportation division of COSCO SHIPPING, the deputy general manager of COSCO SHIPPING Ports (person in charge), the deputy general manager (person in charge) and general manager of COSCO SHIPPING Lines, and the deputy general manager of the Company. Mr. Wang has over 20 years of experience in corporate management in the shipping industry. He has extensive experience in container shipping, operation of terminal and enterprise management. Mr. Wang graduated from Fudan University with a master degree in business administration and is an engineer.

Mr. MA Jianhua (馬建華)

Mr. Ma, aged 55, is currently a non-executive director, the party secretary and deputy general manager of the Company. He was the deputy head of the human resources and labor department and the research officer of the Ministry of Transport of the PRC, and was also the deputy party secretary and the leader of the discipline inspection team of Shenzhen Maritime Safety Administration. Mr. Ma also assumed various positions such as the deputy director of the general office and the deputy secretary of Chongqing municipality of the PRC, a supervisor of the Company, the party secretary and the deputy general manager of COSCO Logistics, and the party secretary and the deputy general manager of COSCO Shipbuilding Industry Company Limited* (中遠造船工業公司) (a subsidiary of COSCO). Mr. Ma has extensive experience in transportation and logistics management, human resources management and modern corporate governance, etc. Mr. Ma graduated from Central Party School of the Communist Party of China ("**CPC**") majoring in economics and management and is a senior engineer.

Mr. ZHANG Wei (張為)

Mr. Zhang, aged 44, is currently an executive director and deputy general manager of the Company. Mr. Zhang has been the vice chairman of the board of directors, an executive director and the general manager of COSCO SHIPPING Ports since April 2016. He previously served as the executive deputy general manager of the American trade division of COSCO SHIPPING Lines, the deputy general manager of the American Branch of COSCO SHIPPING Lines. Mr. Zhang was also the general manager of the strategy and development division of COSCO SHIPPING Lines, the general manager of the transportation division, the general manager of the operating management division and the executive deputy director of the integration management office of COSCO/the Company. Mr. Zhang has over 20 years of work experience in the shipping industry. He has extensive work experience in container shipping, strategic planning and enterprise management. Mr. Zhang graduated from Fudan University with a master degree in management and is an engineer.

Mr. FENG Boming (馮波鳴)

Mr. Feng, aged 48, is currently a non-executive director of the Company. He is also the general manager of the strategic and corporate management department of COSCO SHIPPING and a director of each of COSCO SHIPPING Development (a company listed on the Shanghai Stock Exchange (stock code: 601866) and the Stock Exchange (stock code: 2866)), COSCO SHIPPING Energy Transportation Co., Ltd. (中遠海運能源運輸股份有限公司) ("**COSCO SHIPPING Energy**") (a company listed on the Shanghai Stock Exchange (stock code: 600026), the Stock Exchange (stock code: 1138)), COSCO SHIPPING Ports, COSCO SHIPPING Bulk, COSCO SHIPPING (Hong Kong) Co., Ltd. (中遠海運(香港)有限公司), COSCO SHIPPING Bulk, COSCO SHIPPING Financial Holding Co., Ltd. (中遠海運金融控股有限公司), and Piraeus Port Authority S.A. (比雷埃夫斯港務局有限公司), all of which are subsidiaries of COSCO SHIPPING. Mr. Feng previously held various positions including the manager of the commercial section of the ministry of trade protection of COSCO SHIPPING Lines, the general manager of COSCO (Cayman) Mercury Co., Ltd. ("**COSCO (Cayman) Mercury**"), the general manager of the management and administration department of COSCO Holdings (Hong Kong) Co., Ltd. (中遠控股香港), the general manager of COSCO International Freight (Wuhan) Co., Ltd. (武漢中遠國際貨運有限公司)/COSCO Logistics (Wuhan) Co., Ltd. (武漢中遠物流有限公司) and the supervisor of the strategic management implementation office of COSCO/the Company. Mr. Feng has over 20 years of work experience in the shipping industry. He has extensive experience in enterprise strategy management, business management, container shipping and management. Mr. Feng graduated from University of Hong Kong with a master of business administration degree and is an economist.

Mr. ZHANG Wei (張煒)

Mr. Zhang, aged 51, is currently a non-executive director of the Company. He is also the general manager of operation and management department of COSCO SHIPPING, a non-executive director of COSCO SHIPPING Energy, a non-executive director of COSCO SHIPPING Ports, and a director of each of COSCOL (a company listed on the Shanghai Stock Exchange (stock code: 600428)), COSCO SHIPPING Bulk and COSCO SHIPPING Lines. Mr. Zhang previously served as a deputy general manager of Asia-Pacific trade area and manager of Australia-New Zealand operation department of COSCO SHIPPING Lines. He was also a deputy general manager of European trade area of COSCO SHIPPING Lines, a deputy general manager of the enterprise informationdevelopment department of COSCO SHIPPING Lines, a deputy general manager of Florens Container Holdings Limited (佛羅倫貨箱控股有限公司) (previously a subsidiary of the Company), and executive vice-president of Piraeus Container Terminal S.A. (比雷埃夫斯集裝箱碼頭有限公司) (a subsidiary of the Company) and held various other positions. Mr. Zhang has nearly 30 years of work experience in shipping enterprises. He has extensive experience in container transportation marketing management and terminal operation management. Mr. Zhang graduated from Shanghai Maritime University with a master degree in business administration and is an engineer.

Mr. CHEN Dong (陳冬)

Mr. Chen, aged 43, is currently a non-executive director of the Company. He is also the general manager of financial management department of COSCO SHIPPING and a non-executive director of each of COSCO SHIPPING Development and COSCO SHIPPING Ports, and a director of each of COSCOL (a company listed on the Shanghai Stock Exchange (stock code: 600428)) and COSCO SHIPPING Bulk, all of which are subsidiaries of COSCO SHIPPING. Mr. Chen previously served as the deputy head of risk control section under the planning and finance department of China Shipping, the deputy head of the finance section under planning and finance department of China Shipping, the senior manager of finance and taxation management office of China Shipping, the assistant to the general manager of the finance department of China Shipping, and the deputy general manager of the finance department of China Shipping and held various other positions. Mr. Chen has nearly 20 years of work experience in shipping enterprises. He has extensive experience in risks control, taxation management and finance. Mr. Chen graduated from Shanghai University of Finance and Economics with a master degree in economics and is a senior accountant.

Ms. FAN Hsu Lai Tai, Rita[3] (范徐麗泰)

Ms. Fan, aged 71, was an independent non-executive director of the Company. Ms. Fan was a member of the Legislative Council of Hong Kong, a member of the Executive Council of Hong Kong, the president of the Legislative Council of Hong Kong, a member of the Preliminary Working Committee for the Preparatory Committee of Hong Kong, a member of the Preparatory Committee of the Hong Kong Special Administrative Region, the chairman of the board of Civil Education of the Hong Kong Special Administrative Region, the chairman of the Education Commission of Hong Kong and the representative of the Ninth and Tenth Sessions of the National People's Congress and a member of the Standing Committee of the Eleventh Session of the National People's Congress. Ms. Fan was awarded the Gold Bauhinia Star and the Grand Bauhinia Medal by Hong Kong Government. She is currently a member of the Standing Committee of the Twelfth Session of the National People's Congress and an independent non-executive director of China Overseas Land &

Investment Limited, China Shenhua Energy Company Limited and COSCO SHIPPING Ports. Ms. Fan received a bachelor of science degree from the University of Hong Kong and a master of social science degree from the University the Hong Kong and was awarded the honorary doctorate degree in social science.

Mr. KWONG Che Keung, Gordon[3] (鄺志強)

Mr. Kwong, aged 68, was an independent non-executive director of the Company. He is a senior fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants, respectively. Mr. Kwong was a partner of PricewaterhouseCoopers, an independent member of the council of the Hong Kong Stock Exchange and had also acted as the convener of both the listing committee and the compliance committee of the Hong Kong Stock Exchange. Mr. Kwong is currently an independent non-executive director of a number of companies listed on the Hong Kong Stock Exchange, including China Power International Development Limited, NWS Holdings Limited, Henderson Land Development Company Limited and Chow Tai Fook Jewellery Group Limited.

Mr. Peter Guy BOWIE[3] (鮑毅)

Mr. Bowie, aged 71, was an independent non-executive director of the Company. He served as the chairman of Deloitte Canada and was a member of its management committee. Mr. Peter Guy Bowie was also a member of the board and governance committee of Deloitte International. Mr. Bowie was the chief executive officer, a senior partner and a member of the board and management committee of Deloitte China from 2003 to 2010. He is currently an independent director of Magna International Inc. Mr. Bowie has extensive experience in corporate governance, risk control and business operations.

Mr. YANG, Liang Yee Philip (楊良宜)

Mr. Yang, aged 69, is an independent non-executive director of the Company. Mr. Yang is an arbitrator in international commercial and maritime arbitration. He is also the vice chairman of the documentary committee of the Baltic and International Maritime Council, the honorary chairman of Hong Kong International Arbitration Centre, a part-time professor in law and the program director of the master of international arbitration and dispute resolutions in the City University of Hong Kong. Mr. Yang previously served as the chairman of Hong Kong International Arbitration Centre, the chairman of Asia-Pacific Regional Arbitration Group and the Hong Kong representative of the International Chamber of Commerce. He was also the guest professor of more than ten universities in the PRC such as Dalian Maritime University and Shanghai Maritime University. Mr. Yang has extensive experience in cases related to international commercial maritime law. He has also devoted himself to the educational research activities in respect of commercial maritime law in various law schools in the PRC and has made invaluable contribution to maintaining close connection between legal education in the PRC and the development of international commercial law as well as the training of legal practitioners specialized in English commercial maritime law.

Mr. WU Dawei[3] (吳大衛)

Mr. Wu, aged 64, is an independent non-executive director of the Company. Mr. Wu previously served as the deputy head of Huaneng Shanghai Shidongkou No. 2 power plant (華能上海石洞口第二電廠), the deputy general manager of Huaneng International Power Development Company (Shanghai Branch) (華能國際電力開發公司上海分公司) (person in charge), the head of Huaneng Shanghai Shidongkou No. 2 power plant (華能上海石洞口第二電廠), the deputy general manager, a party member and director of Huaneng Power International Co., Ltd. (華能國際電力股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600011)), and the chairman of Huaneng Weihai power plant (威海電廠), Xindian power plant (辛店電廠), Rizhao power plant (日照電廠) and Xinhua power plant (新華電廠). He was also the party secretary and a director of Shanghai Times Shipping Company

Limited (上海時代航運有限公司), the deputy chief engineer of China Huaneng Group and the general manager and party secretary of China Huaneng Group (East China Branch), the general manager and deputy party secretary (responsible for leading the work of party group) of Huaneng International Power Development Company, the chief economist of China Huaneng Group, the chairman of Huangneng Shanghai Gas Turbine Power Generation Co., Ltd. and the director of Huaneng International Power Development Company. Mr. Wu has more than 20 years' experience in corporate management and extensive experience in corporate governance of listed companies. Mr. Wu previously studied at China Europe International Business School and Cheung Kong Graduate School of Business and has received EMBA degree. He is also a researcher-level senior engineer. Mr. Wu currently serves as an independent director of Zhejiang Jinlihua Electric Co., Ltd. (浙江金利華電氣股份有限公司) (a company listed on the ChiNext of the Shenzhen Stock Exchange (stock code: 300069)) and has obtained an independent director qualification certificate issued by the Shanghai Stock Exchange in February 2013.

Mr. ZHOU Zhonghui[3] (周忠惠)

Mr. Zhou, aged 70, is an independent non-executive director of the Company. Mr. Zhou has a doctorate degree, is a certified public accountant. He previously worked at Shanghai University of Finance and Economics, School of Accountancy as a lecturer, associate professor and professor. He also served as a visiting researcher of International Centre for Research in Accounting of Lancaster University, United Kingdom, and served as the chief financial officer of Hongkong Xinlong Co., Limited (香港鑫隆有限公司), the general manager, chief accountant and senior partner of PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所), the chief accountant of China Securities Regulatory Commission, a member of the International Advisory Committee of China Securities Regulatory Commission and a member of the Auditing Standards Committee of the Chinese Institute of Certified Public Accountants. Mr. Zhou has been serving as an independent director of Juneyao Airlines Co., Ltd. (上海吉祥航空股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 603885)) since June 2011. Mr. Zhou concurrently serves as an independent non-executive director of China Pacific Insurance (Group) Co., Ltd. (中國太平洋保險(集團)股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 601601) and the Stock Exchange (stock code: 02601)), an independent non-executive director of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (上海復旦張江生物醫藥股份有限公司) (a company listed on the Stock Exchange (stock code: 01349)), an independent non-executive director of S.F. Holding Co., Ltd. (順豐控股股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002352)) and a member of the Advisory Committee of the China Appraisal Society. Mr. Zhou has served as an external supervisor of Shanghai Oriental Pearl Group Co., Ltd. (上海東方明珠新媒體股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600637)) since June 2015.Mr. Zhou was previously an independent director of Shanghai Oriental Pearl Group Co., Ltd. (上海東方明珠新媒体股份有限公司).

Mr. TEO Siong Seng[3] (張松聲)

Mr. Teo, aged 63, is an independent non-executive director of the Company. Mr. Teo currently serves as the managing director of the Pacific International Lines Pte Ltd ("**Pacific International Lines**"), and the chairman and chief executive officer of Singamas Container Holdings Limited (勝獅貨櫃企業有限公司) (a company listed on the Stock Exchange (stock code: 716)). Mr. Teo currently serves as chairman of Singapore Business Federation, honorary president of Singapore Chinese Chamber of Commerce & Industry, committee member of Committee on the Future Economy, co-chair of Subcommittee on Future Corporate Capabilities and Innovation, a member of APEC Business Advisory Committee and an industry consultant of the China-Singapore (Chongqing) Demonstration Initiative on Strategic Connectivity. He was also the president of Singapore Shipping Association, the chairman of Singapore Maritime Foundation (SMF), and the president of Lloyd's Register Asia Shipowners' Committee. Mr. Teo also served as the president of Maritime and Port Authority of Singapore (MPA) and a director of The Standard Steamship Owners' Protection and Indemnity Association Ltd. Mr. Teo previously served as an independent non-executive director of the Company and COSCO SHIPPING Development (a company listed on the Shanghai Stock Exchange (stock code: 601866) and the

Stock Exchange (stock code: 2866)). He is also currently an independent non-executive director of COSCO SHIPPING Energy Transportation Co., Ltd. (中遠海運能源運輸股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600026) and the Stock Exchange (stock code: 1138). Mr. Teo has extensive experience in corporate governance in terms of shipping companies and listed companies. Mr. Teo graduated from Glasglow University with a First Class Honours Degree in Naval Architecture & Ocean Engineering.

Mr. KOO, Chee Kong Kenneth[3,5] (顧建綱)

Mr. Koo, aged 57, was an independent non-executive director of the Company. Mr. Koo currently serves as the chairman and chief executive officer of TCC Group (泰昌祥集團). Throughout his 30-plus years' career in the shipping industry, Mr. Koo has focused much of his efforts in establishing a strong and reputable fleet management for TCC Group. Mr. Koo is a member of the Zhejiang Provincial Committee of the Chinese People's Political Consultative Conference, and also the chairman of Asian Panel of International Association of Independent Tanker Owners (Intertanko), executive committee member of The Britannia Steam Ship Insurance Association Limited, technical committee member of American Bureau of Shipping and Bureau Veritas, honorary chairman of Hong Kong Maritime Industry Council, and holds various other positions in the community. Mr. Koo was a council member of International Shipping Federation, chairman of the resources sub-committee of Hong Kong Shipowners Association, executive member of American Bureau of Shipping and chairman of Hong Kong Shipowners Association, and held various other positions in the community. Mr. Koo has extensive experience in corporate governance, fleet management and technological innovation and crew management. Mr. Koo graduated from the University of San Diego in 1983.

Mr. FU Xiangyang (傅向陽)

Mr. Fu, aged 50, is currently a supervisor of the Company and the chairman of the supervisory committee of the Company. He has been the secretary of the board of directors of COSCO SHIPPING since 2016. Mr. Fu assumed various positions such as the deputy head of officer department of Shanghai Ocean Shipping Co., Ltd. (上海遠洋運輸有限公司), the deputy general manager of the human resources department of COSCO SHIPPING Lines and the deputy general manager of Shanghai Ocean Industrial Company (上海遠洋實業總公司) (in charge of operation). He was also the deputy head of the organization department, the deputy general manager of the human resources department, the head of the operation division of the party members' group, the deputy party secretary and the secretary of the league committee of COSCO, and the head of corporate culture department of the Company. Mr. Fu has served as a director of COSCO and the chairman of its labour union and held other positions since October 2011. Mr. Fu has more than 20 years of experience in the shipping industry and has extensive experience in corporate management. Mr. Fu graduated from Fudan University majoring in business administration and Missouri State University in the United States of America majoring in the same. Mr. Fu has obtained a master degree and is an economist.

Mr. HAO Wenyi (郝文義)

Mr. Hao, aged 55, is currently a supervisor of the Company. He is also a supervisor, the deputy chief of the disciplinary team of the communist party committee and head of supervision and audit department of COSCO SHIPPING, a supervisor of COSCO SHIPPING Development, a supervisor of COSCOL and a supervisor of COSCO SHIPPING Heavy Industry Company Limited (中遠海運重工有限公司). Mr. Hao previously served as the deputy department head of the general department of the general office, head of the office and head of the ministerial office of the supervision department under the CPC Central Commission for Discipline Inspection, deputy chief of the disciplinary team of the communist party committee, the head of the supervision and audit department and secretary to discipline inspection work committee for overseas enterprises of China Shipping. Mr. Hao has more than 20 years of work experience in the discipline inspection and has been awarded personal second-class merit by the Ministry of Personnel and collective second-class merit by the supervision department under the CPC Central Commission for Discipline Inspection. Mr. Hao graduated from the economics postgraduate course of Beijing Administrative College (北京市委黨校) and is a senior political scientist.

Mr. QIAN Weizhong (錢衛忠)

Mr. Qian, aged 51, is currently an employee supervisor of the Company and the party secretary, deputy general manager and a director of COSCO SHIPPING Lines. Mr. Qian previously served as the general manager and a member of the Party committee of China Shipping Agency Co., Ltd., the vice president of China Shipping (North America) Holdings Company Limited, the general manager of the Los Angeles branch of China Shipping (North America) Agency Co. Inc. and Party secretary and deputy general manager of CSCL, all of which are subsidiaries of China Shipping. Mr. Qian has nearly 30 years of experience in shipping industry, and has extensive experience in corporate management. Mr. Qian graduated from Shanghai Maritime College majoring in transportation planning and management. He holds a master's degree and is an economist.

Mr. FANG Meng (方萌)

Mr. Fang, aged 59, is currently an employee supervisor of the Company and the party secretary, an executive director and a deputy managing director of COSCO SHIPPING Ports. He previously served as a deputy general manager of the enterprise managing division of China Shipping Group, the general manager and a member of the Party committee of China Shipping International Trading Co., Ltd., the general manager, a member of the Party committee of China Shipping Terminal Development Co., Ltd., and the general manager, a member of the Party committee and others positions of China Shipping Ports Development Co. Ltd. Mr. Fang has over 30 years of experience in shipping industry, and has extensive experience in ship management, terminal operation and corporate management. Mr. Fang graduated from Shanghai Jiao Tong University majoring in ship engineering in February 1982 and graduated from the "Senior Manager (EMBA) Master Research programme" jointly organised by Shanghai University/San Francisco USA in April 1995. He is a senior engineer.

Mr. MENG Yan (孟焰)

Mr. Meng, aged 62, is currently an independent supervisor of the Company. Mr. Meng has been working at the Central University of Finance and Economics since 1982 and was the deputy director and the director of its Accounting Department and the dean of its Faculty of Accounting. He is currently a professor and a tutor of doctorate students of the Faculty of Accounting of Central University of Finance and Economics, the executive member of the Accounting Society of China and the China Society for Finance and Accounting. Mr. Meng is also a committee member of the Professional Education Supervisory Committee for the Business Administration Subjects of Higher Education of the Ministry of Education. Mr. Meng graduated from the Research Institute for Fiscal Science of the Ministry of Finance and obtained a doctorate degree in economics (accounting). He has been entitled to the governmental special allowance from the State Council of the PRC since 1997. He was named the National Outstanding Teacher in 1993 and was given the Higher Education National Level Teaching Award of by Ministry of Education of the PRC in 2011.

Mr. ZHANG Jianping (張建平)

Mr. Zhang, aged 52, is currently an independent supervisor of the Company. He is a professor of the International Business School and the director of the Capital Market and Investment and Financing Research Center of the University of International Business and Economics. Mr. Zhang assumed various positions such as the director of the Department of Teaching and Research, the dean and the vice president of the International Business School of the University of International Business and Economics. He is currently an independent director of Hunan Valin Steel Co., Ltd. (湖南華菱鋼鐵股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 000932)) and Beijing SPC Environment Protection Tech Co., Ltd. (北京清新環境技術股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002573)), respectively. Mr. Zhang graduated from the University of International Business and Economics with a doctorate degree of transnational business management.

Directors, Supervisors and Senior Management

Mr. QIU Jinguang (邱晉廣)

Mr. Qiu, aged 55, is currently a deputy general manager of the Company. Mr. Qiu was the general manager of strategy and development department and the general manager of terminal companies of COSCO Americans Inc., the deputy director (in charge of operation) of logistic department and manager of the logistic operations department of transportation division of COSCO Group. He also served as the general manager of strategic planning division, the assistant to general manger, deputy general manager, vice chairman of the board of directors and managing director of COSCO SHIPPING Ports. Mr. Qiu has over 30 years' experience in shipping industry and has extensive working experience in enterprise management, operation of terminal and strategic planning. He graduated from University of California Los Angeles with a degree of business administration and is an economist.

Mr. DENG Huangjun (鄧黃君)

Mr. Deng, aged 56, is currently the chief financial officer of the Company, a director and deputy managing director of COSCO SHIPPING Ports, a non-wholly owned subsidiary of the Company, and the vice chairman of China COSCO (Hong Kong) Company Limited, a wholly owned subsidiary of the Company. He had previously been the section manager of the cost section of finance department of Shanghai Ocean Shipping Company, a subsidiary of the Company, the deputy manager of finance department of COSCO Container Lines Co., Ltd., the manager of the settlement division, the deputy general manager and the general manager of finance and accounting department and the chief financial officer of COSCO SHIPPING Lines. Mr. Deng graduated from Shanghai Maritime Transportation Institute, majoring in shipping accounting. He is a senior accountant.

Mr. GUO Huawei (郭華偉)

Mr. Guo, aged 52, is currently the secretary to the Board and Company Secretary of the Company. Mr. Guo was the deputy department head (in charge of the work) of the enterprises restructure department of the management division, the deputy general manager and the deputy general manager (in charge of the work) of the capital operation division of COSCO, the general manager of the investor relationship department and the strategic development department of COSCO Corporation (Singapore) Limited. Mr. Guo has extensive experience in the shipping industry and in capital operation. Mr. Guo graduated from Northern Jiaotong University, majoring in transportation economics. He holds a doctorate degree and is a senior economist.

Notes:

1 On 25 May 2017, the Company convened the 2016 annual general meeting and approved by election the re-appointment of Mr. Wan Min, Mr. Ma Jianhua, Mr. Feng Boming, Mr. Zhang Wei (張煒), Mr. Chen Dong as the non-executive Directors; Mr. Huang Xiaowen, Mr. Xu Zunwu, Mr. Wang Haimin, Mr. Zhang Wei (張為) as the executive Directors; Mr. Yang, Liang Yee Philip as the independent non-executive Director. On the same date, the Company convened the first meeting of the fifth session of the board of directors, at which Mr. Wan Min was elected as the chairman of the fifth session of the board of directors and Mr. Huang Xiaowen was elected as the vice-chairman.

2 With effect from 8 January 2018, Mr. Wan Min resigned as the Chairman of the Company, a non-executive Director, the chairman and a member of the executive committee of the Board. For details, please refer to the announcement of the Company dated 8 January 2018.

3 With effect from 25 May 2017: (i) Dr. Fan Hsu Lai Tai, Rita, Mr. Kwong Che Keung, Gordon and Mr. Peter Guy Bowie retired as independent non-executive Directors; and (ii) Mr. Wu Dawei, Mr. Zhou Zhonghui, Mr. Teo Siong Seng and Mr. Koo, Chee Kong Kenneth were appointed as new independent non-executive Directors. For details, please refer to the announcement of the Company and the Announcement of the Resolution Passed at the Annual General Meeting dated 25 May 2017.

4. With effect from 2 March 2018: (i) Mr. Xu Zunwu resigned as an independent non-executive director, the general manager, a member and the chairman of the risk management committee, a member of the strategic development committee and a member of the nomination committee of the Company; and (ii) Mr. Wang Haimin was appointed as the new general manager of the Company. For details, please refer to the announcement of the Company dated 2 March 2018.

5. With effect from 28 February 2018, Mr. Koo, Chee Kong Kenneth resigned as an independent non-executive director and a member of the risk management committee of the Company. For details, please refer to the announcement of the Company dated 28 February 2018.

Corporate Governance Report

I. Corporate Governance

During the Reporting Period, the Company strictly complied with "Company Law", "Code of Corporate Governance for Listed Companies", "Guidance on the Establishment of Independent Director System in Listed Companies", "Rules of Shareholders' General Meeting of Listed Companies" and "Articles of Association of Listed Companies Regulations", and constantly improved the corporate governance, and the standard operating level. In light of the reform and restructuring progress of the Company, the Company has revised its corporate governance rules and regulations, including the Administrative Measures for Related Transactions, Administrative Measures for Information Disclosure, Operation Rules of the Remuneration Committee, Rules of Procedures of the Risk Management Committee, Operation Rules of the Nomination Committee, and has made full use of the functions of the Board of Directors and the professional committees to ensure that the functions and responsibilities of the shareholders' meeting, the board of directors and the board of supervisors are fully fulfilled and to protect the interests of shareholders and the Company.

During the Reporting Period, the Company attempted to meet the best standards of governance, internal governance, improve the efficiency of the Company through sound corporate governance structure, promote the construction of long-term mechanism of compliance management, standardize "the operation of the three sessions"; established a communication platform mechanism with an aim to set up a collaborated working process and operation mechanism to enhance the planning efficiency and foresight of various works; put efforts to establish an internal control system, strengthen the internal control system and risk management process, and clear the main responsibility and management responsibilities to distinguish the responsibility; and effectively promoted the performance of directors, supervisors and senior management of their duties via strengthened on-the-job training, update on regulatory regulations, management of equity information, regular report of information, on-site research and inspection, and making full use of independent directors and intermediary institutions.

During the Reporting Period, the Company strictly complied with the listing rules of the mainland and Hong Kong, and ensured the lawful operation of the Company and enhanced the corporate governance of the Company by various means such as optimizing internal working process, streamlining the approval process of key decision-making matters and focusing on the key matters of corporate governance.

II. Model Code for Securities Transactions by Directors

Since the listing of the Company on the Main Board of the Hong Kong Stock Exchange in 2005, the Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as the code for the dealings in securities transactions by the Directors. Having made specific enquiries with all Directors and Supervisors, they have confirmed that they complied with the required standards set out in the Model Code throughout the year ended 31 December 2017.

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

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

To the knowledge of the Directors, there is no information that would reasonably indicate that the Company had not complied with the Corporate Governance Code at any time during the year ended 31 December 2017.

A. Directors

A1. Board of directors

Principle of the Code
• *The board should assume responsibility for leadership and control of the issuer and be collectively responsible for directing and supervising the issuer's affairs. Directors should taken decisions objectively in the best interests of the issuer.* • *The board should regularly review the contribution required from a director to perform his responsibilities to the issuer, and whether he is spending sufficient time performing them.*
The corporate governance situation of the Company
• The Board fully represents the Shareholders' interests and has set up development strategies of the Company within the scope of powers as provided under the Articles of Association. The Board monitors and implements the Company's operation management, so as to achieve a steady return of long term results. • Directors attend Board meetings as scheduled and carefully review materials of the meetings and actively fulfill their responsibilities. Independent non-executive Directors regularly inspect the management of connected transactions of the Company.

Compliance procedures of the Corporate Governance Code – Code provisions

<table>
<tr><th>Code provisions</th><th>Compliance</th><th>Procedures of Corporate Governance</th></tr>
<tr><td>• The board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. It is expected regular board meetings will normally involve the active participation, either in person or through electronic means of communication, of a majority of directors entitled to be present. So, a regular meeting does not include obtaining board consent through circulating written resolutions

• To disclose the attendance of each director, by name, at the board and general meetings pursuant to the mandatory disclosure requirements under the Corporate Governance Report</td><td>Yes</td><td>In 2017, the Company convened 12 Board meetings, including seven physical meetings and five meetings by written correspondence. Attendance of members of the Board in 2017 was 99% and details are listed as follows:
<table>
<tr><th></th><th colspan="4">(Number of meetings attended/ Number of meetings to be attended)</th></tr>
<tr><th></th><th>Board meetings</th><th>Attendance</th><th>General meetings</th><th>Attendance</th></tr>
<tr><td>WAN Min</td><td>7/12</td><td>58%</td><td>4/4</td><td>100%</td></tr>
<tr><td>HUANG Xiaowen</td><td>7/12</td><td>58%</td><td>4/4</td><td>100%</td></tr>
<tr><td>FAN Hsu Lai Tai, Rita</td><td>5/5</td><td>100%</td><td>1/1</td><td>100%</td></tr>
<tr><td>KWONG Che Keung, Gordon</td><td>5/5</td><td>100%</td><td>1/1</td><td>100%</td></tr>
<tr><td>Peter Guy BOWIE</td><td>5/5</td><td>100%</td><td>1/1</td><td>100%</td></tr>
<tr><td>XU Zunwu</td><td>7/12</td><td>58%</td><td>4/4</td><td>100%</td></tr>
<tr><td>MA Jianhua</td><td>7/12</td><td>58%</td><td>4/4</td><td>100%</td></tr>
<tr><td>WANG Haimin</td><td>7/12</td><td>58%</td><td>4/4</td><td>100%</td></tr>
<tr><td>ZHANG Wei (張為)</td><td>7/12</td><td>58%</td><td>4/4</td><td>100%</td></tr>
<tr><td>FENG Boming</td><td>7/12</td><td>58%</td><td>4/4</td><td>100%</td></tr>
<tr><td>ZHANG Wei (張煒)</td><td>6/12</td><td>50%</td><td>4/4</td><td>100%</td></tr>
<tr><td>CHEN Dong</td><td>7/12</td><td>58%</td><td>4/4</td><td>100%</td></tr>
<tr><td>YANG, Liang Yee Philip</td><td>7/12</td><td>58%</td><td>4/4</td><td>100%</td></tr>
<tr><td>WU Dawei</td><td>3/7</td><td>43%</td><td>3/4</td><td>75%</td></tr>
<tr><td>ZHOU Zhonghui</td><td>4/7</td><td>57%</td><td>3/4</td><td>75%</td></tr>
<tr><td>TEO Siong Seng</td><td>4/7</td><td>57%</td><td>3/4</td><td>75%</td></tr>
<tr><td>KOO, Chee Kong Kenneth</td><td>3/7</td><td>43%</td><td>3/4</td><td>75%</td></tr>
</table></td></tr>
<tr><td>• All directors are given an opportunity to include matters in the agenda for regular board meetings</td><td>Yes</td><td>Relevant notice will be given to the Directors and sufficient time will be given for them to suggest proposals to be included in the agenda of Board meetings. All Directors have opportunities for the inclusion of their proposals in the agenda of regular Board meetings.</td></tr>
<tr><td>• Notice of regular Board meetings should be given at least 14 days before the convening of the meetings</td><td>Yes</td><td>Notices of regular Board meetings have been given at least 14 days before the convening of the meetings, and notices and agenda of extraordinary Board meetings were given within reasonable time pursuant to the Articles of Association.</td></tr>
</table>

Code provisions	Compliance	Procedures of Corporate Governance
• Minutes of meetings should be kept by a duly appointed secretary of the meeting, and are available for inspection by directors at any reasonable time	Yes	The Board secretary has been responsible for organizing and keeping the minutes of Board meetings. The minutes of Board meetings and the records and related information of the special committees have been properly and perpetually kept in the Company's domicile as important files of the Company, and available for the inspection by Directors at any time.
• The minutes of the meetings should record in sufficient detail the matters considered and the decisions reached by the board	Yes	Minutes of Board meetings have made objective and detailed records on the matters considered, voting and opinions issued by the Directors in the meetings, and confirmed by the Directors.
• Directors should be entitled to seek independent advice in accordance with the agreed procedures at the issuer's expense	Yes	In respect of matters requiring opinions from professional institutions, the Company has appointed professional institutions upon Director's request to provide independent opinions at the expense of the Company.
• If a substantial shareholder or a director has conflict of interest in a material matter, the matter should be dealt with by a physical board meeting rather than a written resolution	Yes	The Company has adopted provisions in respect of abstaining from voting of connected Directors in the Articles of Association and the Rules of Procedures of the Board. In 2017, the Company held physical board meetings rather than written resolutions for considering proposals such as the specialized audit report for the summary movements of non-operational funds occupied and other related funds for 2016. The connected Directors have abstained from voting on the relevant proposals.
• To arrange appropriate insurance cover in respect of legal action against directors	Yes	The Company has purchased liability insurance for the Directors, Supervisors and members of the senior management.

A2. Chairman and chief executive officer

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

Compliance procedures of the Corporate Governance Code – Code provisions

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

Code provisions	Compliance	Procedures of Corporate Governance
• The chairman should be primarily responsible for drawing up and approving the agenda of the board meetings	Yes	Agenda of Board meetings are discussed by the chairman of the Board with the executive Directors and the Board secretary and are decided after taking into consideration of all the matters proposed by each Director.
• The chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established	Yes	The chairman of the Board assumes an important role in the promotion of the development of the Company's corporate governance, delegates the Board secretary to set up a good corporate governance system and procedure, supervises management to loyally implement the various systems, and ensures the regularized operation of the Company.
• The chairman should encourage all directors to make full and active contribution to the board's affairs	Yes	The chairman of the Board has encouraged all Directors to be involved in the affairs of the Board and make effective contribution to the Board and requested the Board to act in the best interests of the Company.
• The chairman should at least annually hold meetings with the non-executive directors without executive directors present	Yes	The chairman of the Board has communicated fully with non-executive Directors face-to-face appropriately before the start and after the end of physical Board meetings. In 2017, the chairman of the Board had a face-to-face communication with independent non-executive Directors at the Board meeting, on which relevant issues the independent non-executive Directors cared about were communicated and discussed in furtherance.
• The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders	Yes	The chairman of the Board has placed great emphasis on the effective communication between the Company and the Shareholders, attended and presided over Shareholders' general meetings and continued to promote and improve investor relationship, and has dedicated himself to realizing maximum returns of Shareholders.
• The chairman should facilitate the effective contribution of directors to the board, and ensure the constructive relations between executive and non-executive directors	Yes	The chairman of the Board has placed great emphasis on the contributions of Directors to the Board, and made efforts to ensure the executive Directors and non-executive Directors maintain constructive relations with each other.

A3. Board composition

Principle of the Code • *The Board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the issuer's business. The Board should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgment. Non-executive directors should be of sufficient calibre and number for their views to carry weight.*
The corporate governance situation of the Company • As at 31 December 2017, the Board comprised fourteen members, including four executive Directors, five non-executive Directors and five independent non-executive Directors. As at the date of this annual report, the Board comprises eleven members, including three executive Directors, four non-executive Directors and four independent non-executive Directors. The Company appointed Koo, Chee Kong Kenneth as an independent Director and has complied with Rule 3.11 of the Listing Rules. For more information, please refer to the announcements of the Company dated 16 December 2016, 8 March 2017, 5 April 2017 and 25 May 2017. • The independent non-executive Directors have expertise and experience in areas such as shipping, corporate management, finance and laws and are able to make independent judgments, which ensures the decisions of the Board are made prudently and comprehensively. • There is no relationship (including financial, business, family or other material relationship) among the members of the Board.

Compliance procedures of the Corporate Governance Code – Code provisions

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

A4. Appointments, re-election and removal

Principle of the Code
• *There should be a formal, considered and transparent procedure for the appointment of new directors. There should be plans in place for orderly succession for appointments to the board. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director.*
The corporate governance situation of the Company
• The Company has set up a nomination committee under the Board. The nomination committee shall make proposals on the appointment, re-election, removal and relevant procedures of the candidates of Directors, present the proposals for the Board's consideration, which will finally be determined by the Shareholders' meeting. The resignation of a Director and the reason for such resignation shall be disclosed in a timely manner.

Compliance procedures of the Corporate Governance Code – Code provisions

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

A5. Nomination committee

Code provisions	Compliance	Procedures of Corporate Governance
• The issuer should establish a nomination committee, which comprises a majority of independent non-executive directors	Yes	The Board has set up a nomination committee, of which the chairman is an independent non-executive Director and the members include one executive Director and one independent non-executive Director.
• The issuer should set out written terms of reference of the nomination committee	Yes	The Company has adopted the Operation Rules of the Nomination Committee, specifying the powers and duties of the nomination committee, and published its terms of reference on the websites of the Company and the Hong Kong Stock Exchange.
• The nomination committee should make available its terms of reference explaining its roles and the authority delegated by the board		
• The issuer should provide the nomination committee with sufficient resources to perform its duties. If necessary, the nomination committee should seek independent professional advice at the expense of the issuer	Yes	The Company has actively assisted the nomination committee in performing their work, so as to ensure they are adequately resourced to discharge their duties. For matters that require advice from professional institutions, the Company has engaged the professional institutions for independent advice at its own expense.
• Where the board proposes a resolution to elect an individual as an independent non-executive director, the circular accompanying the notice of the relevant general meeting should specify the reason for such election	Yes	With effect from 25 May 2017: (i) Dr. Fan Hsu Lai Tai, Rita, Mr. Kwong Che Keung, Gordon and Mr. Peter Guy Bowie retired as independent non-executive Directors; and (ii) Mr. Wu Dawei, Mr. Zhou Zhonghui, Mr. Teo Siong Seng and Mr. Koo, CheeKong Kenneth were appointed as new independent non-executive Directors.
• The nomination committee should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report	Yes	The Company has formulated the Board Diversity Policy. At the same time, the Company has made corresponding amendments to the relevant rules of the Operation Rules for the Nomination Committee of the Board of Directors according to the Board Diversity Policy.

A6. Responsibilities of directors

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

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• Every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on appointment. Subsequently he should receive any briefing and professional development necessary to ensure that he has a proper understanding of the issuer's operations and business and is fully aware of his responsibilities under statute and common law, the Exchange Listing Rules, legal and other regulatory requirements and the issuer's business and governance policies.	Yes	Upon the appointment of a new Director, the Company has provided related information to the new Director in a timely manner and arranged training for the Director, including introduction of the Company's business, responsibilities of Directors, the Company's rules and regulations and domestic and overseas laws, regulations and regulatory requirements.
• Functions of non-executive directors	Yes	The non-executive Directors have actively attended Board meetings, and acted as members of various special committees, inspected the achievements of the Company's business objectives, and provided independent opinions on the decisions of the Board.
• Every director should ensure that he can give sufficient time and attention to the affairs of the issuer	Yes	All Directors have diligently discharged their duties and taken their responsibilities seriously. The attendance of Directors at the meetings of the Board and various special committees in 2017 was over 90%, indicating that the Directors have spent sufficient time on the Company's business.

Code provisions	Compliance	Procedures of Corporate Governance
• The board of directors should establish written guidelines no less exacting than the Model Code for the relevant employees in respect of their dealings in issuer's securities	Yes	According to the relevant requirements of the Model Code, the Company shall give notice of blackout period to Directors, Supervisors and senior management within the specified period prior to the issue of annual, interim and quarterly reports to restrict them from dealing in the Shares within the specified period.
• All directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The issuer should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director. Note: Directors should provide a record of the training they received to the issuer.	Yes	All Directors have the opportunities to attend professional training programmes arranged by the Company during their terms of appointment at the expense of the Company. The Company has provided assistance to Directors to participate in the relevant training programmes organized by the Stock Exchange, the Shanghai Stock Exchange and other regulatory authorities. The Company has also engaged legal consultants and staff from regulatory authorities at home and abroad to provide training programmes.
• The directors should upon their appointments (and thereafter) disclose their positions and other significant commitments in other entities	Yes	Each of the Directors has upon the acceptance of appointment provided the Company with his or her positions and other major commitments in other companies and updated the Company if any changes arise.

Code provisions	Compliance	Procedures of Corporate Governance
• Independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders	Yes	All Directors (including independent non-executive Directors and other non-executive Directors) have actively attended Board meetings, meetings of the board committees and general meetings of the Company.
• Independent non-executive directors and other non-executive should make a positive contribution to the development of the issuer's strategies and policies through independent, constructive and informed comments	Yes	All non-executive Directors have been able to provide independent and constructive opinions with grounds to the Company in formulating strategies and policies.

A7. Supply of and access to information

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

Compliance procedures of the Corporate Governance Code - Code provisions

Code Provisions	Compliance	Procedures of Corporate Governance
• For regular board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers should be sent, in full, to all directors. These should be sent in a timely manner and at least 3 days before the intended date of a board or board committee meeting (or other agreed period)	Yes	All documents of the past meetings of the Board and special committees were sent to each of the Directors at least three days before the meetings.
• Management has an obligation to supply the board and its committees with adequate information, in a timely manner, to enable it to make informed decisions. To fulfil his duties properly, a director may not, in all circumstances, be able to rely purely on information provided voluntarily by management and he may need to make further enquiries.	Yes	Management of the Company has been able to provide sufficient information to the Board and its subordinate committees in a timely manner. The Directors have been able to communicate with management of the Company by themselves to obtain further information required.
• All directors are entitled to have access to the board papers and related materials. Queries raised by directors, should receive a prompt and full response if possible	Yes	The documents of the Board and the special committees are being kept by the Board secretary, and are available for the inspection by all Directors at any time. The Company has arranged related personnel to give timely response in respect of the questions raised by the Directors.

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

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

Principle of the Code • *An issuer should disclose its directors' remuneration policy and other remuneration related matters. The procedure for setting policy on executive directors' remuneration and all directors' remuneration packages should be formal and transparent. Remuneration levels should be sufficient to attract and retain directors to run the company successfully without paying more than necessary. No director should be involved in deciding his own remuneration.*
The corporate governance situation of the Company • The Company has set up a remuneration committee. The terms of reference of the Remuneration Committee includes determination and review of the remuneration policies and plans of the directors and managers of the Company. • In 2017, the remuneration committee convened one meeting to review matters such as the performance appraisal of the senior management of COSCO SHIPPING Holdings in 2016, make recommendation to the Board of remuneration of directors, and review the remuneration packages of the Company's senior management staff in 2017 based on the performance appraisal results and the Company's remuneration management system, and the remuneration committee was of the view that the remumeration of the Company's senior management staff was in accordance with corporate performance appraisal and management regulation on remuneration, and the relevant process of decision-making was lawful and valid.

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

Code provisions	Compliance	Procedures of Corporate Governance
• The remuneration committee should consult the chairman and/or the chief executive officer about their remuneration proposals for other executive directors. The remuneration Committee should have access to independent professional advice if necessary	Yes	The remuneration committee has communicated with the Chairman and the President in respect of the remuneration of the Directors, Supervisors and senior management and should have access to independent professional advice if necessary.
• Functions of the remuneration committee	Yes	The Company has established the Operation Rules for the Remuneration Committee of the Company, clearly setting out the duties of the remuneration committee.

Code provisions	Compliance	Procedures of Corporate Governance
• The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on the Hong Kong Stock Exchange's website and the issuer's website	Yes	The terms of reference of the remuneration committee have been published on the Company's website and the website of the Hong Kong Stock Exchange.
• The remuneration committee should be provided with sufficient resources to perform its duties	Yes	The Company's human resources department and the general office have actively cooperated with the remuneration committee to perform their works in the discharge of their duties.
• Issuers should disclose the details of the remuneration payable to members of senior management by band in their annual reports	Yes	The Company has disclosed the remuneration of all senior management by band in its annual reports and accounts.
Recommended Best Practices		
• A significant portion of executive directors' remuneration should link rewards to corporate and individual performance	Yes	The remuneration of the executive Directors and senior management are in general linked with the performance of the Company and their individual performance.
• Issuers should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in their annual reports	Yes	The Company has disclosed the remuneration and names of the Directors, Supervisors and senior management in the annual reports and accounts.
• The board should conduct a regular evaluation of its performance	Yes	The Board has carried out such evaluation annually.

C. Accountability and Audit

C1. Financing reporting

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

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

Code provisions	Compliance	Procedures of Corporate Governance
• Management should provide sufficient explanation and information to the board to enable it to make an informed assessment of financial and other information put before it for approval	Yes	Management of the Company has provided the Board with information on the Company's business progress, development plans and financial targets from time to time as the grounds for the Board to make appraisals.
• Management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13	Yes	Management of the Company has submitted the main performance data to the members of the Board on a monthly basis.
• The directors should acknowledge in the Corporate Governance Report their responsibilities for preparing the accounts. There should be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements	Yes	The Directors have acknowledged their responsibilities in preparing financial statements which truly and fairly reflect the Company's situation in the financial year. The auditors' reports have specified the reporting responsibilities of the auditors.

Code provisions	Compliance	Procedures of Corporate Governance
• The directors should include in the separate statement containing a discussion and analysis of the group's performance in the annual report, an explanation of the basis on which the issuer generates or preserves value over the longer term (the business model) and the strategy for delivering the issuer's objectives	Yes	The Company has disclosed the foundation for creating or retaining value in the long run and the strategies to achieve targets of the Company.
• The board should present a balanced, clear and understandable assessment in annual and interim reports, and other financial disclosures required by the Listing Rules	Yes	In its regular reports and external announcements, the Board has made objective, fair and clear descriptions on the situation and prospects of the Company and its subsidiaries.
Recommended Best Practices		
• The issuer should announce and publish its quarterly financial results within 45 days after the end of the relevant quarter • Once the issuer announces quarterly financial results, it shall continue to do so for each of the first 3 and 9 months periods of subsequent financial years	Yes	In addition to the reports on annual and interim results, the Company has also prepared and issued first quarterly and third quarterly results reports. The Company announced and issued quarterly financial results within one month after the end of the first and third quarter, and the information disclosed are sufficient for the Shareholders to assess the Company's performance, financial position and prospects.

C2. Risk management and Internal controls

Principle of the Code • *The board is responsible for evaluating and determining the nature and extent of the risks which it is willing to take in achieving the issuer's strategic objectives, and ensuring that the issuer establishes and maintains appropriate and effective risk management and internal control systems. The board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the board on the effectiveness of these systems.*
The corporate governance situation of the Company • The Company has established an internal control system, to review the relevant financial, operational and regulatory control procedures from time to time and update and refine the internal control system according to the actual situation from time to time, so as to protect the Company's assets and the Shareholders' interests. • In its organization structure, the Company has set up an internal audit department to conduct regular inspections, supervisions and appraisals on the Company's financial position, operation and internal control activities according to different business and process flows, and has appointed external audit firms to make regular audits on the Company's financial reports based on the China and Hong Kong accounting standards, and provided independent and objective appraisals and suggestions by way of audit reports. • The Company has strict rules on the treatment and release of inside information in accordance with relevant requirements of the Listing Rules and the SFO and prohibits any unauthorized use or release of confidential or inside information. The Directors, Supervisors and senior management of the Company have adopted all reasonable measures to ensure proper precautionary measures are in place to prevent the Company from violating relevant disclosure requirements.

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

Code provisions	Compliance	Procedures of Corporate Governance
• The board should oversee the issuer's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the issuer's and its subsidiaries' risk management and internal control systems has been conducted at least annually and report to shareholders that it has done so in its Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls.	Yes	The Board has overall responsibility for assessing and determining the nature and extent of the risks the Group is willing to take in achieving its strategic objectives, maintaining sound and effective risk management and internal control systems and reviewing their effectiveness for the purpose of ensuring the Shareholder's investment and Group assets. To this end, management continues to allocate resources to internal control and risk management systems to manage (rather than eliminate) the risk of failing to meet business objectives, and to provide reasonable, though not absolute, assurance against material misstatement or loss. The Board had conducted an annual review of the Group's risk management and internal control systems for the year ended 31 December 2017 and considered them effective and adequate. The Company has placed strong emphasis on its internal control, and has established an internal control system and set up an internal audit department in its organization structure to perform supervision and control on the Company's finance, business, compliance and risk management. The Company's chief financial officer has reported to the audit committee and the Board on the internal control each year for the appraisals by all Directors.

Code provisions	Compliance	Procedures of Corporate Governance
• The board's annual review should, in particular, ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit and financial reporting functions	Yes	The Company has placed strong emphasis on the professional management and training of finance personnel to improve their professional skills and comprehensive quality. The Company organized annual continuing education for finance personnel on-the-job to attend on time according to the requirements of the Accounting Law (《會計法》) and planned and arranged finance personnel to receive relevant professional training on accounting standards depending on the changes in the state's finance and tax policies and work requirements, with sufficient training expenses budget as a guaranty.
• Issuers should disclose a narrative statement in the Corporate Governance Report, on how they have complied with the risk management and on internal control code provisions during the reporting period	Yes	The Company has disclosed how it complied with the code provisions on internal control during the Reporting Period in accordance with the relevant requirements of the Corporate Governance Report.
• The issuer should have an internal audit function. An issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report	Yes	The Company has an internal audit function which the supervision and audit department of the Company is responsible for. The Board has authorized the Audit Committee to review the effectiveness of internal audit function of the Company, to monitor the establishment and implementation of the Company's internal audit function and to urge the internal audit function is adequately resourced and has appropriate standing in the Company. The Audit Committee has reviewed the effectiveness of the Company's internal audit function during the Reporting Period.

C3. Audit Committee

Principle of the Code • *The board should establish formal and transparent arrangements to consider how it will apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the issuer's auditors. The audit committee established under the Listing Rules should have clear terms of reference.*
The corporate governance situation of the Company • The Board has set up an audit committee, chaired by Mr. Zhou Zhonghui, an independent non-executive Director. Other members include Mr. Chen Dong (a non-executive Director) and Mr. Yang, Liang Yee Philip (an independent non-executive Director), all of whom have professional skills and experience on financial management or legal issuers and are non-executive Directors (including two independent non-executive Directors). One independent Director with professional qualification and professional experience in financial management has also been appointed. • The audit committee is mainly responsible for the supervision of the internal system set up by the Company and its subsidiaries and its implementation, audit on the financial information and disclosures of the Company and its subsidiaries, review on the internal control system (including financial control and risk management) of the Company and its subsidiaries, planning of material connected transactions and communications, supervisions and verifications on the Company's internal and external audits. • In 2017, the audit committee convened four meetings at which the management and the chief financial officer of the Company reported the Company's financial situation and material issues relating to risk management and internal control.

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

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

Code provisions	Compliance	Procedures of Corporate Governance
• A former partner of the issuer's existing auditing firm should be prohibited from acting as a member of its audit committee for a period of 1 year from the date of his ceasing: (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.	Yes	The former chairman of the audit committee Mr. Kwong Che Keung, Gordon was a partner of PricewaterhouseCoopers from 1984 to 1998 prior to his appointment as the chairman of the audit committee on 17 May 2011. On the date which is one year prior to the appointment of each of Mr. Zhou Zhonghui as the chairman of the audit committee; and Mr. Chen Dong and Mr. Yang, Liang Yee Philip as members of the audit committee, each of them was not a partner of the Company's existing auditing firm nor had any financial interest in the firm.
• The terms of reference of the audit committee	Yes	The Company has formulated the Terms of Reference of the Audit Committee which specifies the scope of duties and authorities of the committee in various aspects, including relationship with the Company's auditors, review on the financial information of the Company, supervision and control of the financial reporting system of the Company, internal control procedures and the rules of procedures for meetings.
• The terms of references of the audit committee should be disclosed on the Hong Kong Stock Exchange's website and the issure's website	Yes	The Terms of Reference of the Audit Committee has been published on the website of the Company and the Hong Kong Stock Exchange.
• Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the Company should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view	Yes	The Board has no disagreements with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors.

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

D. Delegation by the Board

D1. Management Functions

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

Compliance procedures of the Corporate Governance Code - Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• When the board delegates aspects of its management and functions to management, it must at the same time, give clear directions as to the management's power in particular, where management should report back and obtain prior board approval before making decisions or entering into any commitments on the issuer's behalf	Yes	Management is accountable to the Board. The Management's main duties include leading the Company's operation and management, organizing the implementation of Board resolutions, conducting and implementing economic activities such as investment and asset disposals relating to the Board resolutions, and making reports to the Board. Management may not surpass the scope of its power and the Board resolutions in the exercise of its power.
• An issuer shall formalise the functions reserved to the board and those delegated to management. It should review those arrangements periodically to ensure that they remain appropriate to the issuer's needs	Yes	In the Rules of Procedures of the Board of Directors and Guidelines for the Work of the General Manager, the Company has specified matters requiring resolutions of the Board and functions to be delegated to management.
• An issuer should disclose the respective responsibilities, accountabilities and contributions of the board and management	Yes	In the Articles of Association, Rules of Procedures of the Board of Directors and Guidelines for the Work of the General Manager, the Company has specifically set out the division of responsibilities between the Board and management, and has made announcements to the public.

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

D2. Board committees

Principle of the Code
• *Board committees should be formed with specific written terms of reference which deal clearly with their authority and duties.*
The corporate governance situation of the Company
• The Board has six subordinate special committees, including the strategic development committee, the risk management committee, the audit committee, the remuneration committee, the nomination committee and the executive committee. The Board shall fully consider the professional skills and experience of the directors when selecting them as the members of the special committees, thereby enabling the work of the committees be performed with high efficiency. Among these, the majority of the members of the audit committee, the remuneration committee and the nomination committee are independent non-executive Directors.
• Each of the committees has specific working guidelines, setting out the rights and obligations and the rules of procedures of the committees.

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

	Strategic Development Committee	Risk Management Committee	Audit Committee	Remuneration Committee	Nomination Committee	Executive Committee
WAN Min(1)	—	—	—	—	—	—
HUANG Xiaowen	—	—	—	—	—	—
FAN Hsu Lai Tai, Rita(2)	—	—	—	1/1	1/1	—
KWONG Che Keung, Gordon(2)	—	—	2/4	1/1	—	—
Peter Guy BOWIE(2)	0/0	1/1	—	—	—	—
XU Zunwu(3)	0/0	1/1	—	—	1/1	—
MA Jianhua	—	—	—	—	—	—
WANG Haimin	—	—	—	—	—	—
ZHANG Wei (張為)	—	—	—	—	—	—
FENG Boming	—	—	—	1/1	—	—
ZHANG Wei (張煒)	—	1/1	—	—	—	—
CHEN Dong	—	—	4/4	—	—	—
YANG, Liang Yee Philip	0/0	—	4/4	—	1/1	—
WU Dawei(2)	—	—	—	0/0	0/0	—
ZHOU Zhonghui(2)	—	—	2/4	0/0	—	—
TEO Siong Seng(2)	0/0	—	—	—	—	—
KOO, Chee Kong Kenneth(2)(4)	—	0/0	—	—	—	—

(1) With effect from 8 January 2018, Mr. Wan Min resigned as the Chairman of the Board, a non-executive Director and the chairman and a member of the executive committee of the Company.

(2) With effect from 25 May 2017: (i) Dr. Fan Hsu Lai Tai, Rita, Mr. Kwong Che Keung, Gordon and Mr. Peter Guy Bowie retired as independent non-executive Directors; and (ii) Mr. Wu Dawei, Mr. Zhou Zhonghui, Mr. Teo Siong Seng and Mr. Kenneth C.K. Koo were appointed as new independent non-executive Directors.

(3) With effect from 2 March 2018: (i) Mr. Xu Zunwu resigned as an independent non-executive Director, the general manager, a member and the chairman of the risk management committee, a member of the strategic development committee and a member of the nomination committee of the Company.

(4) With effect from 28 February 2018, Mr. Koo, Chee Kong Kenneth resigned as an independent non-executive Director and a member of the risk management committee of the Company.

Compliance procedures of the Corporate Governance Code - Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• The board shall prescribe sufficiently clear terms of reference of the committees, to enable them to perform their functions properly	Yes	The Board has six subordinate special committees, including the strategic development committee, the risk management committee, the audit committee, the remuneration committee, the nomination committee and the executive committee. Each of the committees has specific working guidelines, setting out the terms of reference of the committees.
• The terms of reference of the committees should require them to report back to the board on their decisions and recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements)	Yes	The committees have reported to the Board their decisions and proposals after each meeting, and submitted to the Board for consideration matters which require its decision.

D3. Corporate Governance Functionss

Compliance procedures of the Corporate Governance Code - Code provisions

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

Code provisions	Compliance	Procedures of Corporate Governance
• The board should be responsible for performing corporate governance duties set out in the above terms of reference	Yes	The Board has made corporate decisions and instructed the management to conduct daily management and operation in strict compliance with the Listing Rules, the Corporate Governance Code and the Articles of Association.

E. Communication with Shareholders

E1. Effective communication

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

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

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

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

Rights of the Shareholders

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

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

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

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

E2. Voting by poll

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

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

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

F. Company Secretary

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

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

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

Remuneration of members of senior management by band

	2017
HK$1,500,001 - HK$2,000,000 (equivalent to approximately RMB 1,253,861 - RMB1,671,820)	2
HK$2,000,001 - HK$2,500,000 (equivalent to approximately RMB1,671,821 - RMB2,089,780)	2
HK$2,500,001 - HK$3,000,000 (equivalent to approximately RMB2,089,781 - RMB2,507,730)	1
HK$3,500,001 - HK$4,000,000 (equivalent to approximately RMB2,925,681 - RMB3,343,640)	1
HK$6,000,001 - HK$6,500,000 (equivalent to approximately RMB5,015,461 – RMB5,433,420)	1

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

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

The chairman of the fourth session of the audit committee under the Board was Mr. Kwong Che Keung, Gordon (independent non-executive Director), and other members are Mr. Chen Dong (non-executive Director) and Mr. Yang, Liang Yee Philip (independent non-executive Director). Mr. Kwong Che Keung, Gordon resigned as an independent non-executive Director and ceased to be a member of the audit committee of the Company on 25 May 2017. Since 25 May 2017, the audit committee under the 5th session of the Board has comprised Mr. Zhou Zhonghui (the chairman of the audit committee of the Company), Mr. Chen Dong (non-executive director) and Mr. Yang, Liang Yee Philip (independent non-executive Director).

During the reporting period, the audit committee held four meetings, at which it reviewed the annual reports, interim reports, quarterly reports, the effectiveness and adequacy of risk management and internal control systems, internal audit, internal audit plan and appointment of auditors of the Company. The Audit Committee recognized the results achieved by COSCO SHIPPING Holdings in 2017 and considered that, apart from the impact brought by the increase in external shipping freight rates, the increase in container shipping volume and the effective control over costs were also major factors that contributed to the significant growth in the results of the Company in 2017. The Audit Committee considered that the Company's own funds and its capability to generate increasing cash flows were limited, and as such it reminded the management of the Company of the need to consider how to utilize the financing platform of the listed company. Furthermore, in view of the characteristics of the shipping industry, there was a necessity for the Company to perform more comprehensive cash budget and management in order to reflect the budget management standard of the Company in raising funds and meeting its future cash requirements and thus enhance investors' confidence.

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

The chairman of the 4th session of the remuneration committee under the Board comprised Dr. Fan Hsu Lai Tai (chairwoman of remuneration committee of the Company), and other members are Mr. Kwong Che Keung (independent non-executive Director) and Mr. Feng Boming (non-executive Director). Dr. Fan Hsu Lai Tai and Mr. Kwong Che Keung resigned as a non-executive Director and ceased to be a chairwoman and member of the remuneration committee of the Company on 25 May 2017, respectively. Since 25 May 2017, the remuneration committee under the 5th session of the Board has comprised Mr. Wu Dawei (the chairman of the remuneration committee of the Company), Mr. Feng Boming (non-executive Director) and Mr. Zhou Zhonghui (independent non-executive Director).

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

Corporate Governance Report

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

The chairman of the 4th session of the nomination committee under the Board is Mr. Yang, Liang Yee Philip (independent non-executive Director), and other members are Dr. Fan Hsu Lai Tai, Rita (independent non-executive Director) and Mr. Xu Zunwu (executive Director). On 25 May 2017, Dr. Fan Hsu Lai Tai resigned as independent non-executive Director of the Company, and ceased to be a member of the nomination committee of the Company. From 25 May 2017 and as at 31 December 2017, the nomination committee under the 5th session of the Board comprised Mr. Yang, Liang Yee Philip (chairman of nomination committee of the Company), and other members are Mr. Xu Zunwu (executive Director) and Mr. Wu Dawei (independent non-executive Director).

During the reporting period, the nomination committee held one meeting, whereby the nomination of candidates for the fifth session of the Board of Directors of the Company was considered. Mr. Wan Min was re-nominated as a non-executive director candidate for the fifth session of the Board of Directors of the Company and recommended as the chairman candidate for the fifth session of the Board of Directors of the Company, Mr. Huang Xiaowen was nominated as an executive director candidate for the fifth session of the Board of Directors of the Company and recommended as the vice chairman candidate for the fifth session of the Board of Directors of the Company, Mr. Xu Zunwu, Mr. Wang Haimin and Mr. Zhang Wei (張為) were re-nominated as executive director candidates for the fifth session of the Board of Directors of the Company, Mr. Ma Jianhua, Mr. Feng Boming, Mr. Zhang Wei (張煒) and Mr. Chen Dong were re-nominated as non-executive director candidates for the fifth session of the Board of Directors of the Company, Mr. Yang, Liang Yee Phillip was re-nominated as an independent non-executive director candidate for the fifth session of the Board of Directors of the Company, and Mr. Wu Dawei, Mr. Zhou Zhonghui, Mr. Teo Siong Seng and Mr. Koo Chee Kong Kenneth were nominated as independent non-executive director candidates for the fifth session of the Board of Directors of the Company.

Auditors and their remuneration

The Company has appointed PricewaterhouseCoopers as the international auditor of the Company and Ruihua Certified Public Accountants, LLP as the PRC auditor of the Company for 2017. Fees in respect of audit services, audit related services and non-audit services provided by the above auditors to the Group during the year amounted to RMB33,343,000, RMB9,388,000 and RMB11,234,000, respectively.

Nature of services

	2017 (RMB'000)	2016 (RMB'000)
Audit services	**33,343**	31,661
Audit related services	**9,388**	9,606
Non-audit services		
Tax related services	**284**	15,174
Circular related services	**6,370**	2,520
Other advisory services	**4,580**	5,265

Amendments to Articles of Association

During the reporting period, the Company did not make any amendment to the Articles of Association.

Directors' Report

The Board is pleased to present the Directors' Report of the year 2017 together with the audited financial statements of the Group for the year ended 31 December 2017.

Principal Business

During the reporting period, the Group was principally engaged in providing container shipping, managing and operating container terminals and other terminal related businesses. The Company is an investment holding company and details of the principal activities of the Company's principal subsidiaries as at 31 December 2017 are set out in note 43 to the consolidated financial statements.

Business Review

A review of the business of the Group during the reporting period and a discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Discussion and Analysis of the Board Concerning the Future Development of the Company" on pages 5 to 9 and pages 29 to 35 respectively. The particulars of important events affecting the Group that have occurred since the end of the financial year 2016 and the description of possible risks and uncertainties that the Group may be facing are set out in the sections headed "Events after the balance sheet date" and "(IV) Potential risk" on page 25 and pages 32 to 35. An analysis of the Group's performance during the year using financial key performance indicators is set out in the section headed "Management Discussion and Analysis" on pages 11 to 37 of this report. For details of the discussion on the Company's environmental policies and performance, please refer to the section headed "(I) Social responsibilities" on page 43.

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

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

Directors' Report

Relationships with major stakeholders

The Company continues to engage with its employees, suppliers and customers through different channels to develop mutually beneficial relationships and promote sustainability. An account of the Company's key relationship with its employees is set out in the section headed "Employees and Remuneration Policies" on page 118. An account of the Company's relationship key relationship with its customers and suppliers are set out in the sections headed "(III) Operation plan" and "Major Suppliers and Customers" on pages 30 to 32 and 96, respectively. The Company also recognises its obligations as a responsible member of the communities in which the Company operates. For details of the Company's engagement in and contributions to these communities, please refer to the section headed "VI Fulfillment of social responsibilities" on pages 41 to 44.

Results of the Group

The Group's results for the year ended 31 December 2017 are set out on pages 139 to 141 of this report.

Financial Summary

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

Major Suppliers and Customers

For the year ended 31 December 2017, the Group's purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases, and the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 21 to the consolidated financial statements. There was no distributable reserves of the Company as at 31 December 2017.

Statutory Reserve Funds

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

Property, Plant and Equipment and Investment Properties

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

Employees' Retirement Plans

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

Pre-emptive Rights

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

Tax Relief

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

Share Capital

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

Donations

Charitable donations made by the Group during the year under review amounted to approximately RMB4,631,394.5.

Directors and Supervisors

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

Name	Date of appointment as Director	Date of resignation as Director
Executive directors		
HUANG Xiaowen (Vice chairman)	24 May 2016	N/A
XU Zunwu[(1)]	1 February 2016	2 March 2018
WANG Haimin	16 December 2016	N/A
ZHANG Wei (張為)	16 December 2016	N/A
Non-executive directors		
WAN Min[(2)] (Chairman)	20 May 2015	8 January 2018
MA Jianhua	16 December 2016	N/A
FENG Boming	16 December 2016	N/A
ZHANG Wei (張煒)	16 December 2016	N/A
CHEN Dong	16 December 2016	N/A
Independent non-executive Directors		
YANG, Liang Yee Philip	20 May 2014	N/A
WU Dawei[(3)]	25 May 2017	N/A
ZHOU Zhonghui[(3)]	25 May 2017	N/A
TEO Siong Seng[(3)]	25 May 2017	N/A
KOO, Chee Kong Kenneth[(3) (4)]	25 May 2017	28 February 2018
FAN HSU Lai Tai, Rita[(3)]	17 May 2011	25 May 2017
KWONG Che Keung, Gordon[(3)]	17 May 2011	25 May 2017
Peter Guy BOWIE[(3)]	17 May 2011	25 May 2017

Notes:

(1) With effect from 2 March 2018, Mr. Xu Zunwu resigned as executive Director.

(2) With effect from 8 January 2018, Mr. Wan Min resigned as the chairman of the Company and a non-executive Director.

(3) With effect from 25 May 2017: (i) Dr. Fan Hsu Lai Tai, Rita, Mr. Kwong Che Keung, Gordon and Mr. Peter Guy Bowie resigned as independent non-executive Directors; and (ii) Mr. WU Dawei, Mr. Zhou Zhonghui, Mr. Teo Siong Seng and Mr. Koo, Chee Kong Kenneth were appointed as new independent non-executive Directors.

(4) With effect from 28 February 2018, Mr. Koo, Chee Kong Kenneth resigned as an independent non-executive Director.

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

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

Independence of the Independent Non-executive Directors

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

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

Biographies of the Directors, Supervisors and members of the senior management of the Company as at the date hereof are set out on pages 52 to 59 of this report.

Competing Interest

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

Connected Transactions*

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

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

   As Florens Capital Management, a non-wholly owned subsidiary of the Company, is owned as to 50% by COSCO, the direct controlling Shareholder, Florens Capital Management is a connected person of the Company. Accordingly, the above transactions constitute continuing connected transactions of the Company.

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

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

   As CM Supply is owned as to 50% by China Ocean Shipping Company Limited ("**COSCO**"), the direct controlling Shareholder, it is a connected person of the Company. Accordingly, the above transactions constitute continuing connected transactions of the Company.

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

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

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

   Since COSCO is the direct controlling Shareholder, it is a connected person of the Company, and the transactions under the Existing COSCO Ports-PCT-COSCO Master Agreement and the Amendment Agreement constitute continuing connected transactions of the Company.

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

4. On 25 August 2016, COSCO SHIPPING Ports (for itself and on behalf of its subsidiaries) and COSCO Finance Co., Ltd. ("**COSCO Finance**") entered into the financial services agreement (the "**COSCO SHIPPING Ports Financial Services Agreement**"), effective from 1 January 2017 to 31 December 2019. The transactions contemplated under the COSCO SHIPPING Ports Financial Services Agreement and the proposed annual caps were covered by the financial services agreement entered into by the Company (for itself and on behalf of its subsidiaries) and China COSCO SHIPPING (for itself and on behalf of its subsidiaries) on 14 September 2016 (the "**COSCO SHIPPING Holdings Financial Services Agreement**"). The COSCO SHIPPING Ports Financial Services Agreement took effect upon obtaining approvals from the independent shareholders of COSCO SHIPPING Ports on 12 October 2016.

   COSCO Finance is a subsidiary of COSCO (the direct controlling Shareholder), and is thus a connected person of the Company. Accordingly, the above transactions constitute continuing connected transactions of the Company.

   For details of the above transactions, please refer to the announcements of the Company dated 30 March 2016 and 14 September 2016.

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

   On 10 August 2016, a party to the Concession Agreement (i.e. PPA) became a subsidiary of COSCO SHIPPING (Hong Kong) Co., Limited, which is a subsidiary of China COSCO SHIPPING, the indirect controlling Shareholder. PPA has therefore become a connected person of the Company. The continuing transactions under the Concession Agreement have therefore become continuing connected transactions of the Company.

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

6. On 14 September 2016, the Company (for itself and on behalf of its subsidiaries) and China COSCO SHIPPING (for itself and on behalf of its subsidiaries) entered into the COSCO SHIPPING Holdings Financial Services Agreement, pursuant to which China COSCO SHIPPING will procure COSCO Finance and China Shipping Finance Company Limited ("**CS Finance**") (each being a non-wholly-owned subsidiary of China COSCO SHIPPING) to provide the Company and its subsidiaries with certain financial services (including deposit services, loan services, clearing services, foreign exchange services and any other services that COSCO Finance and CS Finance can engage in as permitted by the China Banking Regulatory Commission). The COSCO SHIPPING Holdings Financial Services Agreement is effective from 1 January 2017 to 31 December 2019.

China COSCO SHIPPING is the indirect controlling Shareholder and therefore a connected person of the Company. Accordingly, the transactions contemplated under the COSCO SHIPPING Holdings Financial Services Agreement constitute continuing connected transactions of the Company.

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

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

   China COSCO SHIPPING is the indirect controlling Shareholder and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Master Vessel Services Agreement constitute continuing connected transactions of the Company.

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

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

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

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

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

   In order to better safeguard the demand for crew, enhance the core competitiveness of the shipping business of the Group, the Group participated in the integration of crew resources of China COSCO SHIPPING. From 1 January 2018 onwards, the existing crew and crew management department of the Group were transferred to COSCO SHIPPING Seafarer Management Co., Ltd. ("**COSCO SHIPPING Seafarer**"). The subsidiaries of the Group will enter into the crew management services agreements with COSCO SHIPPING Seafarer, pursuant to which the demand for crew of the vessels owned, operated and/or managed by the Group will be provided by the vessel manning services by COSCO SHIPPING Seafarer. The Board anticipated that the then existing annual caps would not be sufficient to meet the expected transaction amounts of the Group's purchase of services from the China COSCO SHIPPING Group under the Master Seamen Leasing Agreement for the year ending 31 December 2018 and the year ending 31 December 2019. The Board increased the annual caps of the above years to RMB 1,400,000,000 and 1,500,000,000, respectively.

   China COSCO SHIPPING is the indirect controlling Shareholder and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Master Seamen Leasing Agreement constitute continuing connected transactions of the Company.

   For details of the above transactions, please refer to the announcements of the Company dated 14 September 2016 and 27 December 2017.

10. On 14 September 2016, the Company (for itself and on behalf of its subsidiaries and/or associates) and China COSCO SHIPPING (for itself and on behalf of its subsidiaries and/or associates) entered into the master premises leasing agreement (the "**Master Premises Leasing Agreement**"), pursuant to which the China COSCO SHIPPING Group leases certain premises to and from the Group. The Master Premises Leasing Agreement is effective from 1 January 2017 to 31 December 2019.

    China COSCO SHIPPING is the indirect controlling Shareholder and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Master Premises Leasing Agreement constitute continuing connected transactions of the Company.

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

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

    China COSCO SHIPPING is the indirect controlling Shareholder and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Master Container Service Agreement constitute continuing connected transactions of the Company.

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

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

    China COSCO SHIPPING is the indirect controlling Shareholder and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Master Port Services Agreement constitute continuing connected transactions of the Company.

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

13. On 14 September 2016, the Company (for itself and on behalf of its subsidiaries and/or associates) and China COSCO SHIPPING (for itself and on behalf of its subsidiaries and/or associates) entered into the freight forwarding master agreement (the "**Freight Forwarding Master Agreement**"), pursuant to which the China COSCO SHIPPING Group and the Group shall provide each other with freight forwarding services, freight solicitation and other related services, for a term commencing from 1 January 2017 to 31 December 2019.

    China COSCO SHIPPING is the indirect controlling Shareholder and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Freight Forwarding Master Agreement constitute continuing connected transactions of the Company.

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

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

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

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

15. On 4 May 2017, (i) COSCO SHIPPING Development (Hong Kong) Co. Limited (a wholly-owned subsidiary of COSCO SHIPPING Development) (as assignor) and COSCO (Cayman) Mercury (a wholly-owned subsidiary of the Company) (as assignee) entered into the assignment agreements for the assignment of the eight shipbuilding contracts for the construction of eight 13,500 TEU class container carriers (the "**13,500 TEU Shipbuilding Contracts**") entered into between COSCO SHIPPING Development (Hong Kong) Co., Limited (as buyer), China Shipbuilding Trading Company Limited and Shanghai Jiangnan Changxing Shipbuilding Company Limited (collectively, as seller) on 29 July 2015 (the "**Assignment Agreements**"); and (ii) COSCO SHIPPING Development (Hong Kong) Co., Limited (as original buyer), COSCO (Cayman) Mercury (as new buyer), China Shipbuilding Trading Company Limited and Shanghai Jiangnan Changxing Shipbuilding Company Limited (collectively, as seller) entered into the amendment agreements for amend the buyer of shipbuilding contacts for the transfer of all rights, obligations, debts and liabilities of the original buyer under the 13,500 TEU Shipbuilding Contracts to COSCO (Cayman) Mercury (the "**13,500 TEU Shipbuilding Contracts Amendment Agreements**"). The aggregate consideration payable by the Group under the Assignment Agreements and the 13,500 TEU shipbuilding Contracts Amendment Agreements was estimated to be approximately US$939.03 million, of which approximately US$109,746,000 was estimated to be payable to COSCO SHIPPING Development and its subsidiaries.

    On the same date, (i) Oriental Fleet International Co., Ltd. (a wholly-owned subsidiary of COSCO SHIPPING Development) (as assignor) and COSCO (Cayman) Mercury (as assignee) entered into the memoranda of agreement (the "**Memoranda of Agreement**") for the assignment of the six shipbuilding contracts for the construction of six 21,000 TEU class container carriers (the "**21,000 TEU Shipbuilding Contracts**") entered into between Oriental Fleet International Co., Ltd. (as buyer), China Shipbuilding Trading Company Limited and Shanghai Waigaoqiao Shipbuilding Company Limited (collectively, as seller) on 30 October 2015; and (ii) Oriental Fleet International Co., Ltd. (as original buyer), COSCO (Cayman) Mercury (as new buyer), China Shipbuilding Trading Company Limited and Shanghai Waigaoqiao Shipbuilding Company Limited (collectively, as seller) entered into the novation agreements for the transfer of all rights, obligations, the 21,000 TEU Shipbuilding Contracts to COSCO (Cayman) Mercury (the "**Novation Agreements**"). The aggregate consideration payable by the Group under the Memoranda of Agreement and Novation Agreements was estimated to be approximately US$840.22 million, of which approximately US$98,329,000 was estimated to be payable to COSCO SHIPPING Development and its subsidiaries.

    COSCO SHIPPING Development is a subsidiary of China COSCO SHIPPING (an indirect controlling Shareholder) and COSCO SHIPPING Development (Hong Kong) Co., Limited and Oriental Fleet International Co., Ltd. are wholly-owned subsidiaries of COSCO SHIPPING Development. Therefore, COSCO SHIPPING Development (Hong Kong) Co., Limited and Oriental Fleet International Co., Ltd. are connected persons of the Company. Accordingly, the transactions under the Assignment Agreements, the 13,500 TEU Shipbuilding Contracts Amendment Agreements and the Novation Agreements constitute connected transactions of the Company.

    For details of the above transactions, please refer to the announcement of the Company dated 4 May 2017 and the circular of the Company dated 24 May 2017.

16. On 30 August 2017, COSCO SHIPPING Development, Shanghai Pan Asia (a non-wholly owned subsidiary of the Company), Shanghai Sino-Poland Enterprise Management Development Corporation Limited and Shanghai Vision Credit Financial Technology Company Limited entered into the promoters agreement to establish a joint venture company in Shanghai, the PRC (the "**Promoters Agreement**"). Pursuant to the Promoters Agreement, Shanghai Pan Asia has agreed to contribute RMB50 million, representing 25% of the registered capital of the joint venture company.

    As China COSCO SHIPPING (the indirect controlling Shareholder) is the indirect controlling shareholder of COSCO SHIPPING Development, COSCO SHIPPING Development is a connected person of the Company, the establishment of the joint venture company constitutes a connected transaction of the Company.

    For details of the above transactions, please refer to the announcement of the Company dated 30 August 2017.

17. On 30 August 2017, the Company and Pacific International Lines entered into the shipping services master agreement (the "**Shipping Services Master Agreement**"). Pursuant to the Shipping Services Master Agreement, the Group provides shipping services to the Pacific International Lines and its subsidiaries, including but not limited to handling, storage, stevedoring, transshipment, maintenance of cargoes, provision of container storage space and terminal premises. The Shipping Services Master Agreement shall be for a term commencing on 30 August 2017 and expiring on 31 December 2019.

    Mr. Teo Siong Seng (an independent non-executive Director), together with his family members (as defined in Chapter 14 of the Listing Rules), is able to control the composition of the majority of the board of directors of Pacific International Lines. Accordingly, Pacific International Lines is a connected person of the Company and the transactions under the Shipping Services Master Agreement constitute continuing connected transactions for the Company.

    For details of the above transactions, please refer to the announcement of the Company dated 30 August 2017.

18. On 30 October 2017, the Board has approved the Proposed Non-public Issuance of A Shares, pursuant to which the Company will issue a maximum of 2,043,254,870 A Shares (subject to adjustment) to not more than 10 specific target subscribers (including China COSCO SHIPPING), which would raise gross proceeds of up to RMB12,900,000,000. As part of the Proposed Non-public Issuance of A Shares, on 30 October 2017, the Company and China COSCO SHIPPING entered into the subscription agreement pursuant to which China COSCO SHIPPING has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, 50% of the total number of A Shares to be issued under the Proposed Non-public Issuance of A Shares the (the "**China COSCO SHIPPING Subscription Agreement**").

    China COSCO SHIPPING is an indirect controlling Shareholder and is therefore a connected person of the Company. The proposed subscription of A Shares by China COSCO SHIPPING under the Proposed Non-public Issuance of A Shares constitutes a connected transaction of the Company.

    For details of the above transactions, please refer to the announcements of the Company dated 30 October 2017, 15 December 2017 and 5 March 2018 and the circular of the Company dated 1 December 2017.

19. On 13 November 2017, the Board has approved the merger between COSCO Finance (an associated company of the Company the equity interest of which is held as to 17.25% by the Company) and China Shipping Finance Company Limited ("**CS Finance**"), pursuant to which CS Finance will absorb and merge with COSCO Finance (the "**Merger**"). Upon completion, (i) CS Finance will continue as the surviving company and be renamed as COSCO SHIPPING Finance Company Limited ("**COSCO SHIPPING Finance**"); and (ii) COSCO Finance will cease to exist as a legal entity and become a branch of COSCO SHIPPING Finance, and the assets, liabilities, businesses and employees of which shall be succeeded by COSCO SHIPPING Finance. On 13 November 2017, the shareholders of COSCO SHIPPING Finance after the Merger (including COSCO SHIPPING Lines and COSCO International Freight Co., Ltd, each a wholly-owned subsidiary of the Company) entered into a shareholders agreement to govern their respective rights and obligations in COSCO SHIPPING Finance (the "**Shareholders Agreement**").

    China COSCO SHIPPING is an indirect controlling Shareholder and is therefore a connected person of the Company. As COSCO Finance is an indirect non wholly-owned subsidiary of China COSCO SHIPPING, COSCO Finance is an associate of China COSCO SHIPPING and a connected person of the Company.

    CS Finance is an indirect non-wholly owned subsidiary of China COSCO SHIPPING, and is thus an associate of China COSCO SHIPPING and a connected person of the Company. The Merger, the entering into the Shareholders Agreement and the transactions contemplated under the Shareholders Agreement constitute connected transactions of the Company.

    For details of the above transactions, please refer to the announcement of the Company dated 13 November 2017.

With respect to the related party transactions as disclosed in note 41 to the consolidated financial statements, those transactions which constitute connected transactions or continuing connected transactions of the Company have been disclosed above or constitute fully exempted connected transactions or continuing connected transactions of the Company as all the applicable percentage ratios are less than 0.1%. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in relation to the above connected transactions and continuing connected transactions. The Company has followed the pricing policies and guidelines when determining the pricing and terms of the above continuing connected transactions during the Reporting Period, the details of which are set out in the relevant announcements and circulars.

The following table sets out the relevant annual caps and the actual transaction amounts for the year ended 31 December 2017 in relation to the non-exempt continuing connected transactions of the Group:

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

Transactions			Annual cap for the year ended 31 December 2017 ('000)	Actual transaction amount for the year ended 31 December 2017 ('000)
1	Transactions under the COSCO SHIPPING Holdings Financial Services Agreement			
	(a)	Maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Group with COSCO Finance and CS Finance	RMB29,000,000	RMB10,194,178
	(b)	Maximum daily outstanding balance of loans (including accrued interest and handling fee) granted by COSCO Finance and CS Finance to the Group	RMB22,000,000	RMB2,469,000
2	Transactions under the Master Vessel Services Agreement			
	(a)	Purchase of vessel services from the China COSCO SHIPPING Group	RMB30,000,000	RMB10,781,571
	(b)	Provision of vessel services to the China COSCO SHIPPING Group	RMB140,000	RMB22,159
3	Transactions under the Master General Services Agreement			
	(a)	Purchase of general services from the China COSCO SHIPPING Group	RMB160,000	RMB43,156
	(b)	Provision of general services to the China COSCO SHIPPING Group	RMB60,000	RMB725
4	Transactions under the Master Seamen Leasing Agreement			
	(a)	Purchase of services from the China COSCO SHIPPING Group	RMB100,000	RMB530
	(b)	Provision of services to the China COSCO SHIPPING Group	RMB500,000	RMB92,661
5	Transactions under the Master Premises Leasing Agreement			
	(a)	Rent and other fees and charges payable to the China COSCO SHIPPING Group	RMB260,000	RMB115,961
	(b)	Rent and other fees and charges receivable from the China COSCO SHIPPING Group	RMB20,000	RMB2,698

Transactions			Annual cap for the year ended 31 December 2017 ('000)	Actual transaction amount for the year ended 31 December 2017 ('000)
6	Transactions under the Master Container Services Agreement			
	(a)	Purchase of services from the China COSCO SHIPPING Group	RMB500,000	RMB62,352
	(b)	Sale of services to the China COSCO SHIPPING Group	RMB300,000	RMB3
7	Transactions under the Master Port Services Agreement		RMB3,600,000	RMB1,887,490
8	Transactions under the Master Vessel and Container Asset Services Agreement		RMB15,000,000	RMB8,729,845
9	Transactions under the Freight Forwarding Master Agreement			
	(a)	Purchase of services from the China COSCO SHIPPING Group	RMB400,000	RMB80,319
	(b)	Provision of services to the China COSCO SHIPPING Group	RMB1,100,000	RMB306,447
10	Transactions under the Shipping Services Master Agreement		RMB150,000	RMB32,556
11	Transactions under the Finance Leasing Master Agreement		USD140,000	—
12	Transactions under the Existing COSCO Ports-PCT-COSCO Master Agreement and the Amendment Agreement			
	(a)	Provision of shipping related services by the COSCO Ports Group and PCT to COSCO and its associates (excluding COSCO SHIPPING Ports and the Company and their other associates)	RMB705,513	RMB64,865
	(b)	Provision of terminal related services by COSCO and its associates (excluding COSCO SHIPPING Ports and the Company and their other associates) to the COSCO Ports Group and PCT	RMB159,528	RMB21,397
13	Transactions under the Nansha Diesel Oil Purchase Master Agreement		RMB33,000	—

Note:

On 13 November 2017, the Board approved the merger by absorption under which CS Finance absorbs and merges with COSCO Finance. Upon completion, (i) CS Finance will continue as the surviving company and be renamed as COSCO SHIPPING Finance; and (ii) COSCO Finance will cease to exist as a legal entity and become a branch of COSCO SHIPPING Finance, and the assets, liabilities, businesses and employees of which shall be succeeded by COSCO SHIPPING Finance.

Review of Continuing Connected Transactions for 2017

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

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

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

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

The independent non-executive directors of COSCO SHIPPING Ports have reviewed the continuing connected transactions set forth as items 11 to 13 in the above table and confirm that these transactions have been entered into:

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

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

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

For the purpose of Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company, PricewaterhouseCoopers, to report on the above continuing connected transactions (other than transactions under the master agreements set out as items 11 to 13 in the above table) for the year ended 31 December 2017 (the "**Transactions**") in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the Transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

For the purpose of Rule 14A.56 of the Listing Rules, the board of directors of COSCO SHIPPING Ports engaged the auditor of COSCO SHIPPING Ports, PricewaterhouseCoopers, to report on the above continuing connected transactions set forth as items 11 to 13 in the above table for the year ended 31 December 2017 in accordance with Hong Kong Standard on Assurance Engagements 3000 (revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of COSCO SHIPPING Ports has issued its unqualified letter containing its findings and conclusions in respect of these transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by COSCO SHIPPING Ports to the Hong Kong Stock Exchange.

Substantial Interests in the Shares and Underlying Shares of the Company

As at 31 December 2017, so far as was known to the Directors, save as disclosed below, there was no person (other than a Director, Supervisor or chief executives of the Company) who had any other interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

As at 31 December 2017, so far as was known to the Directors, the Shareholders having interest in 5% or more of the total issued share capital of the Company (including A Shares and H Shares) were:

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

Note:

As at 31 December 2017, China COSCO SHIPPING indirectly held approximately 45.47% equity interest in the Company through COSCO and was an indirect controlling shareholder of the Company. On 30 October 2017, the Board has approved the Proposed Non-public Issuance of A Shares, pursuant to which the Company will issue a maximum of 2,043,254,870 A Shares (subject to adjustment) to not more than 10 specific target subscribers (including China COSCO SHIPPING), as part of the Proposed Non-public Issuance of A Shares, on 30 October 2017, the Company and China COSCO SHIPPING entered into the China COSCO SHIPPING Subscription Agreement pursuant to which China COSCO SHIPPING has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, 50% of the total number of A Shares to be issued under the Proposed Non-public Issuance of A Shares. As at the date of this annual report, the Proposed Non-public Issuance of A Shares and the proposed subscription of A Shares by China COSCO SHIPPING have not yet been completed.

Share Appreciation Rights Plan

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

On 16 December 2005, the Board granted share appreciation rights to certain Directors, Supervisors and senior management of the Company and its subsidiaries, and other personnel designated by the Board, including nine Directors and three Supervisors at an exercise price of HK$3.195 each under the Share Appreciation Rights Plan. On 5 October 2006, the Board granted share appreciation rights to certain Directors, Supervisors and senior management of the Company and its subsidiaries, and other personnel designated by the Board, including eight Directors and three Supervisors at an exercise price of HK$3.588 each under the Share Appreciation Rights Plan. On 4 June 2007, the Company granted further share appreciation rights to certain Directors, Supervisors and senior management of the Company and its subsidiaries, and other personnel designated by the Board, including seven Directors and four Supervisors at an exercise price of HK$9.540 each under the Share Appreciation Rights Plan. Save for the grant on 4 June 2007, the Company had not granted any share appreciation rights up to 31 December 2017. All share appreciation rights expired on 3 June 2017 and were cancelled.

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

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

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

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

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

1. Directors (excluding independent non-executive Directors), Supervisors (excluding independent Supervisors) and Secretary of the Board.
2. The Company's senior management, including chief executive officer, general manager, deputy general manager, chief financial officer, department general managers, department deputy general managers and other staff of similar levels.
3. Senior management of the level one subsidiaries, including the full time staff, part-time staff, assistants to general managers, department general managers and department deputy general managers of the companies.
4. Full-time and part-time staff of level two companies as well as full-time staff of port companies.
5. Other personnel approved by the Board of Directors: determined according to their importance in business development, mainly referring to personnel and core business staff of the Company and affiliated companies who are crucial to the Company's business development and have made outstanding contributions.

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

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

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

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

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

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

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

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

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

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

Not applicable.

(8) The basis of determining the exercise price:

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

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

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

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

   C. par value of the share.

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

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

Movements of the share appreciation rights, which were granted to the Directors, Supervisors or senior management by the Company pursuant to the Share Appreciation Rights Plan during 2017 are set out below:

				Number of units of share appreciation rights							
Name of director/ supervisor/ senior management	Capacity	Nature of interest	Exercise price	Outstanding as at 1 January 2017	Transfer (to)/from other category during the period	Granted during the period	Exercised during the period	Lapsed duing the period	Outstanding as at 31 December 2017	Approximate % of issued share capital of the Company's H shares as at 31 December 2017	Note
WAN Min	Beneficial owner	Personal	HK$9.540	260,000	–	–	–	(260,000)	–	–	(1)
WANG Haiming	Beneficial owner	Personal	HK$9.540	75,000	–	–	–	(75,000)	–	–	(1)
MA Jianhua	Beneficial owner	Personal	HK$9.540	480,000	–	–	–	(480,000)	–	–	(1)
ZHANG Wei (張為)	Beneficial owner	Personal	HK$9.540	75,000	–	–	–	(75,000)	–	–	(1)
FENG Boming	Beneficial owner	Personal	HK$9.540	35,000	–	–	–	(35,000)	–	–	(1)
ZHANG Wei (張煒)	Beneficial Owner	Personal	HK$9.540	50,000	–	–	–	(50,000)	–	–	(1)
FU Xiangyang	Beneficial owner	Personal	HK$9.540	85,000	–	–	–	(85,000)	–	–	(1)
DENG Huangjun	Beneficial owner	Personal	HK$9.540	260,000	–	–	–	(260,000)	–	–	(1)
Total number of other continuous contract employees (Under the Company's employment, excluding senior management)	Beneficial owner	Personal	HK$9.540	9,790,000	–	–	–	(9,790,000)	–	–	(1)
Others (Not under the Company's employment, including ex-Directors)	Beneficial owner	Personal	HK$9.540	13,055,000	–	–	–	(13,055,000)	–	–	(1)
Total				24,165,000	–	–	–	(24,165,000)	–	–	

Notes:

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

Share Options Scheme of COSCO SHIPPING Ports

At the special general meeting of COSCO SHIPPING Ports held on 23 May 2003, its shareholders approved the adoption of a share option scheme (the "**2003 Share Option Scheme**") and the termination of the share option scheme adopted by its shareholders on 30 November 1994. As the expiration of 2003 Share Option Scheme on 22 May 2013, no further option shall thereafter be granted under the 2003 Share Option Scheme. However, for any outstanding options granted, the terms of the 2003 Share Option Scheme shall remain in full force and effect. All shares options were lapsed on 19 April 2017.

Movements of the share options, which were granted under the 2003 Share Option Scheme, during the year ended 31 December 2017 are set out below:

	Number of share option							
Exercise price (HK$)	Outstanding as at 1 January 2017	Transterred (to)/ from other categories during the period	Granted during the period	Excerised during the period	Lapsed during the period	Outstanding as at 31 December 2017	Approximate percentage of total issued share captial of COSCO SHIPPING Ports as at 31 December 2017	Exercisable period
19.30	9,940,000	–	–	–	(9,940,000)	–	–	(Note)

Note:

The share options were granted during the period from 17 April 2007 to 19 April 2007 under the 2003 Share Option Scheme at an exercise price of HK$19.30. The options can be exercised at any time during a period of ten years commencing from the date when an offer is accepted or deemed to be accepted by the grantee pursuant to the 2003 Share Option Scheme (the "**Commencement Date**"). The Commencement Date was from 17 April 2007 to 19 April 2007. All share options were lapsed on 19 April 2017, no person exercised share options from 1 January 2017 to 18 April 2017.

Capital Increase and Employees Participation Plan Implemented By Shanghai Pan Asia

Pursuant to the Opinion on Commencement of Pilot Employee Stock Ownership by Stated-Owned Holding Mixed Ownership Enterprises (Guo Zi Fa Gai Ge [2016] No. 133) (《關於國有控股混合所有制企業開展員工持股試點的意見》(國資發改革[2016]133號)), during the Reporting Period, Shanghai Pan Asia, a subsidiary of COSCO SHIPPING Lines, decided to implement capital increase and an employees participation plan. Shanghai Pan Asia introduced certain strategic investor(s) by participating in the public tender for subscribing for equity on the Shanghai United Assets and Equity Exchange. The subscription price per unit will be not less than the appraised net asset value (after the filing procedures having been completed) per unit of the registered capital of Shanghai Pan Asia. Meanwhile, it introduced employees participation through the employees participation platform, under which employees will subscribe for equity interests at the final subscription price of strategic investor(s). Please refer to the A share announcement of the Company on "Capital Increase and Employees Participation Plan by Its subsidiary Shanghai Pan Asia Shipping Company Limited (No.: Lin2017-014)" for details. As at the end of June 2017, COSCO SHIPPING Lines, Shanghai Pan Asia, Shanghai Fosun Industrial Investment Company Limited (上海復星產業投資有限公司) (a strategic investor) ("**Fosun Industrial Investment**") and Ningbo Hongyang Investment and Management LLP (寧波泓陽投資管理合夥企業 (有限合夥)) (the employees participation platform) ("**Hongyang**") signed the agreement on capital increase and completed the change of industrial and commercial registration. Upon successful completion of the transaction, Shanghai Pan Asia will be owned by COSCO SHIPPING Lines, Fosun Industrial Investment (contributing approximately RMB427 million) and Hongyang (contributing approximately RMB341 million) as to 82%, 10% and 8%, respectively. The participating employees, of a total number of 157, are the core management personnel of Shanghai Pan Asia, accounting for 33% of the total number of its employees.

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

As at 31 December 2017, the interests of the Directors and Supervisors in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") were as follows:

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

Name of Director	Capacity	Nature of interest	Number of H shares of the Company	Approximate percentage of total issued H share capital	Approximate percentage of total issued share capital of the Company
WAN Min	Beneficial owner	Personal	2,500	0.00010%	0.00002%
TEO Siong Seng	Beneficial owner	Personal	161,000	0.00624%	0.00158%

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

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

Name of associated corporation	Name of Director/Supervisor	Capacity	Nature of interest	Number of ordinary shares	Approximate percentage of total issued share capital
COSCO SHIPPING Development	FENG Boming	Beneficial owner	Personal	29,100	0.00025%
	TEO Siong Seng	Beneficial owner	Personal	200,000	0.00171%
COSCO SHIPPING Ports	ZHANG Wei (張煒)	Beneficial owner	Personal	30,000	0.00099%

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

Movements of the share appreciation rights, which were granted pursuant to the Share Appreciation Rights Plan, during the year ended 31 December 2017 are set out in the paragraph headed "Share Appreciation Rights Plan" in this section above.

Save as disclosed above, as at 31 December 2017, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in any Shares, underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

DISCLOSURE UNDER RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

In relation to the financial assistance granted by COSCO SHIPPING Ports, a listed subsidiary of the Company, to certain affiliated companies, a proforma combined balance sheet of the affiliated companies as at 31 December 2017 required to be disclosed under Rule 13.22 of the Listing Rules is set out below:

	RMB'000
Non-current assets	10,212,928
Current assets	2,615,255
Current liabilities	(2,016,101)
Non-current liabilities	(6,527,836)
Net assets	4,284,246
Share Capital	759,098
Reserves	3,239,892
Non-controlling interests	285,256
Capital and reserves	4,284,246

As at 31 December 2017, the Group's share of net assets of these affiliated companies amounted to RMB3,708,805,000.

Arrangements to Purchase Shares or Debentures

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

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

Details of the remuneration of the Directors and the Supervisors and the five highest paid individuals of the Group are set out in note 35 to the consolidated financial statements.

There were no arrangements under which a Director or Supervisor had waived or agreed to waive any remuneration in respect of the year ended 31 December 2017.

Service Contracts of Directors and Supervisors

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

Interests of Directors and Supervisors in Contracts or Arrangements

None of the Directors or Supervisors had any material interest, whether directly or indirectly, in any contracts or arrangements of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2017.

Directors' Report

Permitted Indemnity Provisions

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

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

Board Committees

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

Corporate Governance

The Company is committed to maintaining high standards of corporate governance by the Group and the Board is of the view that effective corporate governance makes an important contribution to the corporate success and to the enhancement of shareholder value. Please refer to pages 60 to 94 of this annual report for details.

Employees and Remuneration Policies

As at 31 December 2017, there were approximately 21,609 employees in the Group. Total staff costs for the Group for the year, including directors' remuneration, totaled approximately RMB7,557,476.

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

Shareholders' General Meetings

Meeting session	Date of meeting	The designated website for the publication on the annoucement of the resolutions	The date of publication of the announcement of the resolutions
2016 Annual General Meeting	25 May 2017	www.sse.com.cn www.hkexnews.hk	25 May 2017
2017 First Extraordinary Meeting	20 June 2017	www.sse.com.cn www.hkexnews.hk	20 June 2017
2017 Second Extraordinary General Meeting	16 October 2017	www.sse.com.cn www.hkexnews.hk	26 October 2017
2017 Third Extraordinary General Meeting	18 December 2017	www.sse.com.cn www.hkexnews.hk	18 December 2017

Explanation on general meetings

Please refer to relevant announcements for details.

Objections of independent non-executive directors on relevant matters of the Company

Not applicable.

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

Strategic Development Committee

The strategic development committee of the Board emphasized great importance to the implementation progress of the development strategy of COSCO SHIPPING Holdings. It cared about, guided and supervised COSCO SHIPPING Holdings and its subsidiaries COSCO SHIPPING Lines and COSCO SHIPPING Ports to improve relevant measures and boost the implementation of its strategies by telephone communication and other means. No meeting was held by the strategic development committee during the Reporting Period.

Audit Committee

The audit committee of the Board proposed the management and the internal and external auditors to continue to pay close attention to the possibility of changes in the asset value of the vessels; requested the Company to further determine the responsibility of the identification, assessment and control of risks and internal supervision under the new management of the Company after its restructuring to make full use of the Company's audit and internal control resources; it also proposed the Board to review and assess shipping and container leasing agreements and arrangement timely especially after its material asset restructuring, and to formulate optimization measures according to market conditions.

Remuneration Committee

In 2017, the remuneration committee of the Board held one meeting, which conducted review on the details of remuneration according to the results of the performance appraisal and the Company's remuneration management system, and was of the view that remuneration of the senior management of the Company was in compliance with the Company's management rules or performance appraisal and remuneration system, and the relevant decision-making procedures were lawful and effective.

Nomination Committee

In 2017, the nomination committee of the Company held one meeting at which the nomination of the candidates for the fifth session of the Board was considered. Mr. WU Dawei, Mr. ZHOU Zhonghui, Mr. TEO Siong Seng and Mr. KOO, Chee Kong Kenneth. were nominated as the independent non-executive Directors.

Risk Management Committee

In 2017, the risk management committee of the Company held one meeting at which the "2016 Annual Evaluation Report of Internal Control of COSCO SHIPPING Holdings" was reviewed and the committee considered that the 2016 annual evaluation results can meet the requirements of the five ministries and was in line with the actual situation of COSCO SHIPPING Holdings, and approved the report to be published together with the annual financial report.

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

Pursuant to the Administrative Measures for the Remuneration of Officers in Charge of COSCO SHIPPING Holdings Co., Ltd., as considered and approved by the remuneration committee of the fifth session of Board and the Board, annual salary were paid to senior management members of the Company, including the general manager, deputy general managers, chief financial officer and secretary of the Board. The annual salary comprises basic salary, annual performance salary, task accomplishment bonus, etc. The annual performance salary was linked to the appraisal of the Company and the individual performance appraisal of the senior management.

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

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

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

The Company is studying the development of a new, long-term incentive mechanism that is attractive and competitive and in line with the development strategy in order to better realize the synergistic effect of integration of the new group, further improve the long-term incentive and restraint mechanisms of senior management, establish and improve the operational risk control mechanism, fully mobilize the enthusiasm, responsibility and committment of the employees of the Company. The Company will, in accordance with the requirements under relevant laws including the Company Law, administrative regulations, department rules and regulatory documents, disclose promptly the work progress in establishing a new equity incentive plan.

Internal Control and Self-evaluation Report

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

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

The Company's self-evaluation of internal control in 2017:

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

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

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

The Company's self-evaluation report on internal control for 2017 was published on the website of Shanghai Stock Exchange and the website of the Company on 29 March 2018.

Audit report on internal control

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

For details of the internal control audit report, please refer to the report of the Company released on 29 March 2018 on the website of Shanghai Stock Exchange.

Directors' Report

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

(I) Position in Shareholder-related entity

Name	Name of entity	Position	Date of appointment	Date of termination
WAN Min	China COSCO SHIPPING Corporation Limited	Director, General manager	January 2016	January 2018
	Sino-Poland Joint Stock Shipping Company	Chinese delegate of management committee	March 2016	N/A
	Sino-Tanzania Joint Shipping Company	Chairman	March 2016	N/A
HUANG Xiaowen	China COSCO SHIPPING Corporation Limited	Deputy general manager	January 2016	N/A
	COSCO SHIPPING Lines Co., Ltd.	Chairman	March 2016	N/A
	China Shipping International Ship Management Co., Ltd.	Chairman	July 2016	July 2017
	COSCO SHIPPING Ports Limited	Chairman	March 2016	July 2017
	COSCO SHIPPING Logistics Co., Ltd.	Chairman	December 2016	N/A
	China Shipping (Southeast Asia) Holdings Co., Ltd.	Chairman	March 2016	N/A
XU Zunwu	COSCO SHIPPING Lines Co., Ltd.	Director	March 2016	N/A
	COSCO SHIPPING Ports Limited	Director	October 2016	N/A
WANG Haimin	China COSCO SHIPPING Corporation Limited	Employee representative director	April 2016	N/A
	COSCO SHIPPING lines	Director, general manager and deputy party secretary	March 2016	N/A
	COSCO SHIPPING Ports Limited	Director	January 2015	N/A
ZHANG Wei (張為)	COSCO SHIPPING Ports Limited	Vice chairman of the board of directors, director and managing director	April 2016	N/A
FENG Boming	China COSCO SHIPPING Corporation Limited	General manager of the strategic and corporate management department	February 2016	N/A
	COSCO SHIPPING Bulk Co., Ltd.	Director	August 2016	N/A
	COSCO SHIPPING Development Co., Ltd.	Director	June 2016	N/A
	COSCO SHIPPING Energy Transportation Co., Ltd.	Director	September 2016	N/A
	COSCO SHIPPING (Hong Kong) Co., Limited	Director	March 2016	N/A
	COSCO SHIPPING Logistics Co., Ltd.	Director	November 2016	N/A
	COSCO SHIPPING Financial Co., Ltd.	Director	March 2016	N/A
	COSCO SHIPPING Ports Limited	Director	October 2016	N/A
	Piraeus Port Authority S.A.	Director	June 2016	N/A
	China Shipping (North America) Company Limited	Director	March 2017	N/A
	China Shipping (Europe) Company Limited	Director	March 2017	N/A

Name	Name of entity	Position	Date of appointment	Date of termination
ZHANG Wei (張煒)	China COSCO SHIPPING Corporation Limited	General manager of the operation and management department	March 2017	N/A
	COSCO SHIPPING Bulk Co., Ltd.	Director	August 2016	N/A
	COSCO SHIPPING Energy Transportation Co., Ltd.	Director	September 2016	N/A
	COSCO SHIPPING Ports Limited	Director	October 2016	N/A
	COSCO SHIPPING Specialized Carriers Co., Ltd.	Director	October 2016	N/A
	COSCO SHIPPING Lines Co., Ltd.	Director	November 2016	N/A
CHEN Dong	China COSCO SHIPPING Corporation Limited	Deputy general manager of the financial and management department (person in charge)	September 2016	N/A
	COSCO SHIPPING Ports Limited	Director	October 2016	N/A
	COSCO SHIPPING Development Co., Ltd.	Director	September 2016	N/A
	COSCO SHIPPING Specialized Carriers Co., Ltd.	Director	October 2016	N/A
	COSCO SHIPPING Bulk Co., Ltd.	Director	August 2016	N/A
	COSCO SHIPPING (Hong Kong) Co., Limited	Director	July 2016	N/A
HAO Wenyi	China COSCO SHIPPING Corporation Limited	Supervisor of audit and supervision department of COSCO SHIPPING/head of operation division of the disciplinary team of the communist party committee	January 2016	N/A
	China COSCO SHIPPING Corporation Limited	Deputy chief of the disciplinary team of the communist party committee	August 2016	N/A
	China COSCO SHIPPING Corporation Limited	Supervisor	April 2016	N/A
	COSCO SHIPPING Development Co., Ltd.	Supervisor	June 2016	N/A
	COSCO SHIPPING Specialized Carriers Co., Ltd.	Supervisor	October 2016	N/A
	COSCO SHIPPING Heavy Industry Co., Ltd.	Supervisor	December 2016	N/A
QIAN Weizhong	COSCO SHIPPING Lines Co., Ltd.	Director, party secretary, deputy general manager	March 2016	N/A
FANG Meng	COSCO SHIPPING Ports Limited	Director, party secretary, deputy general manager	April 2016	N/A
DENG Huangjun	COSCO SHIPPING Ports Limited	Director, deputy general manager	October 2015	N/A
	China COSCO (Hong Kong) Limited	Vice Chairman	July 2017	N/A

(II) Position in other entities

Name	Name of entity	Position	Date of appointment	Date of termination
WAN Min	China Bohai Bank Limited	Director	January 2016	N/A
HUANG Xiaowen	China Marine Bunker (PetroChina) Co., Ltd	Chairman	July 2017	N/A
	China LNG Shipping (Holdings) Limited	Chairman	July 2017	N/A
	Yuanli Shipping Co., Ltd	Vice chairman	July 2017	N/A
	China Suzhou Industrial Park Company Limited	Vice chairman	March 2016	N/A

II. Remunerations of Directors, Supervisors and Senior Management

Determination of remuneration of Directors, Supervisors and senior management	Remuneration of Directors and Supervisors were determined by Shareholders' meeting. Determination of the remuneration of senior management is set out in the section headed "Appraisal system and the establishment and implementation of incentive mechanism for senior management during the reporting period" under the Directors' Report of this annual report.
Basis of remuneration of Directors, Supervisors and senior management	Remuneration of Directors and Supervisors were determined by Shareholders' meeting. Decision-making process of the remuneration of senior management is set out in the section headed "Appraisal system and the establishment and implementation of incentive mechanism for senior management during the reporting period" under the Directors' Report of this annual report.
Remuneration payable to Directors, Supervisors and senior management	The salaries of Directors and Supervisors shall be paid in accordance with the service contracts entered into by them. Remuneration of senior management shall be determined on annual basis taking into account the operating results and annual personal appraisal results and in accordance with the Administrative Measures for the Remuneration of Officers in Charge of COSCO SHIPPING Holdings Co., Ltd. approved by the Board.
Total actual remuneration of all Directors, Supervisors and senior management during the reporting period	RMB27,033,000 (before tax)

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

Name	Position	Change	Reason of change
WAN Min	Chairman and Non-executive director	Elected	Elected by the Board and the Shareholders' general meeting
	Chairman and Non-executive director	Resigned	Change in job arrangement
HUANG Xiaowen	Vice chairman, Executive director	Elected	Elected by the Board and the Shareholders' general meeting
XU Zunwu	Executive director	Elected	Elected by the Board and the Shareholders' general meeting
	Executive director and general manager	Resigned	Reached national legal retirement age
WANG Haimin	Executive director	Elected	Elected by the Board and the Shareholders' general meeting
	Executive director and general manager	Appointed	Elected by the Board
MA Jianhua	Non-executive director	Elected	Elected by the Board and the Shareholders' general meeting
ZHANG Wei (張為)	Executive director	Elected	Elected by the Board and the Shareholders' general meeting
FENG Boming	Non-executive director	Elected	Elected by the Board and the Shareholders' general meeting
ZHANG Wei (張煒)	Non-executive director	Elected	Elected by the Board and the Shareholders' general meeting
CHEN Dong	Non-executive director	Elected	Elected by the Board and the Shareholders' general meeting
YANG, Liang Yee Philip	Independent non-executive director	Elected	Elected by the Board and the Shareholders' general meeting
WU Dawei	Independent non-executive director	Elected	Elected by the Board and the Shareholders' general meeting
ZHOU Zhonghui	Independent non-executive director	Elected	Elected by the Board and the Shareholders' general meeting
TEO Siong Seng	Independent non-executive director	Elected	Elected by the Board and the Shareholders' general meeting
KOO, Chee Kong Kenneth	Independent non-executive director	Resigned	Workload and other personal commitments
	Independent non-executive director	Elected	Elected by the Board and the Shareholders' general meeting
FAN HSU Lai Tai, Rita	Independent non-executive director	Resigned	Expiry of term
KWONG Che Keung, Gordon	Independent non-executive director	Resigned	Expiry of term
Peter Guy BOWIE	Independent non-executive director	Resigned	Expiry of term
	Independent non-executive director	Resigned	Workload and other personal commitments
FU Xiangyang	Chairman of the Supervisory Committee and Supervisor representing the shareholders	Elected	Elected by the Supervisory Committee and the Shareholders' general meeting
HAO Wenyi	Supervisor representing the shareholders	Elected	Elected by the Supervisory Committee and the Shareholders' general meeting
QIAN Weizhong	Employee supervisor	Elected	Elected by the general meeting of employee representatives
FANG Meng	Employee supervisor	Elected	Elected by the general meeting of employee representatives
MENG Yan	Independent supervisor	Elected	Elected by the Supervisory Committee and the Shareholders' general meeting
ZHANG Jianping	Independent supervisor	Elected	Elected by the Supervisory Committee and the Shareholders' general meeting

Directors' Report

1. Appointment of Directors and changes

On 25 May 2017, the Company convened the 2016 annual general meeting and approved by election the re-appointment of Mr. Wan Min, Mr. Ma Jianhua, Mr. Feng Boming, Mr. Zhang Wei (張煒), Mr. Chen Dong as the non-executive Directors; Mr. Huang Xiaowen, Mr. Xu Zunwu, Mr. Wang Haimin, Mr. Zhang Wei (張為) as the executive Directors; Mr. Yang, Liang Yee Philip as the independent non-executive Director. Meanwhile, Mr. Wu Dawei, Mr. Zhou Zhonghui, Mr. Teo Siong Seng and Mr. Koo, Chee Kong Kenneth were elected as the independent non-executive Directors of the fifth session of the Board of the Company. Ms. Fan Hsu Lai Tai, Rita, Mr. Kwong Che Keung, Gordon, Mr. Peter Guy Bowie ceased to act as the independent non-executive Directors due to the expiry of their terms.

On 25 May 2017, the Company convened the first board meeting of the fifth session of the Board, at which Mr. Wan Min was elected as the chairman of the fifth session of the Board and Mr. Huang Xiaowen was elected as the vice-chairman.

2. Appointment of Supervisors and changes

On 23 May 2017, the Company convened the meeting of the employee representatives and approved by election to reappoint Mr. Qian Weizhong and Mr. Fang Meng as the employee Supervisors of the fifth session of the Supervisory Committee of the Company, with effect from 25 May 2017.

On 25 May 2017, the Company convened the 2016 annual general meeting and approved by election the re-appointment of Mr. Fu Xiangyang, Mr. Hao Wenyi as the shareholder Supervisors, and the re-appointment of Mr. Meng Yan and Mr. Zhang Jianping as the independent Supervisors. Meanwhile, approved by the first meeting of the fifth session of the Supervisory Committee, Mr. Fu Xiangyang was elected as the chairman of the supervisory committee of the Company.

3. Appointment of and Changes in Senior Management

On 25 May 2017, the Company convened the first meeting of the fifth session of the board of directors, at which considered and approved the re-appointment of Mr. Xu Zunwu as the general manager of the Company; Mr. Ma Jianhua, Mr. Wang Haimin, Mr. Qiu Jinguang, Mr. Zhang Wei (張為) as the deputy general manager of the Company; Mr. Deng Huangjun as the chief financial officer of the Company; Mr. Guo Huawei as the secretary to the Board; Mr. Guo Huawei continues to be the company secretary under the Listing Rules.

4. Changes in Directors, Supervisors and Senior Management after the Reporting Period

On 8 January 2018, Mr. Wan Min resigned as the chairman, a non-executive Director and the chairman and a member of the executive committee of the Company due to change of job positions.

On 28 February 2018, Mr. Koo, Chee Kong Kenneth resigned as an independent non-executive Director and a member of the risk management committee due to his workload and other personal commitments.

On 2 March 2018, Mr. Xu Zunwu resigned as an executive Director, the general manager of the Company, the chairman and a member of the risk management committee, a member of the strategic development committee, and a member of the nomination committee due to his reaching of retirement age.

On 2 March 2018, the Company convened the eighth meeting of the fifth session of the board of directors, at which a resolution was passed unanimously to appoint Mr. Wang Haimin, an executive Director, to serve concurrently as the general manager of the Company.

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

Not applicable.

V. Staff of the Company and subsidiaries

(1) Information of staff

Number of working staff of the Company	32
Number of working staff of major subsidiaries	21,577
Total number of working staff	21,609
Number of retired staff receiving retirement benefit from the Company and major subsidiaries	8,929
Qualification	
Class of qualification	**Number of staff**
Production	3,947
Sales	5,792
Technicians	1,005
Accounting	1,683
Administration	1,804
Other staff	7,378
Total	21,609
Education level	
Level of education	**Number of staff**
Secondary or below	5,187
Tertiary	6,129
Graduate	8,819
Master's degree or above	1,474
Total	21,609

(2) Remuneration policy

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

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

(3) Training Program

By focusing on core tasks of the enterprise and maintaining the overall situation of reform, development and stability, the Company enhanced the comprehensiveness, pertinence and effectiveness of educational training, speeded up the reform and innovation of such work and continued to improve the scientific level of educational training under the people-oriented principle to safeguard the healthy, stable and sustainable development of the Company. In 2017, training was carried out mainly in the following two aspects: firstly, the Company focused on providing training for personnel at key positions and areas and coordinated training for personnel of all categories at all levels, secondly, the Company has continuously innovated and improved the training mechanism and further enhanced the scientific level of trainings.

(4) Outsourcing

Total cost of outsourcing	RMB601,961,452.72

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

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

VII. Sufficiency of Public Float

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

By order of the Board of Directors
Huang Xiaowen
Vice Chairman

Shanghai, the PRC
29 March 2018

Report of Supervisory Committee

Dear All Supervisors:

The Company's supervisory committee conscientiously performs its duties and conducts its work diligently in accordance with the laws and regulations of the location where the Company's shares are listed, the Articles of Association, the Rules of Procedures of the Supervisory Committee and other legal regulations. Re-election of members of the supervisory committee was completed in the year. In 2017, the Company convened six committee meetings, including five physical meetings and one meeting by circulation of documents. During the physical meetings, all members of the supervisory committee attended the meetings in person or through telecommunication.

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

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

The supervisory committee carefully reviewed the Company's 2017 annual financial report, the annual profit distribution plan and the unqualified auditor's report issued by the Company's domestic and overseas auditors. The supervisory committee agreed with the unqualified auditors' report issued by Ruihua Certified Public Accountants LLP and PricewaterhouseCoopers.

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

The supervisory committee reviewed the "2017 Annual Evaluation Report of Internal Control" issued by the Board of Directors. The committee considered that the report truly reflected the basic situation of the Company's internal control and conformed to the relevant laws and regulations of the PRC and the requirements of the securities regulatory authorities.

Report of Supervisory Committee

The supervisory committee conducted two investigations and researches on the Company's subsidiaries. In August 2017, it investigated and researched the South China Branch of COSCO SHIPPING Lines, Universal Shipping, the Nansha Terminal of COSCO SHIPPING Ports and Zhujiang Barge in the South China region and visited COSCO SHIPPING Lines'"COSCO SHIPPING Himalaya" vessel which was launched recently. These activities not only enabled each supervisor to have a full understanding of the successful reform and restructuring of our subsidiaries, the breakthrough in marketing ideas, the release of the synergetic effect and the improvement in service capability, but also let them deeply feel the sense of mission and cohesiveness of the Company's employees and pushed them to progress. The investigation and research report produced by the supervisory committee was fully recognized by Mr. Wan Min (chairman of the Board), Mr. Huang Xiaowen (vice chairman of the Board), Mr. Fu Xiangyang (chairman of the supervisory committee), all directors of the Company and senior management members. In November, independent directors of the Company visited Nantong COSCO KHI (南通中遠川崎) and COSCO (Qidong) Offshore Engineering (啟東中遠海工) (both being subsidiaries of COSCO SHIPPING Heavy Industry Co., Ltd.) with an aim to understanding the progress of container vessels under construction and the construction process and standards of the largest domestic container vessels and the most advanced offshore engineering equipment, knowing the advanced manufacturing capability of the Company and fully comprehending our achievements.

In 2018, the supervisory committee will continue to strictly adhere to the Articles of Association and the relevant requirements, strengthen the construction of the supervisory committee and to increase its supervision efforts to effectively safeguard and protect the legal interests of the Company and its shareholders.

Supervisory committee of COSCO SHIPPING Holdings Co., Ltd.

29 March 2018

Independent Auditor's Report

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

Opinion

What we have audited

The consolidated financial statements of COSCO SHIPPING Holdings Co., Ltd. (the "Company") and its subsidiaries (together, "the Group") set out on pages 137 to 263, which comprise:

- the consolidated balance sheet as at 31 December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

Key Audit Matters (Continued)

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

- Recoverability of carrying amounts of container vessels;
- Freight revenue and costs for vessel voyages in progress at year end; and
- Accounting related to major acquisitions of an associate and a subsidiary.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of carrying amounts of container vessels *Refer to note 4(i) and 6 to the consolidated financial statements..*	
As at 31 December 2017, the Group owned and/or finance leased container vessels totalling RMB29.18 billion. In 2016, the Group incurred a loss on its container shipping business, but the container shipping market showed a gradual recovery trend in 2017 with an increase in China Containerised Freight Index (“CCFI”) and average freight rates and the Group has recorded a profit before tax of RMB5.70 billion for the year ended 31 December 2017. For the purpose of the recoverability assessment of the container vessels, management determined the recoverable amounts of container vessels based on value-in-use calculations which involve significant management judgements and assumptions in particular forecast freight rates, freight volumes, cost inflation rates and discount rates. Based on the results of the current year’s assessment, management is of the opinion that the container vessels were not impaired as at 31 December 2017. We focused on this area because of the significance of container vessels balances and the inherent complexity of management judgements involved in determining the recoverable amounts.	Our procedures in relation to management’s recoverability assessment of container vessels included the following: • assessed whether the future discounted cash flow forecasts have been prepared according to the asset grouped at the lowest level (cash-generating units). • assessed the reasonableness of key input data and assumptions used in cash flow forecasts by comparing them with historical actual information, management’s approved budget and industry reports on the future macro and micro economic outlook. • assessed the discount rates used as compared with comparable companies in the industry and the evaluation by internal specialist. • checked the mathematical accuracy of the value in-use calculations. Based on the audit procedures performed, we found key judgements and assumptions used in the recoverability assessments to be supportable based on the evidence we gathered.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Freight revenue and costs for vessel voyages in progress at year end *Refer to note 4(iii), 5 and 28 to the consolidated financial statements.*	
For the year ended 31 December 2017, the Group recognised revenue and costs of RMB90.40 billion and RMB82.76 billion out of which RMB86.74 billion and RMB80.36 billion were related to freight revenue and costs from container shipping respectively. The Group recognises freight revenue and costs on a percentage of completion basis, which is determined on the time proportion method of each individual vessel voyage with reference to the voyage details such as freight rates, costs tariff rates, voyage departure and arrival information. We focused on the recognition of freight revenue and costs at year end due to the complex calculations involved in the estimation of freight revenue and costs for vessel voyages in progress at year end.	Our procedures in relation to management's estimation of freight revenue and costs for vessel voyages in progress at year end included: • evaluated and tested the key controls that management has established in respect of recording freight revenue and voyage costs accruals, focussing on management's controls over the estimate of freight revenue and costs for vessel voyages which were still in progress at year end. • tested the freight rates maintained in the Group's operation system on a sample basis by comparing with supporting documents such as customer and vendor contracts. • tested the costs tariffs rates in the Group's system on a sample basis by comparing with the supporting documentation, such as supplier agreements and latest supplier invoices. • checked the vessel voyage departure and arrival information (i.e. time and date) from the Group's IT system on a sample basis against the supporting documents such as terminal records. • recomputed the estimated freight revenue and costs calculations of vessels voyages in progress recorded in the Group's operation system and reconciled to the accounting records. Based on the audit procedures performed, we found the freight revenue and costs for vessel voyages in progress at year end were supportable based on the evidence we gathered.

Key Audit Matters (Continued)

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td colspan="2">Accounting related to major acquisitions of an associate and a subsidiary
Refer to note 2(b), 4(v), 4(vi), 27 and 38 to the consolidated financial statements..</td></tr>
<tr><td>During the year ended 31 December 2017, the Group completed a number of acquisitions in terminal operations. Among those acquisitions, the acquisition of an associate, Qingdao Port International Co., Ltd. ("QPI"); and the acquisition of a subsidiary, Noatum Port Holdings, S.L.U ("NPH") are considered to be significant. For the acquisition of QPI at a consideration of approximately RMB5.80 billion, the Group's share of fair value of identifiable net assets amounted to approximately RMB4.29 billion and the goodwill included in investment in associates arising from the acquisition amounted to approximately RMB1.51 billion; whereas for the acquisition of NPH at a consideration of approximately RMB1.62 billion, the total fair value of identifiable net assets acquired amounted to approximately RMB0.74 billion and the goodwill arising from the acquisition amounted to approximately RMB0.88 billion.

Management engaged external valuers to value the assets and liabilities acquired in the acquisitions, including the identification and valuation of intangible assets.

Accounting for the acquisitions is an area of focus because of (a) the significance of the acquisitions, (b) critical accounting estimates and judgements involved in the identification and valuation of intangible assets acquired, in particular for those amounts valued by income approach, and (c) valuation of the assets and liabilities that are recognised. When determining the fair value of assets and liabilities recognised in the acquisitions, valuations based on discounted cash flow model were primarily used. Key assumptions used include discount rates, revenue growth rates and gross margins. Any significant changes in these key assumptions may give rise to material changes in the fair value of the acquired assets and liabilities including intangible assets, which directly impact the goodwill recognised.</td><td>We performed the following procedures to assess the key assumptions used in assessing the fair value of the assets and liabilities which are determined based on income approach, acquired in the acquisitions:

• obtained and reviewed relevant contracts related to the acquisitions and evaluated management's process to identify intangible assets;

• assessed the competence, capabilities and objectivity of management's external valuers;

• obtained the valuation reports and discussed with the external valuers on the methodologies and key assumptions used;

• involved our internal valuation experts to evaluate the methodologies used to determine the fair values of assets and liabilities recognised (including the valuation of intangible assets acquired), and benchmarked the discount rates applied to other comparable companies in the same industry; and

• assessed the reasonableness of key assumptions such as revenue growth rates and gross margins applied by management by comparing them with economic and industry forecasts to assess the reasonableness of management forecasts.

We found the key assumptions as stated above to be supportable based on the evidence we gathered.</td></tr>
</table>

Other Information

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

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

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

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

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2018

Consolidated Balance Sheet

As At 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**57,420,313**	48,426,064
Investment properties	7	**192,042**	195,244
Leasehold land and land use rights	8	**2,082,427**	1,671,261
Intangible assets	9	**3,081,821**	157,036
Joint ventures	11	**8,169,778**	10,106,369
Associates	12	**17,692,258**	10,324,185
Available-for-sale financial assets	14	**2,366,832**	1,662,670
Deferred income tax assets	15	**1,158,757**	85,684
Loans to joint ventures and associates	13	**1,046,848**	1,215,244
Other non-current assets	16	**572,092**	446,511
Total non-current assets		**93,783,168**	74,290,268
Current assets			
Inventories	18	**2,330,221**	1,564,690
Trade and other receivables	19	**10,986,870**	11,285,555
Restricted bank deposits	17	**351,220**	323,648
Cash and bank balances	17	**25,738,526**	32,188,572
Total current assets		**39,406,837**	45,362,465
Total assets		**133,190,005**	119,652,733

The notes on pages 146 to 263 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As At 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	20	**10,216,274**	10,216,274
Reserves	21	**10,453,013**	8,107,022
		20,669,287	18,323,296
Non-controlling interests		**23,041,293**	19,225,573
Total equity		**43,710,580**	37,548,869
LIABILITIES			
Non-current liabilities			
Long-term borrowings	22	**43,909,214**	47,468,924
Provisions and other liabilities	23	**652,013**	557,382
Derivative financial liabilities		**42,649**	—
Deferred income tax liabilities	15	**1,313,987**	522,240
Total non-current liabilities		**45,917,863**	48,548,546
Current liabilities			
Trade and other payables	24	**23,185,929**	22,722,039
Derivative financial liabilities		**18,527**	—
Short-term borrowings	25	**10,939,802**	3,246,917
Current portion of long-term borrowings	22	**8,540,731**	6,661,134
Current portion of provisions and other liabilities	23	**4,688**	12,624
Tax payable		**871,885**	912,604
Total current liabilities		**43,561,562**	33,555,318
Total liabilities		**89,479,425**	82,103,864
Total equity and liabilities		**133,190,005**	119,652,733

The notes on pages 146 to 263 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 137 to 145 were approved by the Board of Directors on 29 March 2018 and were signed on its behalf

Mr. Huang Xiaowen
Director

Mr. Wang Haiming
Director

Consolidated Income Statement

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Continuing operations			
Revenues	5	**90,399,078**	69,833,164
Cost of services and inventories sold	28	**(82,761,870)**	(70,382,845)
Gross profit/(loss)		**7,637,208**	(549,681)
Other income/(expense), net	26	**1,108,134**	(470,193)
Gain on disposal of a joint venture	27	**1,886,333**	—
Gain on remeasurement of previously held interest of an available-for-sale financial asset upon further acquisition to become an associate	27	**264,099**	—
Selling, administrative and general expenses	28	**(5,232,051)**	(4,021,075)
Operating profit/(loss)		**5,663,723**	(5,040,949)
Finance income	29	**484,725**	499,728
Finance costs	29	**(2,111,535)**	(1,912,878)
Net related exchange loss		**(35,833)**	(401,579)
Net finance costs		**(1,662,643)**	(1,814,729)
		4,001,080	(6,855,678)
Share of profits less losses of			
– joint ventures	11	**641,548**	765,441
– associates	12	**1,060,408**	634,167
Profit/(loss) before income tax from continuing operations		**5,703,036**	(5,456,070)
Income tax expense	30	**(872,351)**	(506,439)
Profit/(loss) for the year from continuing operations		**4,830,685**	(5,962,509)
Discontinued operation			
Loss on disposals of discontinued operations	37	**—**	(2,430,262)
Loss from discontinued operations, net of tax	37	**—**	(708,461)
Loss for the year from discontinued operations		**—**	(3,138,723)
Profit/(loss) for the year		**4,830,685**	(9,101,232)
Profit/(loss) attributable to:			
Equity holders of the Company		**2,661,936**	(9,906,003)
Non-controlling interests		**2,168,749**	804,771
		4,830,685	(9,101,232)
Profit/(loss) attributable to equity holder of the Company arising from:			
– Continuing operations		**2,661,936**	(7,227,647)
– Discontinued operations		**—**	(2,678,356)
		2,661,936	(9,906,003)

The notes on pages 146 to 263 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Earnings/(loss) per share attributable to equity holders of the Company:			
Basic earnings/(loss) per share			
– From continuing operations	33	**0.26**	(0.71)
– From discontinued operations	33	**–**	(0.26)
		0.26	(0.97)

The notes on pages 146 to 263 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	2017 **RMB'000**	2016 RMB'000
Profit/(loss) for the year	**4,830,685**	(9,101,232)
Other comprehensive income/(loss)		
Items that have been reclassified or may be reclassified subsequently to profit or loss		
Fair value gains/(losses) on available-for-sale financial assets, net of tax	**1,008,862**	(40,920)
Release of investment revaluation reserve of an available-for-sale financial asset upon further acquisition to become an associate	**(264,099)**	—
Impairment loss on available-for-sales financial assets	**—**	131,484
Release of reserve upon disposal of a joint venture	**(77,681)**	—
Release of reserve upon contribution of equity investments to an associate	**(9,555)**	—
Release of reserve upon further acquisition of an associate to become a subsidiary	**26,860**	—
Cash flow hedges, net of tax	**4,338**	—
Share of other comprehensive income/(loss) of joint ventures and associates	**65,344**	(12,141)
Recycling of currency translation differences upon disposals of discontinued operations	**—**	3,368,688
Currency translation differences	**(1,075,486)**	917,880
Item that will not be reclassified subsequently to profit or loss		
Remeasurements of post-employment benefit obligations	**(17,600)**	120,520
Share of other comprehensive income of an associate-other reserve	**63,863**	—
Total other comprehensive (loss)/income	**(275,154)**	4,485,511
Total comprehensive income/(loss) for the year	**4,555,531**	(4,615,721)
Total comprehensive income/(loss) for the year attributable to:		
– Equity holders of the Company	**2,106,033**	(5,984,589)
– Non-controlling interests	**2,449,498**	1,368,868
	4,555,531	(4,615,721)
Total comprehensive income/(loss) attributable to equity holders of the Company arising from:		
– Continuing operations	**2,106,033**	(6,302,049)
– Discontinued operations	**—**	317,460
	2,106,033	(5,984,589)

The notes on pages 146 to 263 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to equity holders of the Company				
	Share capital RMB'000	Reserves RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2017	10,216,274	8,107,022	18,323,296	19,225,573	37,548,869
Comprehensive income					
Profit for the year	–	2,661,936	2,661,936	2,168,749	4,830,685
Other comprehensive income/(loss):					
Fair value gains on available-for-sale financial assets, net of tax	–	467,563	467,563	541,299	1,008,862
Release of investment revaluation reserve of an available-for-sale financial asset upon further acquisition to become an associate	–	(123,387)	(123,387)	(140,712)	(264,099)
Release of reserve upon disposal of a joint venture	–	(36,435)	(36,435)	(41,246)	(77,681)
Release of reserve upon contribution of equity investments to an associate	–	(4,482)	(4,482)	(5,073)	(9,555)
Release of reserve upon further acquisition of an associate to become a subsidiary	–	12,599	12,599	14,261	26,860
Cash flow hedges, net of tax	–	919	919	3,419	4,338
Share of other comprehensive income of joint ventures and associates	–	51,378	51,378	77,829	129,207
Currency translation differences	–	(906,458)	(906,458)	(169,028)	(1,075,486)
Remeasurements of post-employment benefit obligations	–	(17,600)	(17,600)	–	(17,600)
Total other comprehensive (loss)/income	–	(555,903)	(555,903)	280,749	(275,154)
Total comprehensive income	–	2,106,033	2,106,033	2,449,498	4,555,531
Transactions with owners:					
Acquisition of subsidiaries	–	–	–	1,247,025	1,247,025
Contributions from non-controlling shareholders of subsidiaries	–	279,072	279,072	688,237	967,309
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	(374,770)	(374,770)
Others	–	(39,114)	(39,114)	(194,270)	(233,384)
Total transactions with owners	–	239,958	239,958	1,366,222	1,606,180
As at 31 December 2017	10,216,274	10,453,013	20,669,287	23,041,293	43,710,580

The notes on pages 146 to 263 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to equity holders of the Company				
	Share capital RMB'000	Reserves RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2016, as previously reported	10,216,274	14,437,052	24,653,326	20,284,185	44,937,511
Adoption of merger accounting (note 42)	—	3,906,223	3,906,223	4,327,341	8,233,564
Balance at 1 January 2016, as restated	10,216,274	18,343,275	28,559,549	24,611,526	53,171,075
Comprehensive income					
(Loss)/profit for the year	—	(9,906,003)	(9,906,003)	804,771	(9,101,232)
Other comprehensive (loss)/income:					
Fair value losses on available-for-sale financial assets, net of tax	—	(40,920)	(40,920)	—	(40,920)
Impairment loss on available-for-sale financial assets	—	131,484	131,484	—	131,484
Share of other comprehensive (loss)/income of joint ventures and associates	—	(17,302)	(17,302)	5,161	(12,141)
Recycling of currency translation differences upon disposals of discontinued operations	—	3,033,856	3,033,856	334,832	3,368,688
Currency translation differences	—	693,776	693,776	224,104	917,880
Remeasurements of post-employment benefit obligations	—	120,520	120,520	—	120,520
Total other comprehensive income	—	3,921,414	3,921,414	564,097	4,485,511
Total comprehensive (loss)/income	—	(5,984,589)	(5,984,589)	1,368,868	(4,615,721)
Transactions with owners:					
Issue of shares on settlement of scrip dividend by a subsidiary	—	157,048	157,048	182,586	339,634
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	(2,030,348)	(2,030,348)
Acquisition of subsidiaries under common control	—	(4,564,186)	(4,564,186)	(3,992,137)	(8,556,323)
Disposal of subsidiaries	—	—	—	(669,124)	(669,124)
Contribution from a non-controlling shareholder of a subsidiary	—	—	—	57,123	57,123
Acquisition of equity interests from non-controlling shareholders	—	—	—	(378,247)	(378,247)
Others	—	155,474	155,474	75,326	230,800
Total transactions with owners	—	(4,251,664)	(4,251,664)	(6,754,821)	(11,006,485)
As at 31 December 2016	10,216,274	8,107,022	18,323,296	19,225,573	37,548,869

The notes on pages 146 to 263 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Cash generated from operations	36	**7,381,047**	1,377,068
Interest received		**478,746**	615,290
Income tax paid		**(767,754)**	(472,825)
Net cash generated from operating activities		**7,092,039**	1,519,533
Cash flows from investing activities			
Purchase of property, plant and equipment, investment properties, leasehold land and land use rights and intangible assets		**(11,145,984)**	(5,451,657)
Acquisition of subsidiaries, net of cash (paid)/acquired	38	**(2,039,459)**	210,880
Investments in joint ventures and associates		**(3,127,478)**	(478,326)
Loan advanced to an associate		**(250,428)**	(628,291)
Purchase of available-for-sale financial assets		**–**	(190,000)
Proceeds from disposal of property, plant and equipment, investment properties, land use right, and intangible assets		**72,362**	413,776
Cash received from disposal of a joint venture		**–**	18,964
Cash received from disposal of available-for-sale financial assets		**–**	460,000
Net cash from disposals of subsidiaries		**–**	9,534,864
Repayments of loans granted to a joint venture		**20,137**	8,772
Dividends received from joint ventures		**456,879**	495,784
Dividends received from associates		**766,406**	492,301
Dividends received from available-for-sale financial assets		**14,511**	41,974
Acquisition of equity interests from non-controlling shareholders		**–**	(378,247)
Cash received from entrust loan and interest		**–**	435,612
Net cash (used in)/generated from investing activities		**(15,233,054)**	4,986,406

The notes on pages 146 to 263 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Cash flows from financing activities	36(b)		
Proceeds from borrowings		**21,562,374**	25,444,304
Repayments of borrowings		**(17,202,425)**	(22,665,286)
Dividends paid to non-controlling shareholders of subsidiaries		**(332,379)**	(1,847,762)
Contributions from non-controlling shareholders of subsidiaries		**967,309**	57,123
Interest paid		**(2,074,478)**	(2,243,179)
Other incidental borrowing costs and charges paid		**(171,411)**	(127,244)
Acquisition of subsidiaries under common control, net of cash paid		**—**	(8,556,323)
Loans from a non-controlling shareholder of a subsidiary		**347,977**	440,450
Repayment of loans from a non-controlling shareholder of a subsidiary		**(400,001)**	—
Loan from an associate		**100,000**	—
Net cash generated from/(used in) financing activities		**2,796,966**	(9,497,917)
Net decrease in cash and bank balances		**(5,344,049)**	(2,991,978)
Cash and cash equivalents as at 1 January		**32,188,572**	33,897,143
Exchange (loss)/gain		**(1,105,997)**	1,283,407
Cash and bank balances as at 31 December	17	**25,738,526**	32,188,572

The notes on pages 146 to 263 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

COSCO SHIPPING Holdings Company Limited (the "Company") was incorporated in the People's Republic of China (the "PRC") on 3 March 2005 as a joint stock company with limited liability under the Company Law of the PRC. The address of its registered office is 3rd Floor, No.1 Tongda Square, Tianjin Port Free Trade Zone, Tianjin, the PRC. The H-Shares and A-Shares of the Company are listed on the Main Board of the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange respectively.

The businesses of the Company and its subsidiaries (the "Group") included the provisions of a range of container shipping, managing and operating container terminals services on a worldwide basis.

The directors of the Company (the "Directors") regard China COSCO SHIPPING Corporation Limited ("COSCO SHIPPING"), a state-owned enterprise established in the PRC, as being the Company's parent company (note 41). COSCO SHIPPING and its subsidiaries (other than the Group) are collectively referred to as "COSCO SHIPPING Group". The Directors regard China Ocean SHIPPING Company Limited ("COSCO") as the immediate parent company.

The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

These consolidated financial statements have been approved for issue by the Directors on 29 March 2018.

2 Summary of significant accounting policies

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

(a) Basis of preparation

The consolidated financial statements for the year ended 31 December 2017 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention except for available-for-sale financial assets and derivative financial instruments which have been stated at fair value.

(i) New standard and amendments to standards which are effective in 2017 and adopted by the Group

The following new standard and amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2017:

Amendments	
HKAS 7 Amendment	Statement of Cash Flows
HKAS 12 Amendment	Income Taxes
Annual Improvements 2014 – 2016 Cycle	
HKFRS 12 Amendment	Disclosure of Interest in Other Entities

The Group has assessed the impact of the adoption of these amendments and improvements to existing standards and considered that there was no significant impact on the Group's results and financial position.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) New standards and interpretations which have not been adopted

The following standards and amendments to existing standards, which are relevant to the operations of the Group, have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2018 but have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
New standards, interpretations and amendments		
HKAS 40 Amendment	Transfers of Investment Property	1 January 2018
HKFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 Amendment	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 9 Amendment	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 Amendment	Clartifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be detemined
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements 2014 - 2016		
HKAS 28 Amendment	Investments in Associates and Joint Ventures	1 January 2018
HKFRS 1 Amendment	First time adoption of HKFRS	1 January 2018

The Group will apply the above new standards, interpretations, amendments and improvements to existing standards as and when they become effective. The Group has already commenced an assessment of the related impact of these new standards, interpretations, amendments and improvements to the existing standards to the Group, certain of them will give rise to change in presentation, disclosure and measurements of certain items in the financial statements.

Other than the new standards below, there are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

HKFRS 9 Financial Instruments

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

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets for the following reasons:

- A fair value through other comprehensive income ("FVOCI") election is available for the equity instruments which are currently classified as available-for-sale.

- Debt instruments currently classified as held-to-maturity and measured at amortised cost appear to meet the conditions for classification at amortised cost under HKFRS 9.

However, gains or losses realised on the sale of equity instrument at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the FVOCI reserve to retained earnings. During the 2017 financial year, RMB264,099,000 of such gains were recognised in profit or loss in relation to the deemed disposal of an available-for-sale financial asset.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group has confirmed that its current hedge relationships will qualify as continuing hedges upon the adoption of HKFRS 9.

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group expects the loss allowance for trade debtors will not be significantly different from the amount recognised under their current credit loss provision practice.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

HKFRS 9 Financial Instruments (Continued)

HKFRS 9 applies for financial years commencing on or after 1 January 2018. The Group applies the new rules from 1 January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 Revenue from Contracts with Customers is a new standard issued by the HKICPA for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts and related literature. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The application of HKFRS 15 may further result in the identification of separate performance obligations which could affect the timing of the recognition of revenue going forward.

The Group does not expect the new standard to have a significant impact to the current revenue recognition of the Group.

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. The Group intends to adopt HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

HKFRS 16 Leases

HKFRS 16 Leases was issued in May 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed.

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2017, the Group has non-cancellable operating lease commitments of RMB83,406,301,000, see note 40. Payments for short-term and low value leases will be recognised on a straight-line basis as an expense in profit or loss.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

HKFRS 16 Leases (Continued)

However, the Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

HKFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

(b) Group accounting

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

(i) Merger accounting for common control combinations

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

(b) Group accounting (Continued)

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

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

Acquisition-related costs are expensed as incurred.

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

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

(iii) Subsidiaries

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

(b) Group accounting (Continued)

(v) Disposal of subsidiaries

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

(vi) Joint ventures/associates

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

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

(b) Group accounting (Continued)

(vi) Joint ventures/associates (Continued)

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

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

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

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges.

Foreign exchange gains and losses that related to borrowings and cash and bank balances are presented in profit or loss within "finance income or cost". All other foreign exchange gains and losses are presented in profit or loss within "other income, net".

2 Summary of significant accounting policies (Continued)

(c) Foreign currency translation (Continued)

(ii) Transactions and balances (Continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the securities, and other changes in the carrying amount of the securities. Translation differences related to changes in the amortised cost are recognised in the consolidated income statement, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(3) All resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange difference arising are recognised in other comprehensive income and accumulated in a separate reserve within equity.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

2 Summary of significant accounting policies (Continued)

(c) Foreign currency translation (Continued)

(iv) Disposal of foreign operation and partial disposal (Continued)

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in joint ventures or associates that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

(d) Property, plant and equipment

(i) Assets under construction

Assets under construction represent primarily vessels and buildings under construction, and plant and equipment pending installation and are stated at cost less accumulated impairment losses. Cost includes all direct costs relating to the construction of the assets and acquisition. No depreciation is provided for assets under construction until such time as the relevant assets are completed and ready for intended use. Assets under construction are transferred to relevant categories of property, plant and equipment upon the completion of their respective construction.

(ii) Container vessels and containers

Container vessels and containers are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Container vessels and containers are depreciated on a straight-line basis over their anticipated useful lives, after taking into account the estimated residual values.

Container vessels	25 years
Containers	15 years

When the containers cease to be used by the Group and are held for sale, these containers are transferred to inventories at their carrying amount.

Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next dry-docking are identified and their costs are depreciated over the period to the next estimated dry-docking date. Costs incurred on subsequent dry-docking of vessels are capitalised and depreciated over the period to the next estimated dry-docking date. When significant dry-docking costs incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off immediately.

2 Summary of significant accounting policies (Continued)

(d) Property, plant and equipment (Continued)

(iii) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Other property, plant and equipment are depreciated at rates sufficient to write off their costs less accumulated impairment losses over their estimated useful lives to their respective residual values estimated by the Directors or management on a straight-line basis. The estimated useful lives of these assets are summarised as follows:

Buildings	25 to 50 years
Trucks, chassis and motor vehicles	5 to 10 years
Computer, office and other equipment	3 to 35 years

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in profit or loss during the period in which they are incurred.

The residual values of the property, plant and equipment and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(h)).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

(e) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the entities in the Group, is classified as investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses. The cost less accumulated impairment and residual values of investment properties are depreciated on a straight-line basis over their estimated useful lives.

(f) Leasehold land and land use rights

Leasehold land and land use rights classified as prepaid operating lease payments are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the remaining lease term.

2 Summary of significant accounting policies (Continued)

(g) Intangible assets

(i) Goodwill

Goodwill arises on acquisition of subsidiaries, joint ventures and associates represents the excess of the aggregate of the consideration transferred and the fair value of the non-controlling interest over the fair value of the Group's interest in the net identifiable assets, liabilities and contingent liabilities of the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 5 years on a straight-line basis.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

(iii) Concession rights

Concession rights primarily resulted from the entering of agreement for the right to construct, operate, manage and develop terminals. Concession rights are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line basis over the period of operation of approximately 23 to 32 years.

(iv) Customer relationships

Customer relationships, which are acquired in a business combination, are recognised at fair value at the acquisition date. Customer relationships are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the customer relationships, ranging from approximately 12 to 20 years.

2 Summary of significant accounting policies (Continued)

(h) Impairment of investments in subsidiaries, joint ventures, associates and non-financial assets

Assets that have an indefinite useful life are not subject to depreciation/amortisation and are tested annually for impairment. Assets that are subject to depreciation/amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries, joint ventures or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, joint ventures or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(i) Assets under leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases.

(i) Where the Group is the lessee

(1) Operating leases

Payments made under operating leases (net of any incentives received from the leasing company) are expensed in profit or loss on a straight-line basis over the lease periods.

(2) Finance leases

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current liabilities. The finance charges are charged to profit or loss over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

For sales and leaseback transactions resulting in a finance lease, differences between sales proceeds and net book values are deferred and amortised over the minimum lease terms.

(ii) Where the Group is the lessor

(1) Operating leases

When assets are leased out under operating leases, the assets are included in the balance sheet according to their nature and where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in notes 2(d) (ii) and 2(d) (iii) above. Revenue arising from assets leased out under operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2(w) (iii) below.

2 Summary of significant accounting policies (Continued)

(i) Assets under leases (Continued)

(ii) Where the Group is the lessor (Continued)

(2) Finance leases

When assets are leased out under finance leases, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Revenue on containers leased out under finance leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2(w) (iii) below.

(j) Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets, (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out in note 2.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(k) Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: Financial assets at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of these assets at initial recognition.

(1) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

2 Summary of significant accounting policies (Continued)

(k) Financial assets (Continued)

(i) Classification (Continued)

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of reporting period. These are classified as non-current assets. Loans and receivables are classified as loans to a joint venture and an associate, trade and other receivables, cash and bank balances and restricted bank deposits in the balance sheet (notes 2(m) and 2(n)).

(3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of reporting period.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the assets. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in profit or loss, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss and available for sale equity investments is recognised in profit or loss when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement when the Group's right to receive payments is established.

2 Summary of significant accounting policies (Continued)

(k) Financial assets (Continued)

(iii) Impairment

(1) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(2) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

2 Summary of significant accounting policies (Continued)

(k) Financial assets (Continued)

(iii) Impairment (Continued)

(2) Assets classified as available for sale (Continued)

For equity investments, a significant or prolonged decline in the fair value of the securities below its cost is also evidence that the assets are impaired. If any such evidence exist the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are calculated on a weighted average basis. Net realisable value of bunkers is the expected amount to be realised from use as estimated by the Directors/management. Net realisable value of other inventories such as general merchandises, spare parts and consumable stores and marine supplies is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(m) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited in profit or loss.

2 Summary of significant accounting policies (Continued)

(n) Cash and bank balances

For the purpose of cash flow statement, cash and bank balances include cash in hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown in short-term borrowings on the balance sheet.

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses. Provision for an onerous contract is recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil the contract.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period.

2 Summary of significant accounting policies (Continued)

(r) Government subsidies

Subsidies from the government are recognised at their fair value where there is a reasonable assurance that the subsidies will be received and the Group will comply with all attached conditions.

Government subsidies relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government subsidies as compensation for costs already incurred or for immediate financial support, with no future related costs, should be recognised as income in the period in which they are receivable.

Government subsidies relating to property, plant and equipment are included in non-current liabilities as deferred government subsidies and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(s) Employee benefits

(i) Post-retirement and early retirement benefit costs

The Group has both defined benefit and defined contribution plans in a number of territories. The assets of defined contribution plans are generally held in separate trustee-administered funds. The plans are generally funded by payments from employees and the relevant companies in the Group.

Contributions under the defined contribution plans are charged to profit or loss as expense when incurred.

The liability recognised in the balance sheet in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually by independent actuaries/management using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement benefit liability. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in income statements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income directly in the period in which they arise.

2 Summary of significant accounting policies (Continued)

(s) Employee benefits (Continued)

(i) Post-retirement and early retirement benefit costs (Continued)

For defined contribution plans, the Group pays contributions to publicly or privately administered retirement benefit insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Employee early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date as approved by management. The related benefit payments are made from the date of early retirement through the normal retirement date.

(ii) Housing funds

All full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(iii) Housing subsidies

The Group has provided one-off cash housing subsidies based on PRC regulations to those eligible employees who have not been allocated with staff quarters at all or who have not been allocated with quarters up to the prescribed standards before 31 December 1998 when the staff quarter allocation schemes were terminated. The subsidies are determined based on staff member's years of service, position and other criteria. In addition, monthly cash housing allowances should be made to other employees following the withdrawal of allocation of staff quarters regulations, which are recognised as incurred.

The liability recognised in the balance sheet is the present value of the obligation of the one-off housing subsidies at the balance sheet date and the past-service costs are recognised immediately in profit or loss.

(iv) Share-based payments

The Group regularly entered into equity-settled or cash-settled share-based payment transactions with employees.

(1) Employee services settled in cash

Employee services received in exchange for cash-settled share-based payments, are recognised at the fair value of the liability incurred and are expensed over the vesting period, when consumed or capitalised as assets, which are depreciated or amortised. The liability is remeasured at each balance sheet date to its fair value, with all changes recognised immediately in profit or loss.

2 Summary of significant accounting policies (Continued)

(s) Employee benefits (Continued)

(iv) Share-based payments (Continued)

(2) Employee services settled in equity instruments

One of the Group's subsidiaries operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the share options of the subsidiary is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the consolidated income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium of the subsidiary when the options are exercised.

(3) Modification and cancellation

If the terms of an equity-settled award are modified, at a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

If an equity award is cancelled by forfeiture, when the vesting conditions (other than market conditions) have not been met, any expense not yet recognised for that award, as at the date of forfeiture, is treated as if it had never been recognised. At the same time, any expense previously recognised on such cancelled equity awards are reversed from the accounts effective as at the date of forfeiture.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2 Summary of significant accounting policies (Continued)

(s) Employee benefits (Continued)

(iv) Share-based payments (Continued)

(4) Cash-settled share-based payment transactions

For cash-settled share-based payment transactions, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

The Group recognises the services received, and a liability to pay for those services, as the employees render service. For example, some share appreciation rights vest immediately, and the employees are therefore not required to complete a specified period of service to become entitled to the cash payment. In the absence of evidence to the contrary, the Group presumes that the services rendered by the employees in exchange for the share appreciation rights have been received. Thus, the Group recognises immediately the services received and a liability to pay for them. If the share appreciation rights do not vest until the employees have completed a specified period of service, the Group recognises the services received, and a liability to pay for them, as the employees render service during that period.

The liability shall be measured, initially and at the end of each reporting period until settled, at the fair value of the share appreciation rights, by applying an option pricing model, taking into account the terms and conditions on which the share appreciation rights were granted, and the extent to which the employees have rendered service to date.

(t) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 Summary of significant accounting policies (Continued)

(t) Current and deferred income tax (Continued)

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(u) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(v) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(w) Recognition of revenues and income

Revenues comprise the fair value of the consideration received or receivable for merchandise sold or the provision of services in the ordinary course of the Group's activities. Revenues are shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenues when the amount of revenues can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2 Summary of significant accounting policies (Continued)

(w) Recognition of revenues and income (Continued)

The Group recognises revenues and income on the following basis:

(i) Revenues from container shipping

Freight revenues from the operation of international and domestic containerised transportation business are recognised on a percentage-of-completion basis, which is determined on the time proportion method of each individual vessel voyage.

(ii) Revenues from container terminal operations

Revenues from container terminal operations are recognised when the services rendered are complete and the vessel leaves the berth.

(iii) Revenues from lease rental income

Rental income arising from assets leased out under operating leases is recognised on a straight-line basis over the period of each lease.

Revenues on assets leased out under finance leases are allocated to accounting period to give a constant periodic rate of return on the net investment in the lease in each period.

(iv) Revenues from freight forwarding and shipping agency

Revenues are recognised when the services are rendered.

For freight forwarding business, it generally coincides with the date of departure for outward freights and the time of transfer of goods to the customers at the designated location for inward freight. For shipping agency services, it generally coincides with the date of departure of the relevant vessels from the port.

Where the Group effectively acts as a principal in arranging transportation of goods for customers, revenue recognised generally includes the carrier's charges to the Group. Where the Group effectively acts as an agent for the customers, revenue recognised comprises fees for services provided by the Group.

2 Summary of significant accounting policies (Continued)

(w) Recognition of revenues and income (Continued)

(v) Revenues from sale of merchandises

Revenues from the sale of merchandises are recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the merchandises and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the merchandises sold.

(vi) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(vii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(viii) Other service income

Other service income is recognised when the services are rendered.

(x) Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the financial statements in the period in which the dividends are approved by the Company's equity holders or Directors, where appropriate.

(y) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are charged to profit or loss in the year in which they are incurred.

2 Summary of significant accounting policies (Continued)

(z) Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair value, and subsequently measured at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount required to be settled by the guarantor in respect of the financial guarantee contracts at the balance sheet date.

(aa) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

3 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including market freight rate risk, foreign exchange risk, interest rate risk and bunker price risk), credit and counterparty risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to mitigate certain risk exposures.

The Group's Risk Management Committee identifies the financial risks associated with the Group. The Risk Management Committee reviews the controls and procedures for managing the risks identified. The risk management controls and procedures are carried out by respective operating units under the risk management policies as approved by the Directors.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk

(1) Market freight rate risk

The freight rates of the Group's shipping businesses are very sensitive to economic fluctuations. The Group's revenues from operations of container shipping may be impacted if freight rates will have any significant changes.

(2) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various non-functional currencies. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

The actual foreign exchange risk faced by the Group therefore is primarily with respect to non-functional currency bank balances, receivable and payable balances and bank borrowings (collectively "Non-Functional Currency Items").

Management monitors foreign exchange exposure and will consider hedging certain foreign currency exposure by using foreign exchange forward contracts when the need arises.

As at 31 December 2017, with all other variables held constant, if non-functional currencies had strengthened/weakened by 5%, the Group's post-tax profit for the year would have decreased/increased by approximately RMB51,779,000 (2016: RMB162,548,000) and the equity as at 31 December 2017 would have decreased/increased by approximately RMB51,779,000 (2016: RMB162,548,000) respectively as a result of the translation of those Non-Functional Currency Items.

(3) Cash flow and fair value interest rate risk

Other than the deposits placed with banks and financial institutions, and loans to joint ventures and an associate (collectively the "Interest Bearing Assets"), the Group has no other significant interest bearing assets.

The Group's interest rate risk also arises from borrowings and certain balances payable to related parties (collectively the "Interest Bearing Liabilities"). Interest Bearing Assets and Interest Bearing Liabilities are primarily issued at variable rates which therefore expose the Group to cash flow interest rate risk.

As at 31 December 2017, with all other variables held constant, if the interest rate had increased/decreased by 50 basis points, the corresponding increase/decrease in net finance cost would have resulted in a decrease/an increase in the Group's post-tax profit for the year by approximately RMB109,089,000 (2016: RMB89,188,000) and the equity as at 31 December 2017 would have decreased/increased by RMB109,089,000 (2016: RMB89,188,000).

Management monitors the capital market conditions and where appropriate, interest rate swap contracts with financial institutions will be used to achieve optimum ratio between fixed and floating rates borrowings.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(4) Bunker price risk

The Group is also exposed to fluctuations in bunker prices. Bunker cost is part of the voyage expenses and is a significant cost item to the Group. Management monitors the market conditions and bunker price fluctuations and where appropriate, bunker forward contracts are used to lock up the price of part of the Group's bunker requirements.

(ii) Credit and counterparty risk

The credit and counterparty risk mainly arises from deposits placed with banks and financial institutions, available-for-sale financial assets transacted with banks, financial institutions and shipping companies through shipping agents or brokers, loans to joint ventures and an associate, trade and other receivables and down payment to shipyards.

The Group has limited its credit exposure by restricting their selection of financial institutions on those state-owned PRC banks, overseas banks with good credit rating, and the associate, a state-owned financial institution with high credit rating.

The trade customers (including related parties), joint venture, associate and shipping companies are assessed and rated based on their credit quality, taking into account their financial position, past experience and other factors. Individual risk limits are set by management of the respective operating units.

The Group reviews the creditworthiness of the shipyards and considers obtaining refund guarantees from the shipyards if necessary. In addition, the Group monitors the construction progress and the financial positions of the shipyards on a regular basis.

Management does not expect any significant losses from non-performance by these relevant parties.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due. The Group's cash management policy is to regularly monitor its current and expected liquidity positions to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all time so that the Group can meet its short-term and long-term funding requirements.

Management monitors rolling forecasts of the Group's liquidity reserve and cash and bank balances on the basis of expected cash flows. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

As at 31 December 2017, the Group's current liabilities exceeded its current assets by approximately RMB4,154,725,000. As at 31 December 2017, the Group (excluding COSCO SHIPPING Ports Limited ("COSCO SHIPPING Ports")) has total unutilised uncommitted and committed credit facilities of approximately RMB22,714,542,000 from banks, the Directors believe that, based on experience to date, it is likely that these facilities will be rolled over in the coming year if required. In preparing the financial statements, the Directors consider the adequacy of cash inflows from operations and financing to meet its financial obligations as and when they fall due and prepared a cash flow forecast for the Group for the coming 12 months. With the cash inflows from operations and available credit facilities and other sources of financing, the Directors consider that the Group will be able to obtain sufficient financing to enable it to operate, as well as to meet its liabilities as and when they become due, and the capital expenditure requirements for the coming 12 months. Accordingly, the Directors believe that it is appropriate to prepare the financial statements on a going concern basis.

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2017				
Bank and other borrowings	**21,762,110**	**11,954,005**	**20,669,029**	**16,253,163**
Trade and other payables (excluding advance from customers) (note 24)	**22,943,372**	**—**	**—**	**—**
As at 31 December 2016				
Bank and other borrowings	11,741,717	16,079,541	19,236,500	17,228,851
Trade and other payables (excluding advance from customers) (note 24)	22,482,863	—	—	—

3 Financial risk management (Continued)

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders/equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the net debt to total equity (capital and reserves attributable to equity holders of the Company and non-controlling interests) ratio and the compliance of covenants of its borrowings. Net debt is calculated as total borrowings less cash and bank balances. The Group aims to maintain a manageable net debt to equity ratio. As at 31 December 2017, the net debt to equity ratio is summarised as follows:

	2017 RMB'000	2016 RMB'000
Long-term borrowings (note 22)	52,449,945	54,130,058
Short-term borrowings (note 25)	10,939,802	3,246,917
Total borrowings	63,389,747	57,376,975
Less: Cash and bank balances (note 17)	(25,738,526)	(32,188,572)
Net debt	37,651,221	25,188,403
Total equity	43,710,580	37,548,869
Net debt to total equity ratio	86.1%	67.1%

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

(c) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

The following table presents the Group's assets that are measured at fair value as at 31 December 2017.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets (note 14)	**1,669,094**	**–**	**697,738**	**2,366,832**
Derivative financial instruments-interest rate swap	**–**	**61,176**	**–**	**61,176**

The following table presents the Group's assets that are measured at fair value as at 31 December 2016.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets (note 14)	466,336	–	1,196,334	1,662,670

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regular occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily listed equity investments classified as available-for-sale financial assets.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. For the year ended 31 December 2017, the Group transferred an available-for-sale financial asset amounting RMB499,445,000 from level 3 to level 1 as the available-for-sale financial asset had become listed. Its fair value is based on quoted market price traded in active markets at the balance sheet date (2016: Nil).

Specific valuation techniques used to value financial instruments include:

– Quoted market prices or dealer quotes for similar instruments.

– Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

Movements of available-for-sale financial assets classified as level 3 recognised in the consolidated balance sheet is as follows:

	2017 RMB'000	2016 RMB'000
As at 1 January	**1,196,334**	1,963,595
Additions	**–**	190,000
Acquisition of subsidiary (note 38)	**841**	–
Disposals	**–**	(304,700)
Reclassified to level 1	**(499,445)**	–
Currency translation differences	**8**	(4)
Disposals of subsidiaries	**–**	(652,557)
As at 31 December	**697,738**	1,196,334

As at 31 December 2017, description of the valuation techniques and the inputs used in the fair value measurement in level 3 include:

– The fair value of financial investments in wealth management products are determined by using discounted cash flow method.

– The fair value of investments in unlisted property management companies and a hotel are determined using valuation techniques (including asset-based approach and market comparable approach). The inputs are mainly prices per square metre.

– The fair value of other unlisted available-for-sale financial assets is determined by reference to valuation report or the valuation performed by management using valuation techniques (including price/earnings multiple method and direct market quote). The inputs are mainly price/earnings multiples. Discount rates ranging from 20% to 30% are applied to compute the fair value on top of market price/earnings multiples.

Financial assets and liabilities approximate their carrying amounts including: trade and other receivables, cash and bank balances, restricted bank deposits, trade and other payables, other long term liabilities and borrowings.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Estimated impairment of container vessels and containers

The Group's major operating assets represent container vessels and containers. Management performs review for impairment indication as to whether the carrying amounts of the container vessels and containers may be recoverable or not. Whenever there is any impairment indication exists, management performs impairment assessment of the relevant container vessels and containers.

Management was of the view that impairment indication exists for container vessels. Impairment assessment for these vessels has been performed. The recoverable amounts of these vessels have been determined either based on value-in-use or fair value less costs to sell method. The fair values of the assets were determined by management based on market transactions at the balance sheet date. While the value-in-use calculations require the use of estimates on the projections of cash inflows from the continuing use of these vessels (including the amount to be received for the disposal of these vessels after use) and discount rates. All these items have been historically volatile and may impact the results of the impairment assessment. Based on management's best estimates, there was no impairment for these vessels for the year and at the balance sheet date.

(ii) Estimated useful lives and residual values of container vessels and containers

The Group's major operating assets represent container vessels and containers. Management determines the estimated useful lives, residual values and related depreciation expenses for its container vessels and containers. Management estimates useful lives of the container vessels and containers by reference to the Group's business model, its assets management policy, the industry practice, expected usage of the vessels, expected repair and maintenance, and technical or commercial obsolescence arising from changes or improvements in the vessel market.

Management determines the estimated residual value for its container vessels and containers by reference to all relevant factors (including the use of the current scrap values of steels in an active market) at each measurement date. The depreciation expense will change where the useful lives or residual value of container vessels and containers are different from the previous estimate.

Had the useful lives been extended/shortened by 10% from management's estimates as at 31 December 2017 with all other variables held constant, the estimated depreciation expenses of container vessels, and containers for the year would have been decreased by RMB162,575,000 (2016:RMB146,848,000) or increased by RMB226,532,000 (2016: RMB203,155,000) for the year ended 31 December 2017.

Had the residual values been increased/decreased by 10% from management's estimates as at 31 December 2017 with all other variables held constant, the estimated depreciation expenses of container vessels, and containers for the year would have been decreased or increased by RMB18,425,000 (2016: RMB19,220,000) for the year ended 31 December 2017.

4 Critical accounting estimates and judgements (Continued)

(iii) Recognition of container shipping revenue and costs for vessel voyages in progress at year end

Freight revenues from container shipping are recognised on a percentage-of-completion basis, which is determined based on the time proportion method of each individual vessel voyage. For voyages in progress as at end of reporting period, revenues are estimated based on the proportion of voyage days already completed as at end of reporting period over the total estimated voyage days of each voyage. If the total estimated voyage days were different from the estimate, this would have an impact on the freight revenues in the following reporting period.

Invoices for voyage expenses are normally received several months after the transaction. For voyages completed or in progress as at end of reporting period, voyage expenses are estimated based on the latest quotation and voyage statistics obtained from vendors. If the actual voyage expenses were different from the estimate, this would have an impact on the voyage expenses in the following reporting period.

Had the freight revenue from voyages in progress at year end been decreased/increased by 10% from management's estimates for the year ended 31 December 2017, the revenue would have been RMB198,740,000 (2016: RMB232,162,000) lower or higher in the future periods.

Had the actual expenses of the voyages in progress at year end been decreased/increased by 10% from management's estimates for the year ended 31 December 2017, the voyage expenses would have been RMB94,424,000 (2016: RMB147,064,000) lower or higher in the future periods.

Changes in management's estimate of container shipping revenue and costs for vessel voyages in progress at year end could caused a material change in the revenue and voyage expenses recognised in the future periods.

(iv) Control over COSCO SHIPPING Ports

During the year ended 31 December 2017, the Group' s equity interest in COSCO SHIPPING Ports, a non-wholly owned subsidiary of the Company, increased from 46.72% to 46.91%.

The Group remains as the single largest shareholder of COSCO SHIPPING Ports.

Management has exercised its critical judgement when determining whether the Group has control over COSCO SHIPPING Ports by considering the following:

(a) the Group has effective control of the board of COSCO SHIPPING Ports;

(b) the Group has consistently and regularly held a majority of the voting rights exercised at COSCO SHIPPING Ports' shareholders' meetings and no other single shareholder directly or indirectly controls more voting rights than the Group; and

(c) the shareholding of other minority shareholders is dispersed, and the chance of all other shareholders getting together to vote against the Group is remote based on the historical records.

Based on management's assessment, it is concluded that the Group has obtained control over COSCO SHIPPING Ports and the Group's 46.91% equity interest in COSCO SHIPPING Ports is accounted for and consolidated into the consolidated financial statements as a subsidiary.

4 Critical accounting estimates and judgements (Continued)

(v) Acquisition of subsidiaries

The initial accounting on the acquisition of subsidiaries involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities or businesses. The fair values of identifiable net assets are determined by using financial models or by reference to the valuation performed by independent professional valuer. Any changes in the assumptions used and estimates made in determining the fair values will impact the carrying amount of these assets and liabilities.

(vi) Acquisition of associates

The initial accounting on the acquisition of associates involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities. The fair values of identifiable net assets are determined by using financial models or by reference to the valuation performed by independent professional valuer. Any changes in the assumptions used and estimates made in determining the fair values will impact the carrying amount of these assets and liabilities.

(vii) Income taxes, business taxes, value-added taxes and withholding taxes

The Group is subject to income taxes, business taxes, value-added taxes and withholding taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes, business taxes, value-added taxes and withholding taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of overseas subsidiaries to be repatriated and distributed by way of dividends as the Directors consider that the timing of the reversal of the related temporary differences can be controlled or such profits will not be distributed and such temporary differences will not be reversed in the foreseeable future (note 15).

If those undistributed earnings of the overseas subsidiaries had been repatriated and distributed by way of dividends, the deferred income tax charge for the year and deferred income tax liabilities as at 31 December 2017 would have been increased by the same amount of RMB4,280,768,000 (2016: RMB3,786,117,000).

Recognition of deferred tax assets, which principally relate to temporary differences, depend on the management's expectation of the timing of reversal and the taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation or reversal may be different (note 15).

(viii) Impairment of trade and other receivables

The impairment of trade and other receivables is primarily assessed based on prior experience by taking into account the past due status, the financial position of debtors and the guarantees obtained for the outstanding debts. Should there be any change in the assumptions and estimates, revisions to the provision for impairment of trade and other receivables would be required.

(ix) Provision for claims

Management estimates the provision for claims mainly based on the status of the claims, the advice of legal counsel, the recoverable amounts from insurance companies and other available information. Should there be any change in the assumptions and estimates, revisions to the provision for claims would be required.

5 Revenues and segment information

Operating segments

The chief operating decision-maker has been identified as the executive directors of the Group. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and analysed from a business perspective:

– Container shipping and related business

– Container terminal and related business

– Corporate and other operations that primarily comprise investment holding, management services and financing

Segment assets are those operating assets that are employed by a segment in its operating activities. They exclude joint ventures, associates, loans to joint ventures and associates, available-for-sale financial assets not related to the segment and unallocated assets. Segment liabilities are these operating liabilities that result from the operating activities of a segment.

Unallocated assets consist of deferred income tax assets. Unallocated liabilities consist of tax payables and deferred income tax liabilities.

Addition to non-current assets comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights and intangible assets.

5 Revenues and segment information (Continued)

Operating segments (Continued)

	As at 31 December 2017				
	Container shipping and related business (#) RMB'000	Container terminal and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'00
Income statement					
Total revenues	86,751,206	4,292,927	–	(645,055)	90,399,078
Comprising:					
– Inter-segment revenues	8,938	636,117	–	(645,055)	–
– Revenues (from external customers)	86,742,268	3,656,810	–	–	90,399,078
Segment profit/(loss)	2,824,204	3,394,570	(554,636)	(415)	5,663,723
Finance income	328,106	7,107	282,083	(132,571)	484,725
Finance costs	(1,133,346)	(319,274)	(791,486)	132,571	(2,111,535)
Net related exchange gain/(loss)	26,339	(62,172)	–	–	(35,833)
Share of profits less losses of					
– joint ventures	56,833	584,715	–	–	641,548
– associates	(2,087)	1,013,588	48,907	–	1,060,408
Profit/(loss) before income tax	2,100,049	4,618,534	(1,015,132)	(415)	5,703,036
Income tax expense	(312,918)	(559,287)	(280)	134	(872,351)
Profit/(loss) for the year	1,787,131	4,059,247	(1,015,412)	(281)	4,830,685
Loss on disposals of property plant and equipment, net	86,429	2,460	–	–	88,889
Depreciation and amortisation	1,611,022	711,998	11,522	–	2,334,542
Provision/(reversal of provision) for impairment of trade and other receivables, net	11,691	(857)	–	–	10,834
Gain on remeasurement of previously held interest of an available-for-sale financial asset upon further acquisition to become an associate	–	264,099	–	–	264,099
Gain on disposal of a joint venture	–	1,886,333	–	–	1,886,333
Amortisation of transaction costs on long-term borrowings	31,890	17,819	12,000	–	61,709
Additions to non-current assets	9,575,660	1,369,182	13,757	–	10,958,599

(#) Revenues for container shipping and related business include respective crew service income and other related income.

5 Revenues and segment information (Continued)

Operating segments (Continued)

	Year ended 31 December 2016							
	Continuing operations					Discontinued operations		
	Container shipping and related business (#) RMB'000	Container terminal and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000	Dry bulk shipping and related business (#) RMB'000	Container leasing, management, sale and related business RMB'000	Total RMB'000
Income statement								
Total revenues	66,577,938	3,762,678	4,576	(512,028)	69,833,164	1,117,222	477,276	1,594,498
Comprising:								
– Inter-segment revenues	454	511,574	–	(512,028)	–	–	–	–
– Revenues (from external customers)	66,577,484	3,251,104	4,576	–	69,833,164	1,117,222	477,276	1,594,498
Segment (loss)/profit	(6,141,658)	1,495,297	(394,588)	–	(5,040,949)	(555,897)	82,591	(473,306)
Finance income	269,321	6,468	351,080	(127,141)	499,728	11,197	496	11,693
Finance costs	(1,064,411)	(268,706)	(706,902)	127,141	(1,912,878)	(152,876)	(30,627)	(183,503)
Net related exchange loss	(317,896)	(83,683)	–	–	(401,579)	(61,348)	(856)	(62,204)
Share of profits less losses of								
– joint ventures	21,152	744,289	–	–	765,441	5,233	–	5,233
– associates	11,307	585,445	37,415	–	634,167	(17)	–	(17)
(Loss)/profit before income tax	(7,222,185)	2,479,110	(712,995)	–	(5,456,070)	(753,708)	51,604	(702,104)
Income tax expense	(213,935)	(171,633)	(120,871)	–	(506,439)	(3,909)	(2,448)	(6,357)
(Loss)/profit for the year	(7,436,120)	2,307,477	(833,866)	–	(5,962,509)	(757,617)	49,156	(708,461)
Loss on disposals of subsidiaries								(2,430,262)
Loss for the year from discontinued operations								(3,138,723)
Loss on disposals of property plant and equipment, net	1,024,742	2,178	346	–	1,027,266	–	–	–
Depreciation and amortisation	1,554,521	658,366	7,663	–	2,220,550	266,334	227,362	493,696
(Reversal of provision)/provision for impairment of trade and other receivables, net	(24,867)	1,936	–	–	(22,931)	6,393	509	6,902
Impairment loss on available-for-sale financial assets	–	131,484	–	–	131,484	–	–	–
Amortisation of transaction costs on long-term borrowings	28,206	12,237	12,000	–	52,443	829	–	829
Additions to non-current assets	2,196,717	1,109,408	25,219	–	3,331,344	38,205	2,082,108	2,120,313

(#) Revenues for container shipping and related business and dry bulk shipping and related business include respective crew service income and other related income.

5 Revenues and segment information (Continued)

Operating segments (Continued)

	As at 31 December 2017				
	Container shipping and related business RMB'000	Container terminal and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Balance sheet					
Segment assets	70,320,940	27,602,089	18,149,867	(13,317,364)	102,755,532
Joint ventures	350,644	7,819,134	—	—	8,169,778
Associates	343,123	16,853,611	495,524	—	17,692,258
Loans to a joint venture and associates	—	1,046,848	—	—	1,046,848
Available-for-sale financial assets	559,776	1,807,056	—	—	2,366,832
Unallocated assets					1,158,757
Total assets					133,190,005
Segment liabilities	59,816,308	15,638,896	25,155,713	(13,317,364)	87,293,553
Unallocated liabilities					2,185,872
Total liabilities					89,479,425

	As at 31 December 2016				
	Container shipping and related business RMB'000	Container terminal and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Balance sheet					
Segment assets	64,488,910	19,591,715	23,334,848	(11,156,892)	96,258,581
Joint ventures	331,831	9,774,538	—	—	10,106,369
Associates	125,685	9,752,277	446,223	—	10,324,185
Loans to joint ventures and associates	—	1,215,244	—	—	1,215,244
Available-for-sale financial assets	573,987	1,088,683	—	—	1,662,670
Unallocated assets					85,684
Total assets					119,652,733
Segment liabilities	57,635,980	12,375,998	21,813,934	(11,156,892)	80,669,020
Unallocated liabilities					1,434,844
Total liabilities					82,103,864

5 Revenues and segment information (Continued)

Geographical information

(a) Revenues

The Group's businesses are managed on a worldwide basis. The revenues generated from the world's major trade lanes for container shipping business mainly include Trans-Pacific, Asia-Europe, Intra-Asia, PRC coastal, Trans-Atlantic and others which are reported as follows:

Geographical	Trade lanes
America	Trans-Pacific
Europe	Asia-Europe (including Mediterranean)
Asia Pacific	Intra-Asia (including Australia)
China domestic	PRC coastal
Other international market	Trans-Atlantic and others

For the geographical information, freight revenues from container shipping are analysed based on the outbound cargoes or goods transport to each geographical territory.

In respect of container terminals operations, corporate and other operations, revenues are based on the geographical locations in which the business operations are located.

	2017 RMB'000		
	Total revenue	Inter segment revenue	External revenue
Continuing operations			
Container shipping and related business			
– America	22,459,391	–	22,459,391
– Europe	19,596,802	–	19,596,802
– Asia Pacific	16,636,141	–	16,636,141
– China domestic	18,578,315	8,938	18,569,377
– Other international market	9,480,557	–	9,480,557
Container shipping and related business (note a)	86,751,206	8,938	86,742,268
Container terminal and related business, corporate and other operations			
– Europe	1,548,076	–	1,548,076
– China domestic	2,744,851	636,117	2,108,734
Container terminal and related business, corporate and other operations	4,292,927	636,117	3,656,810
Total	91,044,133	645,055	90,399,078

5 Revenues and segment information (Continued)

Geographical information (Continued)

(a) Revenues (Continued)

	2016 RMB'000		
	Total revenue	Inter segment revenue	External revenue
Continuing operations			
Container shipping and related business			
– America	17,477,804	—	17,477,804
– Europe	15,064,253	—	15,064,253
– Asia Pacific	11,186,567	11	11,186,556
– China domestic	17,710,838	443	17,710,395
– Other international market	5,138,476	—	5,138,476
Container shipping and related business (note a)	66,577,938	454	66,577,484
Container terminal and related business, corporate and other operations			
– Europe	1,176,694	—	1,176,694
– China domestic	2,590,560	511,574	2,078,986
Container terminal and related business, corporate and other operations	3,767,254	511,574	3,255,680
Total	70,345,192	512,028	69,833,164
Discontinued operations			
Dry bulk shipping and related business			
– International shipping	906,163	—	906,163
– PRC coastal shipping	211,059	—	211,059
Dry bulk shipping and related business	1,117,222	—	1,117,222
Container leasing and related business, corporate and other operations	477,276	—	477,276
Total	1,594,498	—	1,594,498

Notes:

(a) Revenue from container shipping under time charterhire agreements was RMB111,854,000 for the year ended 31 December 2017 (2016: RMB35,079,000).

5 Revenues and segment information (Continued)

Geographical information (Continued)

(b) Non-current assets

The Group's non-current assets, other than financial instruments and deferred income tax assets ("Geographical Non-Current Assets"), consist of its property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, joint ventures, associates and other non-current assets.

The container vessels and containers (included in property, plant and equipment) are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, it is impractical to present the locations of the container vessels and containers by geographical areas and thus the container vessels, containers and vessels under construction are presented as unallocated non-current assets.

In respect of the remaining Geographical Non-Current Assets, they are presented based on the geographical locations in which the business operations/assets are located.

	As at 31 December 2017 RMB'000	As at 31 December 2016 RMB'000
China domestic	**38,547,518**	29,813,152
Non-China domestic	**14,193,260**	11,208,365
Unallocated	**36,469,953**	30,305,153
Total	**89,210,731**	71,326,670

6 Property, plant and equipment

	Leasehold land and buildings RMB'000	Container vessels RMB'000	Containers RMB'000	Trucks, chassis and motor vehicles RMB'000	Computer, office and other equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Cost							
As at 1 January 2017	12,498,039	35,747,826	–	571,933	7,826,554	4,846,273	61,490,625
Currency translation differences	112,529	(2,002,007)	(337)	(41,518)	187,281	(235,282)	(1,979,334)
Reclassification between categories and transfer to investment properties and intangible assets	1,141,873	4,114,873	–	–	76,038	(5,383,244)	(50,460)
Additions	55,393	320,445	1,713,503	7,867	186,011	8,590,029	10,873,248
Acquisition of subsidiaries (note 38)	379,874	–	–	–	1,303,318	481,226	2,164,418
Disposals/write-off	(5,609)	(503,905)	(1,779)	(38,164)	(104,890)	–	(654,347)
As at 31 December 2017	14,182,099	37,677,232	1,711,387	500,118	9,474,312	8,299,002	71,844,150
Accumulated depreciation and impairment							
As at 1 January 2017	2,050,546	7,897,769	–	306,487	2,809,759	–	13,064,561
Currency translation differences	5,806	(395,042)	(330)	(871)	52,419	–	(338,018)
Depreciation charge for the year	371,187	1,359,691	31,483	30,115	407,813	–	2,200,289
Disposals/write-off	(4,309)	(369,500)	(1,759)	(35,412)	(92,015)	–	(502,995)
As at 31 December 2017	2,423,230	8,492,918	29,394	300,319	3,177,976	–	14,423,837
Net book value							
As at 31 December 2017	11,758,869	29,184,314	1,681,993	199,799	6,296,336	8,299,002	57,420,313

6 Property, plant and equipment (Continued)

	Leasehold land and buildings RMB'000	Container vessels RMB'000	Dry bulk vessels RMB'000	Containers RMB'000	Trucks, chassis and motor vehicles RMB'000	Computer, office and other equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Cost								
As at 1 January 2016	12,039,500	38,035,520	42,411,394	15,441,879	765,333	7,351,011	5,032,568	121,077,205
Currency translation differences	45,780	1,809,241	209,282	(85,125)	492	53,743	148,345	2,181,758
Reclassification between categories and transfer to investment properties and intangible assets	1,002,484	592,582	–	–	(8)	171,907	(1,803,257)	(36,292)
Additions	33,823	–	23,593	2,089,904	16,349	638,518	2,288,605	5,090,792
Disposal of subsidiaries	(622,737)	–	(42,644,269)	(17,343,558)	(99,744)	(248,072)	(819,988)	(61,778,368)
Disposals/write-off	(811)	(4,689,517)	–	(103,100)	(110,489)	(140,553)	–	(5,044,470)
As at 31 December 2016	12,498,039	35,747,826	–	–	571,933	7,826,554	4,846,273	61,490,625
Accumulated depreciation and impairment								
As at 1 January 2016	1,903,998	9,548,539	16,334,896	3,894,319	454,372	2,721,786	–	34,857,910
Currency translation differences	22,185	332,408	56,152	(5,801)	1,473	20,932	–	427,349
Depreciation charge for the year	366,726	1,348,024	258,714	223,008	35,481	371,865	–	2,603,818
Disposal of subsidiaries	(242,156)	–	(16,649,762)	(4,080,713)	(93,183)	(200,993)	–	(21,266,807)
Disposals/write-off	(207)	(3,331,202)	–	(30,813))	(91,656)	(103,831)	–	(3,557,709)
As at 31 December 2016	2,050,546	7,897,769	–	–	306,487	2,809,759	–	13,064,561
Net book value								
As at 31 December 2016	10,447,493	27,850,057	–	–	265,446	5,016,795	4,846,273	48,426,064

6 Property, plant and equipment (Continued)

Notes:

(a) The aggregate cost, accumulated depreciation and impairment of the leased assets, where the Group is the lessor/charterer under the operating lease/time charter arrangements, are set out below:

	Container vessels RMB'000
As at 31 December 2017	
Cost	**222,836**
Accumulated depreciation and impairment	**(146,343)**
	76,493
As at 31 December 2016	
Cost	222,836
Accumulated depreciation and impairment	(138,329)
	84,507

(b) As at 31 December 2017, container vessels with aggregate net book values of RMB22,882,756,000 (2016: RMB21,880,610,000) were pledged as security for loan facilities granted by banks (note 22(i)(i)).

(c) As at 31 December 2017, certain property, plant and equipment with net book value of RMB1,022,316,000 (2016: RMB720,950,000) were pledged as security for long-term bank borrowings (note 22(i)(i)).

(d) Terminal buildings and equipment under finance leases with costs of approximately RMB358,590,000 (2016: RMB557,929,000) as at 31 December 2017 are accounted for as property, plant and equipment. As at 31 December 2017, the balance in respect of such finance lease arrangements of approximately RMB132,601,000 (2016: RMB199,823,000) was included in loans from a fellow subsidiary for the non-current portion (note 22 (d)) and of approximately RMB67,398,000 (2016: RMB64,206,000) was included in trade and other payables due to fellow subsidiaries for the current portion (note 24).

(e) During the year, interest expenses of RMB168,996,000 (2016: RMB104,035,000) were capitalised in vessel costs during the vessel construction period (note 29).

(f) The accumulated impairment losses of property, plant and equipment as at 31 December 2017 amounted to RMB27,669,000 (2016: RMB27,669,000).

7 Investment properties

	2017 RMB'000	2016 RMB'000
Cost	**279,147**	451,292
Accumulated depreciation	**(83,903)**	(137,713)
Net book value as at 1 January	**195,244**	313,579
Currency translation differences	**(1,896)**	14,623
Additions	**1,339**	5,306
Reclassification from property, plant and equipment (note 6)	**6,598**	27,651
Disposal	**(6)**	(373)
Disposal of subsidiaries	**—**	(157,075)
Depreciation	**(9,237)**	(8,467)
Net book value as at 31 December	**192,042**	195,244
Cost	**283,326**	279,147
Accumulated depreciation	**(91,284)**	(83,903)
Net book value as at 31 December	**192,042**	195,244

The fair value of the investment properties as at 31 December 2017 was RMB649,938,000 (2016: RMB651,418,000). The fair value is estimated by management or independent professional property valuers. The valuations are derived using direct comparison method and income capitalisation method respectively. Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. Income capitalisation method is based on the capitalisation of the net rental income derived from the existing leases and/ or achievable in existing market with reversionary income potential by adopting appropriate capitalisation rates. Capitalisation is estimated by valuer based on the risk profile of the properties being valued.

8 Leasehold land and land use rights

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values, are analysed as follows:

	2017 RMB'000	2016 RMB'000
Cost	**2,003,011**	2,190,665
Accumulated amortisation	**(331,750)**	(324,362)
Net book value as at 1 January	**1,671,261**	1,866,303
Currency translation differences	**(3,362)**	(144)
Additions	**37,618**	—
Acquisition of subsidiaries (note 38(c))	**422,085**	—
Reclassification to investment properties	**—**	(349)
Disposal	**—**	(19)
Disposal of subsidiaries	**—**	(150,749)
Amortisation	**(45,175)**	(43,781)
Net book value as at 31 December	**2,082,427**	1,671,261
Cost	**2,459,352**	2,003,011
Accumulated amortisation	**(376,925)**	(331,750)
Net book value as at 31 December	**2,082,427**	1,671,261

9 Intangible assets

	Computer software RMB'000	Concession rights RMB'000	Customer relationships RMB'000	Goodwill RMB'000	Total RMB'000
Cost	884,365	–	–	15,545	899,910
Accumulated depreciation and impairment	(742,874)	–	–	–	(742,874)
Net book value as at 1 January 2017	141,491	–	–	15,545	157,036
Currency translation differences	2,028	20,016	(10,425)	(30,490)	(18,871)
Additions	46,619	1,500	–	–	48,119
Reclassification from property, plant and equipment (note 6)	43,862	–	–	–	43,862
Acquisition of subsidiaries (note 38)	17,231	1,667,811	320,071	922,001	2,927,114
Disposals	(4,450)	–	–	(2,034)	(6,484)
Amortisation	(47,846)	(16,859)	(4,250)	–	(68,955)
Net book value as at 31 December 2017	198,935	1,672,468	305,396	905,022	3,081,821
Cost	986,551	1,708,385	309,506	905,022	3,909,464
Accumulated amortisation	(787,616)	(35,917)	(4,110)	–	(827,643)
Net book value as at 31 December 2017	198,935	1,672,468	305,396	905,022	3,081,821

9 Intangible assets (Continued)

	Computer software RMB'000	Concession rights RMB'000	Customer relationships RMB'000	Goodwill RMB'000	Total RMB'000
Cost	859,103	—	—	2,809	861,912
Accumulated depreciation and impairment	(695,401)	—	—	—	(695,401)
Net book value as at 1 January 2016	163,702	—	—	2,809	166,511
Currency translation differences	991	—	—	—	991
Additions	34,090	—	—	—	34,090
Disposals	(479)	—	—	—	(479)
Disposal of subsidiaries	(18,330)	—	—	—	(18,330)
Amortisation	(47,473)	—	—	—	(47,473)
Reclassification from property, plant and equipment (note 6)	8,990	—	—	—	8,990
Acquisition of subsidiaries	—	—	—	12,736	12,736
Net book value as at 31 December 2016	141,491	—	—	15,545	157,036
Cost	884,365	—	—	15,545	899,910
Accumulated amortisation	(742,874)	—	—	—	(742,874)
Net book value as at 31 December 2016	141,491	—	—	15,545	157,036

Impairment test for goodwill

Goodwill is allocated to the Group's CGUs that are expected to benefit from business combination and impairment testing is performed annually on goodwill allocated to their operating segments and CGUs.

For the year ended 31 December 2017, the recoverable amount of the Group is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the financial budget and future forecast respectively.

Forecast profitability is based on past performance and expected future changes in costs and revenue. Major cash flow projections are based on long-range financial forecasts using estimated average 5-year revenue growth rate ranged from 6.5% to 9.0%. Future cash flows are discounted at a pre-tax rate ranged from 8.0% to 8.5%.

10 Subsidiaries

(a) Details of the principal subsidiaries that impose material influence on either the financial position or the financial performance of the Group as at 31 December 2017 are shown in note 43(a).

(b) Material non-controlling interests

The total non-controlling interests for the year is RMB23,041,293,000 of which RMB20,669,287,000 is for COSCO SHIPPING Ports.

Set out below are summarised financial information for COSCO SHIPPING Ports.

Summarised balance sheet

	COSCO SHIPPING Ports	
	2017	2016
	RMB'000	RMB'000
Current		
– Assets	**5,568,066**	6,905,838
– Liabilities	**(6,741,849)**	(5,798,938)
Total net current (liabilities)/assets	**(1,173,783)**	1,106,900
Non-current		
– Assets	**52,939,684**	40,171,806
– Liabilities	**(13,571,057)**	(8,218,325)
Total net non-current assets	**39,368,627**	31,953,481
Net assets	**38,194,844**	33,060,381

Summarised income statement

	COSCO SHIPPING Ports	
	2017	2016
	RMB'000	RMB'000
Revenue	**4,288,902**	3,694,685
Profit before income tax from continuing operations	**4,364,234**	1,710,668
Income tax expense	**(639,974)**	(319,878)
Post-tax profit from continuing operations	**3,724,260**	1,390,790
Post-tax profit from discontinued operations	**—**	441,914
Other comprehensive income/(loss)	**2,562,367**	(1,291,733)
Total comprehensive income	**6,286,627**	540,971
Total comprehensive income allocated to non-controlling interests	**487,881**	288,229
Dividends paid to non-controlling interests	**71,972**	72,615

10 Subsidiaries (Continued)

(b) Material non-controlling interests (Continued))

Summarised cash flows

	COSCO SHIPPING Ports 2017 RMB'000	 2016 RMB'000
Cash flows from operating activities		
Cash generated from operations	2,141,579	2,082,112
Interest received	71,330	107,319
Tax paid	(503,990)	(192,206)
Net cash generated from operating activities	1,708,919	1,997,225
Net cash (used in)/generated from investing activities	(5,138,817)	6,413,930
Net cash generated from/(used in) financing activities	1,689,174	(9,044,397)
Net decrease in cash and bank balances	(1,740,724)	(633,242)
Cash, bank balances and bank overdrafts at beginning of year	5,787,067	5,994,703
Exchange differences	(386,753)	425,606
Cash and bank balances at end of year	3,659,590	5,787,067

The information above is the amount before inter-company eliminations.

11 Joint ventures

	2017 RMB'000	2016 RMB'000
Investment in joint ventures (including goodwill on acquisitions) (note a)	7,243,588	9,115,245
Equity loan to a joint venture (note c)	926,190	991,124
	8,169,778	10,106,369

Notes:

(a) The carrying amount of goodwill on acquisitions of joint ventures amounted to RMB432,656,000 (2016: RMB498,430,000), mainly represented the goodwill on acquisitions of equity interests in Shanghai Pudong International Container Terminals Limited, Asia Container Terminals Holding Limited and Qingdao Qianwan Container Terminal Co., Ltd. ("QQCT") of RMB205,403,000 (2016: RMB218,065,000), RMB226,508,000 (2016: RMB242,393,000) and RMB Nil (2016: RMB37,189,000) respectively.

(b) During the year, 20% equity interests in QQCT was disposed to Qingdao Port International Co., Ltd. ("QPI") as part of a consideration for the further acquisition of equity interest in QPI and details of the disposal are set out in note 27. The net assets of QQCT as at 31 December 2016 were RMB6,602,664,000. The profits and the other comprehensive income for the year ended 31 December 2016 were RMB1,604,213,000. During the year, 40% equity interests in Dalian International Container Terminal Co., Ltd. ("DICT") was disposed of during the combination into Dalian Container Terminal Co., Ltd. ("DCT") with more details set out in note 12(a).

(c) The equity loan to a joint venture is equity in nature, unsecured, and was not repayable within twelve months.

11 Joint ventures (Continued)

Notes: (Continued)

(d) There is no joint venture that is individually material to the Group as at 31 December 2017. The financial information below, after making adjustments to conform to the Group's significant accounting policies, represents the Group's respective interests in the joint ventures:

	Net assets RMB'000	Profit less losses for the year RMB'000	Other comprehensive income RMB'000	Total comprehensive income RMB'000
2017	**6,810,932**	**641,548**	**722**	**642,270**
2016	8,616,815	765,441	3,398	768,839

(e) The Company has no directly owned joint ventures as at 31 December 2016 and 2017. Details of the principal joint ventures as at 31 December 2017 are shown in note 43(b).

12 Associates

	2017 **RMB'000**	2016 RMB'000
Investment in associates (including goodwill on acquisitions) (note c)	**17,398,219**	10,012,020
Equity loan	**294,039**	312,165
	17,692,258	10,324,185

Notes:

(a) In May 2017, the Group acquired 16.82% effective interest of QPI at a consideration of RMB5,798,619,000 (being RMB5.71 per share), and together with the previously held 1.59% equity interests, the Group holds 18.41% effective interest of QPI in total, and is accounted for as an associate. The consideration was satisfied by the transfer of 20% QQCT and the payment of cash of RMB2,599,968,000.

In October 2017, 20% equity interests in Dalian Port Container Terminal Co., Ltd. ("DPCT") and 40% equity interests in DICT (note 11(b)) was disposed of during its combination into DCT, and 19% equity interests in DCT were acquired in return. Goodwill arising from the acquisition has been provisionally determined by management's assessment and is subjected to changes.

(b) QPI, Sigma Enterprises Limited ("Sigma") and Wattrus Limited ("Wattrus") and their subsidiary companies (collectively "Sigma and Wattrus Group"), and COSCO Finance Co., Ltd ("COSCO Finance") are associates (note 43(c)) that are material to the Group. Both QPI and Sigma and Wattrus Group are engaged in the operation, management and development of container terminals and investment holding. COSCO Finance is engaged in financial services and investment in banking, securities, insurance and funds.

12 Associates (Continued)

Notes: (Continued)

(b) (Continued)

Set out below are the summarised consolidated financial information for QPI from the date the Group had significant influence to 31 December 2017, after fair-value adjustments upon acquisition, which is accounted for using the equity method:

Summarised consolidated balance sheet

	QPI 2017 RMB'000
Non-current assets	30,847,416
Current assets	17,206,234
Non-current liabilities	(9,850,685)
Current liabilities	(13,140,309)

Summarised consolidated statement of comprehensive income

	QPI 2017 RMB'000
Revenues	7,050,960
Profit attributable to equity holders for the period	1,964,559
Group's share of profits of the associate	361,676

12 Associates (Continued)

Notes: (Continued)

(b) (Continued)

Reconciliation of summarised consolidated financial information

Reconciliation of summarised consolidated financial information presented to the carrying amount of the Group's interest in these associates.

Summarised consolidated financial information

	QPI 2017 RMB'000
Attributable to equity holders	
Opening net assets	15,312,290
Profit for the year	2,051,525
Other comprehensive income	346,891
Dividends	(787,552)
Exchange difference	(91,290)
Closing net assets	16,831,864
Interest in the associate at 18.41%	3,098,746
Fair value adjustment	1,966,618
Goodwill	1,563,000
Carrying amount	6,628,364

Set out below are the summarised consolidated financial information for Sigma and Wattrus Group, after fair value adjustments upon acquisition, which is accounted for using the equity method:

Summarised balance sheet

	Sigma and Wattrus Group	
	2017 RMB'000	2016 RMB'000
Non-current assets	25,743,748	27,875,245
Current assets	6,179,824	5,525,279
Non-current liabilities	(3,206,025)	(3,662,833)
Current liabilities	(3,751,075)	(4,367,126)

12 Associates (Continued)

Notes: (Continued)

(b) (Continued)

Summarised statement of comprehensive income

	Sigma and Wattrus Group	
	2017	2016
	RMB'000	RMB'000
Revenues	**6,361,347**	6,025,594
Profit attributable to equity holders for the year	**1,687,342**	1,652,949
Group's share of profits of associates	**346,749**	339,681

Reconciliation of summarised financial information

Reconciliation of summarised financial information presented to the carrying amount of the Group's interest in these associates.

Summarised financial information

	Sigma and Wattrus Group	
	2017	2016
	RMB'000	RMB'000
Capital and reserves attributable to equity holders	**18,929,623**	19,577,192
Group's effective interest	**20.55%**	20.55%
Group's share of net assets	**3,890,038**	4,023,113
Adjustment to cost of investment	**306,193**	325,068
Carrying amount	**4,196,231**	4,348,181

Set out below are the summarised financial information for COSCO Finance, after fair value adjustments upon acquisition, which is accounted for using the equity method.

Summarised balance sheet

	COSCO Finance	
	2017	2016
	RMB'000	RMB'000
Assets	**34,630,658**	34,530,998
Liabilities	**(31,758,040)**	(31,944,184)

12 Associates (Continued)

Notes: (Continued)

b) (Continued)

Summarised statement of comprehensive income

	COSCO Finance 2017 RMB'000	2016 RMB'000
Revenues	669,112	379,692
Profit attributable to equity holders for the year	283,519	233,229
Group's share of profits of associates	48,907	40,232

Reconciliation of summarised financial information

Reconciliation of summarised financial information presented to the carrying amount of the Group's interest in this associate.

Summarised financial information

	COSCO Finance 2017 RMB'000	2016 RMB'000
Capital and reserves attributable to equity holders	2,872,618	2,586,814
Group's effective interest	17.25%	17.25%
Group's share of net assets	495,527	446,225
Carrying amount	495,527	446,225

(c) The carrying amount of goodwill on acquisitions of associates amounted to RMB2,036,677,000 (2016: RMB487,095,000), mainly represented the goodwill on acquisitions of equity interests in QPI, Sigma, Suez Canal Container Terminal S.A.E., Euromax Terminal Rotterdam B.V. ("Euromax Terminal"), Wattrus and Nanjing Port Longtan Containers Co., Ltd. of RMB1,563,000,000 (2016: Nil), RMB135,055,000 (2016: RMB143,381,000), RMB108,625,000 (2016: RMB115,321,000), RMB110,356,000 (2016: RMB103,347,000), RMB49,157,000 (2016: RMB52,187,000) and RMB29,620,000 (2016: RMB31,445,000) respectively.

(d) The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interests in the respective associates other than the material associates listed above:

	Net assets RMB'000	Profit less losses for the year RMB'000	Other comprehensive income RMB'000	Total comprehensive income RMB'000
2017	5,788,632	303,076	18,508	321,584
2016	4,926,087	254,254	10,154	264,408

(e) The Company had no directly owned associates as at 31 December 2016 and 2017. Details of the principal associates as at 31 December 2017 are shown in note 43(c).

13 Loans to joint ventures and associates

	2017 RMB'000	2016 RMB'000
Loans to joint ventures (note a)	**10,923**	417,875
Loans to associates (note b)	**1,035,925**	797,369
	1,046,848	1,215,244

Notes:

(a) Balances of RMB10,923,000 (2016: RMB15,345,000) is secured, which bears interest at 5% per annum above the 3 months Euro Interbank Offered Rate ("EURIBOR") and wholly repayable on or before December 2020. The remaining balance as at 31 December 2016 was unsecured and interest bearing at the rate of 5% above Hong Kong Interbank Offered Rate ("HIBOR") per annum quoted in respect of a one month's period, and wholly repayable on or before March 2018.

(b) Balance of RMB655,393,000 (2016: RMB613,772,000) is unsecured, which bears interest at the aggregate of 2.3% per annum and EURIBOR with reference to Reuters or other rate mutually agreed (2016: 2.3% per annum and EURIBOR with reference to Reuters or other rate matually agreed). Balance of RMB116,191,000 (2016:RMB183,597,000) is unsecured, which bears interest at 2.5% per annum above 10-year EURIBOR ICE swap rate (2016: 2.5% per annum above 10-year EURIBOR ICE swap rate) and has no fixed terms of repayment. Balance of RMB264,341,000 (2016: RMB Nil) is unsecured, which bears interest at the aggregate of 3.75% per annum and EURIBOR, and is repayable in 2021.

14 Available-for-sale financial assets

Available-for-sale financial assets represent the following:

	2017 RMB'000	2016 RMB'000
Listed investments in the PRC (note a)	**1,669,094**	466,336
Unlisted investments (note b)	**697,738**	1,196,334
	2,366,832	1,662,670

Notes:

(a) Listed investments represent equity interests in entities which are principally engaged in provision of port related services and securities service.

(b) Unlisted investments mainly comprise equity interests in terminal operating companies, port information system engineering companies and property investment companies.

14 Available-for-sale financial assets (Continued)

Notes: (Continued)

(c) Available-for-sale financial assets are denominated in the following currencies:

	2017 RMB'000	2016 RMB'000
RMB	**2,268,229**	1,592,140
HKD	**97,754**	70,530
EURO	**849**	—
	2,366,832	1,662,670

(d) Movement of the available-for-sale financial assets during the year is as follows:

	2017 RMB'000	2016 RMB'000
As at 1 January	**1,662,670**	2,784,923
Additions	**—**	190,000
Acquisition of subsidiaries (note 38(a))	**841**	—
Step acquisition from an available-for-sale financial asset to investment in an associate (note 27)	**(549,509)**	—
Disposals	**—**	(304,700)
Disposals of subsidiaries	**—**	(967,212)
Fair value gain/(loss) recognised in equity	**1,257,442**	(52,136)
Currency translation differences	**(4,612)**	11,795
As at 31 December	**2,366,832**	1,662,670

(e) As a December 2017, available-for-sale financial assets of carrying amount of RMB Nil (2016: RMB70,530,000) were impaired with an impairment loss of RMB Nil (2016: RMB137,440,000) and the debit reserves RMB Nil (2016: RMB137,440,000) were recycled to profit or loss.

15 Deferred income tax assets/(liabilities)

Deferred income tax is calculated in full on temporary differences under the liability method using taxation rates ranging from 16.5% to 39.83% for the year (2016: 16.5% to 43%)

The movement on the net deferred tax (liabilities)/assets is as follows:

	2017 RMB'000	2016 RMB'000
As at 1 January	(436,556)	(457,267)
Currency translation differences	43,219	(22,754)
Charged to consolidated income statement	(29,499)	(40,509)
Acquisition of subsidiaries (note 38)	517,755	—
Disposal of subsidiaries	—	81,224
(Charged)/credited to other comprehensive income (note 30(c))	(250,149)	2,750
As at 31 December	(155,230)	(436,556)

Deferred income tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2017, the Group had tax losses of RMB34,939,636,000 (2016: RMB38,703,167,000) to carry forward, which were not recognised as deferred tax assets as the Directors considered that the utilisation of these tax losses in the foreseeable future is not probable, of which an amount of RMB34,491,298,000 (2016: RMB38,315,817,000) will expire through year 2022 (2016: year 2021) and an amount of RMB448,338,000 (2016: RMB387,350,000) has no expiry date.

As at 31 December 2017, the unrecognised deferred income tax liabilities were RMB4,280,768,000 (2016: RMB3,786,117,000), relating to income tax and withholding tax that would be payable for undistributed profits of certain overseas subsidiaries, as the Directors considered that the timing for the reversal of the related temporary differences can be controlled or such profits will not be distributed and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these overseas subsidiaries as at 31 December 2017 amounted to RMB18,651,863,000 (2016: RMB16,632,180,000).

15 Deferred income tax assets/(liabilities) (Continued)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year was as follows:

Deferred income tax liabilities

	Undistributed profits of subsidiaries, joint ventures and associates	Accelerated tax depreciation	Fair value gain on AFS and derivative financial instruments	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2016	(401,096)	(119,664)	(23,552)	(42,409)	(586,721)
Currency translation differences	(22,228)	69	(1,113)	—	(23,272)
(Charged)/credited to consolidated income statement	(28,459)	744	996	262	(26,457)
Disposal of subsidiaries	—	104,723	2,945	3,792	111,460
Credited to other comprehensive income (note 30(c))	—	—	2,750	—	2,750
As at 31 December 2016 and 1 January 2017	(451,783)	(14,128)	(17,974)	(38,355)	(522,240)
Currency translation differences	**22,127**	**1,293**	**60**	**(1,242)**	**22,238**
(Charged)/credited to consolidated income statement	**(128,244)**	**9,828**	**(83,560)**	**179**	**(201,797)**
Acquisition of subsidiaries (note 38)	**—**	**(309,550)**	**—**	**(54,058)**	**(363,608)**
Charged to other comprehensive income (note 30(c))	**—**	**—**	**(248,580)**	**—**	**(248,580)**
As at 31 December 2017	**(557,900)**	**(312,557)**	**(350,054)**	**(93,476)**	**(1,313,987)**

15 Deferred income tax assets/(liabilities) (Continued)

Deferred income tax assets

	Tax loss	Staff benefit	Accelerated accounting depreciation	Onerous contracts	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2016	12,597	38,371	5,412	10,711	62,363	129,454
Currency translation differences	19	–	–	–	499	518
Charged to consolidated income statement	(1,274)	(4,586)	(296)	(1,750)	(6,146)	(14,052)
Disposal of subsidiaries	(10,301)	–	–	–	(19,935)	(30,236)
As at 31 December 2016 and 1 January 2017	1,041	33,785	5,116	8,961	36,781	85,684
Currency translation differences	**10,477**	**–**	**(14)**	**–**	**10,518**	**20,981**
Charged to consolidated income statement	**175,514**	**(9,402)**	**(2,002)**	**–**	**8,188**	**172,298**
Acquisition of subsidiaries (note 38)	**479,468**	**–**	**–**	**–**	**401,895**	**881,363**
Charged to other comprehensive income (note 30(c))	**–**	**–**	**–**	**–**	**(1,569)**	**(1,569)**
As at 31 December 2017	**666,500**	**24,383**	**3,100**	**8,961**	**455,813**	**1,158,757**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance and a net basis. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2017	2016
	RMB'000	RMB'000
Deferred income tax assets		
Deferred income tax assets to be recovered after more than 12 months	**776,745**	78,646
Deferred income tax assets to be recovered within 12 months	**382,012**	7,038
	1,158,757	85,684
Deferred income tax liabilities		
Deferred income tax liabilities to be settled after more than 12 months	**(636,096)**	(156,646)
Deferred income tax liabilities to be settled within 12 months	**(677,891)**	(365,594)
	(1,313,987)	(522,240)
Deferred income tax liabilities, net	**(155,230)**	(436,556)

16 Other non-current assets

	2017 RMB'000	2016 RMB'000
Prepaid operating lease payments (note)	**270,948**	298,920
Prepayment for land use rights	**301,144**	147,591
	572,092	446,511

Note:

The amount mainly represents the unamortised upfront concession fee paid by COSCO SHIPPING Ports in respect of the concession agreement with Piraeus Port Authority S.A. ("PPA") for the concession of Pier 2 and 3 of the Piraeus Port in Greece for a period of 35 years commenced on 1 October 2009. Apart from the aforesaid upfront concession fee, the Group had operating lease commitment in relations to the Concession (note 40 (b)).

17 Cash and bank balances

	2017 RMB'000	2016 RMB'000
Restricted bank deposits (note a)	**351,220**	323,648
Balances placed with COSCO Finance (note b)	**6,952,878**	6,942,100
Balances placed with China SHIPPING Finance Company Limited ("CS Finance") (note c)	**702,529**	111,252
Bank balances and cash - unpledged	**18,083,119**	25,135,220
Total bank deposits and cash and cash equivalents (note d)	**26,089,746**	32,512,220
Less:		
Restricted bank deposits	**(351,220)**	(323,648)
Cash and bank balances	**25,738,526**	32,188,572

Notes:

(a) Restricted bank deposits are mainly held as security for borrowings and bank guarantees and facilities (note 22(i) (iv)).

(b) Balances placed with COSCO Finance bear interest at prevailing market rates.

(c) CS Finance is a finance company owned by China SHIPPING (Group) Company ("China Shipping") and balances placed with CS Finance bear interest at prevailing market rates.

(d) The carrying amounts of bank deposits and cash and bank balances are denominated in the following currencies:

	2017 RMB'000	2016 RMB'000
US dollar	**14,686,012**	19,991,752
RMB	**8,903,647**	10,276,919
EURO	**946,062**	984,175
HK dollar	**277,787**	422,551
Other currencies	**1,276,238**	836,823
	26,089,746	32,512,220

17 Cash and bank balances (Continued)

Notes: (Continued)

(d) The effective interest rates on time deposits as at 31 December 2017 were in the range of 0.15% to 5.23% per annum (2016: 0.20% to 5.40% per annum). The deposits earn interests at floating rates based on prevailing market rates.

18 Inventories

	2017 RMB'000	2016 RMB'000
Bunkers, voyage supplies, consumables and others	2,330,221	1,564,690

19 Trade and other receivables

	2017 RMB'000	2016 RMB'000
Trade receivables (note a)		
– third parties	5,912,593	5,367,815
– fellow subsidiaries	125,533	457,019
– joint ventures	19,216	9,941
– associates	–	110
– other related companies	138,504	96,859
	6,195,846	5,931,744
Bills receivables (note a)	297,932	253,996
	6,493,778	6,185,740
Prepayments, deposits and other receivables		
– third parties (note b)	3,131,728	3,774,199
– fellow subsidiaries (note d)	306,997	376,564
– joint ventures (note d)	703,465	663,153
– associates (note d)	149,275	120,862
– other related companies (note d)	201,627	165,037
	4,493,092	5,099,815
Total	10,986,870	11,285,555

19 Trade and other receivables (Continued)

Notes:

(a) Trading balances with related parties are unsecured, interest free and have similar credit periods as third party customers. The normal credit period granted to the trade receivables of the Group is generally within 90 days. Trade receivables primarily consisted of voyage-related receivables. As at 31 December 2017, the ageing analysis of trade and bills receivables on the basis of the date of relevant invoice or demand note is as follows:

	2017 RMB'000	2016 RMB'000
1-3 months	6,045,919	5,874,942
4-6 months	336,047	200,776
7-12 months	147,985	109,957
Over 1 year	57,275	71,625
Trade and bills receivables, gross	6,587,226	6,257,300
Less: impairment of		
1-3 months	(21,318)	(21,184)
4-6 months	(14,117)	(2,871)
7-12 months	(6,648)	(2,857)
Over 1 year	(51,365)	(44,648)
Provision for impairment	(93,448)	(71,560)
	6,493,778	6,185,740

As at 31 December 2017, the Group's trade and bills receivables of RMB5,956,005,000 (2016: RMB5,853,758,000) were considered fully collectible by management. Trade and bills receivables that were fully collectible mainly represent those due from customers with good credit history and low default rate.

As at 31 December 2017, trade receivables of RMB78,456,000 (2016: RMB54,962,000) were past due but were considered not impaired by management. The ageing analysis of these trade receivables is as follows:

	2017 RMB'000	2016 RMB'000
1-3 months	68,596	38,202
4-6 months	6,201	11,210
7-12 months	2,542	1,894
Over 1 year	1,117	3,656
	78,456	54,962

As at 31 December 2017, trade receivables of RMB552,765,000 (2016: RMB386,782,000)were considered as impaired by management, of which amounts of RMB93,448,000 (2016: RMB71,560,000) were provided for.

19 Trade and other receivables (Continued)

Notes: (Continued)

(a) (Continued)

Movements on the provision for impairment of trade receivables are as follows:

	2017 RMB'000	2016 RMB'000
As at 1 January	**71,560**	220,897
Provision for receivable impairment	**7,524**	12,796
Receivables written off during the year as uncollectible	**(1,966)**	(12,058)
Reversal of provision	**(3,264)**	(39,514)
Acquisition of subsidiaries (note 38)	**18,398**	—
Disposal of subsidiaries	**—**	(113,120)
Currency translation differences	**1,196**	2,559
As at 31 December	**93,448**	71,560

The creation and release of provision for impaired receivables have been included in the consolidated income statement (note 26). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Management considered that there is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

(b) Prepayments, deposits and other receivables due from third parties

	2017 RMB'000	2016 RMB'000
Prepayments and deposits	**1,951,758**	2,869,706
Claims receivables	**45,039**	45,661
Other receivables less provision (note c)	**1,134,931**	858,832
	3,131,728	3,774,199

19 Trade and other receivables (Continued)

Notes: (Continued)

(c) As at 31 December 2017, the Group's net other receivables of RMB1,134,931,000 (2016: RMB858,832,000) were considered fully collectible by management. As at 31 December 2017, the Group's other receivables of RMB84,179,000 (2016: RMB78,310,000) were impaired and full provision was made by management.

Movements on the provision for impairment of other receivables are as follows:

	2017 RMB'000	2016 RMB'000
As at 1 January	78,310	193,702
Provision for receivable impairment	6,574	4,200
Receivables written off during the year as uncollectible	(705)	(7,043)
Reversal of provision	–	(2,398)
Currency translation differences	–	83
Disposal of subsidiaries	–	(110,234)
As at 31 December	84,179	78,310

(d) The amounts due from related companies are unsecured, interest free and have no fixed terms of repayment.

(e) The carrying amount of trade and other receivables (excluding prepayments and deposits) are denominated in the following currencies:

	2017 RMB'000	2016 RMB'000
US dollar	3,131,917	3,412,922
RMB	2,250,787	2,024,341
EURO	1,614,816	1,093,174
HK dollar	77,176	23,521
Other currencies	1,960,416	1,861,891
	9,035,112	8,415,849

(f) The carrying amounts of trade and other receivables (excluding prepayments and deposits) approximate their fair values.

(g) Management considered the maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

20 Share capital and equity linked benefits

(a) Share capital

	2017		2016	
	Number of shares (thousands)	Nominal value RMB'000	Number of shares (thousands)	Nominal value RMB'000
Registered, issued and fully paid				
H-Shares of RMB1.00 each	**2,580,600**	**2,580,600**	2,580,600	2,580,600
A-Shares of RMB1.00 each	**7,635,674**	**7,635,674**	7,635,674	7,635,674
As at 31 December	**10,216,274**	**10,216,274**	10,216,274	10,216,274

As at 31 December 2017, the A-Shares rank pari passu, in all material respects, with H-Shares.

(b) Share appreciation rights

The Group has adopted a cash-settled, share-based payment scheme (the "Plan") which was approved on 9 June 2005. The Plan provides for the grant of share appreciation rights ("SARs") to eligible participants as approved by the Directors (collectively the "Grantees"). The Plan will remain in force unless otherwise cancelled or amended.

Under the Plan, the holders of SARs are entitled the rights to receive an amount in respect of the appreciation in market value of the Company's H-Shares from the date of grant of SARs and the date of exercise. No shares will be issued under the Plan and therefore the Company's equity interests will not be diluted as a result of the issuance of SARs. The initial grant of SARs was limited to 10% of the Company's H-Shares in issue at the date of grant. The maximum number of unexercised SARs permitted to be granted under the Plan is, upon their exercise, limited to 10% of the Company's H-Shares in issue at any time during each year. The maximum number of SARs granted to any eligible participant (including share appreciation rights granted prior to this Plan) is limited to 25% of the total number of SARs in issue at any time. Any further grant of SARs in excess of the above limits is subject to the approval of the Directors.

20 Share capital and equity linked benefits (Continued)

(b) Share appreciation rights (Continued)

Movements in the number of SARs granted by the Company during the year ended 31 December 2017 and 2016 are set out below.

			For the year ended 31 December 2017 Number of units of SARs				
Date of grant	**Exercisable period**	**Exercise price**	**Outstanding as at 1 January 2017**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding as at 31 December 2017**
4 June 2007 ("2007 SARs)	from 4 June 2009 to 3 June 2017	HK$9.540	**24,165,000**	**–**	**–**	**(24,165,000)**	**–**

			For the year ended 31 December 2016 Number of units of SARs				
Date of grant	Exercisable period	Exercise price	Outstanding as at 1 January 2016	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2016
5 October 2006 ("2006 SARs)	from 5 October 2008 to 4 October 2016	HK$3.588	19,070,000	–	–	(19,070,000)	–
4 June 2007 ("2007 SARs)	from 4 June 2009 to 3 June 2017	HK$9.540	24,250,000	–	–	(85,000)	24,165,000
			43,320,000	–	–	(19,155,000)	24,165,000

The 2007 SARs were expired on 3 June 2017.

20 Share capital and equity linked benefits (Continued)

(c) Share options of a subsidiary

The Group's subsidiary, COSCO SHIPPING Ports, operates share option schemes whereby options are granted to eligible employees and directors or any participants (as defined in the relevant share option schemes) of the Group, to subscribe for its shares. All options were lapsed during 2017. All the outstanding options were vested and exercisable as at 31 December 2016. COSCO SHIPPING Ports has no legal or constructive obligation to repurchase or settle the options in cash.

Movements of the share options granted by COSCO SHIPPING Ports during the year ended 31 December 2017 and 2016 are set out below:

			For the year ended 31 December 2017 Number of share options					
Date of grant	**Exercisable period**	**Exercise price**	**Outstanding as at 1 January 2017**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**Lapsed during the year**	**Outstanding as at 31 December 2017**
During the period from 17 April 2007 to 19 April 2007	Note (i)	HK$19.30	**9,940,000**	**–**	**–**	**–**	**(9,940,000)**	**–**

			For the year ended 31 December 2016 Number of share options					
Date of grant	Exercisable period	Exercise price	Outstanding as at 1 January 2016	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2016
During the period from 17 April 2007 to 19 April 2007	Note (i)	HK$19.30	12,980,000	–	–	–	(3,040,000)	9,940,000

Notes:

(i) The share options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee under the 2003 share option scheme from 17 April 2007 to 19 April 2007. The share options were expired during the period 17 April 2017 to 19 April 2017.

(ii) Movement in the number of share options outstanding and their related weighted average exercise prices is as follows:

	2017		2016	
	Average exercise price per share HK$	**Number of share options**	Average exercise price per share HK$	Number of share options
As at 1 January	**19.30**	**9,940,000**	19.30	12,980,000
Lapsed	**19.30**	**(9,940,000)**	19.30	(3,040,000)
As at 31 December	–	–	19.30	9,940,000

21 Reserves

	Capital reserve RMB'000	Hedging reserve RMB'000	Other reserves RMB'000	Statutory reserve fund RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2017	32,648,456	1,970	(4,204,142)	(204,853)	40,503	(4,205,734)	(15,969,178)	8,107,022
Comprehensive income/(loss)								
Profit for the year	–	–	–	–	–	–	2,661,936	2,661,936
Other comprehensive (loss)/income								
Fair value gains on available-for-sale financial assets, net of tax	–	–	–	–	467,563	–	–	467,563
Release of investment revaluation reserve of an available-for financial asset upon further acquisition to became an associate	–	–	–	–	(123,387)	–	–	(123,387)
Release of reserve upon disposal of a joint venture	–	–	–	–	–	(36,435)	–	(36,435)
Release of reserve upon contribution of equity investments to an associate	(581)	–	–	–	–	(3,901)	–	(4,482)
Release of reserve upon further acquisition of an associate to become a subsidiary	–	–	–	–	–	12,599	–	12,599
Cash flow hedges, net of tax	–	–	–	–	919	–	–	919
Share of other comprehensive income/(loss) joint ventures and associates	–	–	30,004	–	(2,060)	23,434	–	51,378
Currency translation differences	–	–	–	–	–	(906,458)	–	(906,458)
Remeasurements of post-employment benefit obligations	–	–	(17,600)	–	–	–	–	(17,600)
Total other comprehensive (loss)/income	(581)	–	12,404	–	343,035	(910,761)	–	(555,903)
Total comprehensive (loss)/income for the year ended 31 December 2017	(581)	–	12,404	–	343,035	(910,761)	2,661,936	2,106,033
Total contributions by and distributions to owners of the Company recognised directly in equity:								
Contributions from non-controlling shareholders of subsidiaries	279,072	–	–	–	–	–	–	279,072
Others	(76,074)	–	–	–	(789)	16,299	21,450	(39,114)
Total contributions by and distributions to owners of the Company	202,998	–	–	–	(789)	16,299	21,450	239,958
As at 31 December 2017	32,850,873	1,970	(4,191,738)	(204,853)	382,749	(5,100,196)	(13,285,792)	10,453,013

21 Reserves (Continued)

	Capital reserve RMB'000	Hedging reserve RMB'000	Other reserves RMB'000	Statutory reserve fund RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2016, as previously reported	39,068,412	1,970	(800,726)	851,456	9,408	(7,884,621)	(16,808,847)	14,437,052
Adoption of merger accounting (note 42)	3,491,387	–	33,572	–	(59,469)	(14,199)	454,932	3,906,223
Balance at 1 January 2016	42,559,799	1,970	(767,154)	851,456	(50,061)	(7,898,820)	(16,353,915)	18,343,275
Comprehensive loss								
Loss for the year	–	–	–	–	–	–	(9,906,003)	(9,906,003)
Other comprehensive (loss)/income								
Fair value losses on available-for-sale financial assets, net of tax	–	–	–	–	(40,920)	–	–	(40,920)
Impairment loss on available-for-sale financial assets (note 14(e))	–	–	–	–	131,484	–	–	131,484
Share of other comprehensive income/(loss) of joint ventures and associates	–	–	17,244	–	–	(34,546)	–	(17,302)
Recyling of currency translation differences upon disposals of subsidiaries	–	–	–	–	–	3,033,856	–	3,033,856
Release of reserve upon disposal of subsidiaries	(5,347,157)	–	(3,874,438)	(1,056,309)	–		10,277,904	–
Currency translation differences	–	–	–	–	–	693,776	–	693,776
Remeasurements of post-employment benefit obligations	–	–	120,520	–	–	–	–	120,520
Total other comprehensive (loss)/income	(5,347,157)	–	(3,736,674)	(1,056,309)	90,564	3,693,086	10,277,904	3,921,414
Total comprehensive (loss)/income for the year ended 31 December 2016	(5,347,157)	–	(3,736,674)	(1,056,309)	90,564	3,693,086	371,901	(5,984,589)
Total contributions by and distributions to owners of the Company recognised directly in equity:								
Issue of shares on settlement of scrip dividend by a subsidiary	–	–	157,048	–	–	–	–	157,048
Acquisition of subsidiaries under common control	(4,564,186)	–	–	–	–	–	–	(4,564,186)
Transfer of reserve upon lapse of share options	–	–	(12,836)	–	–	–	12,836	–
Others	–	–	155,474	–	–	–	–	155,474
Total contributions by and distributions to owners of the Company	(4,564,186)	–	299,686	–	–	–	12,836	(4,251,664)
As at 31 December 2016	32,648,456	1,970	(4,204,142)	(204,853)	40,503	(4,205,734)	(15,969,178)	8,107,022

21 Reserves (Continued)

Notes:

(a) Statutory reserve fund

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to allocate 10% of net profit of the Company, as determined in accordance with the China Accounting Standards ("CAS"), to the statutory reserve fund until such statutory reserve fund reaches 50% of the registered capital of the Company. The appropriation to the statutory reserve fund must be made before any distribution of dividends to equity holders. The statutory reserve fund can be used to offset previous year's losses, if any, and part of the statutory reserve fund can be capitalised as the Company's share capital provided that the amount of such statutory reserve fund remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

(b) In accordance with the articles of association of the Company, the profit available for appropriation by the Company for the purpose of dividend payments is based on the lesser of (i) the net profit determined in accordance with the CAS; and (ii) the net profit determined in accordance with HKFRSs. Profit distribution is made after the appropriation to statutory reserve fund and recovery of previous years' losses.

(c) Other reserves of the Group as at 31 December 2017 represented capital reserve and other reserves of joint ventures and associates, and remeasurements of post-employment benefit obligations.

(d) Capital reserve mainly represents the capitalisation of the reserves of the acquired subsidiaries from the parent company upon the incorporation of the Company on 3 March 2005 and the share premium (net with share issuance expenses) arising upon issuance of the Company's H-shares and A-shares in 2005 and 2007.

22 Long-term borrowings

	2017 RMB'000	2016 RMB'000
Bank loans		
– secured (note i)	**20,868,293**	14,010,694
– unsecured	**13,400,361**	21,799,528
Loans from COSCO Finance		
– unsecured	**249,500**	167,000
Loans from CS Finance		
– secured	**72,000**	98,402
Notes/bonds (note b)	**17,374,249**	17,852,399
Loans from non-controlling shareholders of subsidiaries (note c)	**346,413**	2,212
Loans from a fellow subsidiary (note d)	**132,601**	199,823
Finance lease obligations	**6,528**	—
Total long-term borrowings	**52,449,945**	54,130,058
Current portion of long-term borrowings	**(8,540,731)**	(6,661,134)
	43,909,214	47,468,924

22 Long-term borrowings (Continued)

Notes:

(a) As at 31 December 2017, the long-term borrowings were repayable as follows:

	2017 RMB'000	2016 RMB'000
Bank loans		
– within one year	4,550,111	6,485,534
– in the second year	7,860,314	10,480,235
– in the third to fifth years	12,520,489	11,636,115
– after the fifth year	9,337,740	7,208,338
	34,268,654	35,810,222
Loans from COSCO Finance		
– within one year	–	167,000
– in the second year	249,500	–
	249,500	167,000
Loans from CS Finance		
– within one year	–	8,600
– in the second year	3,480	10,242
– in the third to fifth years	35,720	34,760
– after the fifth year	32,800	44,800
	72,000	98,402
Notes/bonds		
– within one year	3,989,000	–
– in the second year	–	3,977,000
– in the third to fifth years	4,959,763	4,944,673
– after the fifth year	8,425,486	8,930,726
	17,374,249	17,852,399
Loans from non-controlling shareholders of subsidiaries		
– in the second year	300,020	2,192
– after the fifth year	46,393	20
	346,413	2,212
Loans from a fellow subsidiary		
– in the second year	61,868	67,303
– in the third to fifth years	61,767	107,654
– after the fifth year	8,966	24,866
	132,601	199,823

22 Long-term borrowings (Continued)

Notes: (Continued)

(a) As at 31 December 2017, the long-term borrowings were repayable as follows: (Continued)

	2017 RMB'000	2016 RMB'000
Finance lease obligations		
– within one year	**1,620**	–
– in the second year	**1,679**	–
– in the third to fifth years	**3,229**	–
	6,528	–
	52,449,945	54,130,058

(b) Details of the notes/bonds as at 31 December 2017 are as follows:

	2017 RMB'000	2016 RMB'000
Principal amount	**17,174,650**	17,174,650
Discount on issue	**(90,439)**	(90,439)
Notes/bonds issuance cost	**(424,183)**	(424,183)
Proceeds received	**16,660,028**	16,660,028
Currency translation differences	**477,251**	985,284
Accumulated amortised amounts of		
– discount on issue	**35,673**	34,342
– notes/bonds issuance cost	**201,297**	172,745
	17,374,249	17,852,399

(i) Notes issued by the Company

Notes with principal amount of RMB5,000,000,000 and RMB4,000,000,000, which bear interest at a fixed rate of 4.35% and 5.45% per annum, were issued by the Company to investors on 3 September 2010 and 29 November 2011 respectively at a price equal to the principal amount. The notes will mature at their principal amount on 6 September 2020 and 30 November 2018 respectively.

(ii) Notes and bonds issued by subsidiaries

On 3 December 2012, COSCO Finance (2011) Limited, a subsidiary of the Company, issued bonds with an aggregate principal amount of US$1,000,000,000 (equivalent to approximately RMB6,493,600,000). The bonds carry a fixed interest yield of 4.00% per annum and were issued at a price of 98.766% of their principal amount. The bonds bear interest from 3 December 2012, payable semi-annually in arrears. The bonds are guaranteed by an irrevocable standby letter of credit issued by Bank of China Limited, Beijing Branch. The bonds have been listed on The Stock Exchange of Hong Kong Limited.

Unless previously redeemed or repurchased by COSCO Finance (2011) Limited, the bonds will mature on 3 December 2022 at their principal amount. The bonds are subject to redemption in whole, at the option of COSCO Finance (2011) Limited at any time in the event of certain changes affecting the taxes of certain jurisdictions at their principal amount together with accrued interest, or at any time after 3 December 2017 at a redemption price.

22 Long-term borrowings (Continued)

Notes: (Continued)

(b) Details of the notes as at 31 December 2017 are as follows: (Continued)

(ii) Notes and bonds issued by subsidiaries (Continued)

10-year notes with principal amount of US$300,000,000 were issued by a subsidiary of the Company to investors on 31 January 2013. The notes carried a fixed interest yield of 4.46% per annum and were issued at a price of 99.320 per cent of their principal amount with a fixed coupon rate of 4.375% per annum, resulting in a discount on issue of US$2,040,000. The notes bear interest from 31 January 2013, payable semi-annually in arrear on 31 January and 31 July of each year, commencing on 31 July 2013. The notes are guaranteed unconditionally and irrevocably by the Company and listed on the Stock Exchange. Unless previously redeemed or repurchased by the Company, the notes will mature on 31 January 2023 at their principal amount. The notes are subject to redemption in whole, at their principal amount, together with accrued interest, at the option of the Company at any time in the event of certain changes affecting the taxes of certain jurisdictions.

(c) As at 31 December 2017, balance of RMB46,413,000 from non-controlling shareholders of subsidiaries was unsecured, interest fee and not repayable within next twelve months. The remaining balance was unsecured, beared interest at 4.75% per annum and was repayable in 2019. As at 31 December 2016, all the loans from non-controlling shareholders of subsidiaries are unsecured, interest free and not due for repayment in the next 12 months. The carrying values of the loan were not materially different from their fair values.

(d) As at 31 December 2017, the Group entered finance lease contracts for leasing of terminal equipment with a fellow subsidiary. The balance in respect of such finance lease arrangements of approximately RMB132,601,000 (2016: RMB 199,823,000) was included in loans from a fellow subsidiary for the non-current portion and of approximately RMB67,398,000 (2016: RMB64,206,000) was included in trade and other payables due to fellow subsidiaries for the current portion (note 24). The average term of the finance lease contracts is 8 years (2016: 8 years), and bear interest ranging from 2% above to 11% below the RMB five-year benchmark lending rate, or 5.98%. The cost of assets acquired under the finance lease amounted to RMB358,590,000 (2016: RMB557,929,000) as at 31 December 2017 (note 6(d)). The carrying values of the loan were not materially different from their fair values.

(e) The exposure of the Group's long-term borrowings to interest rate changes and the contractual repricing dates at balance sheet date are as follows:

	Less than one year RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2017				
Total borrowings	**8,540,731**	**26,057,829**	**17,851,385**	**52,449,945**
As at 31 December 2016				
Total borrowings	6,661,134	31,260,174	16,208,750	54,130,058

(f) The effective interest rates per annum of the long-term borrowings as at 31 December 2017 were as follows:

		2017	
	US dollar	RMB	EURO
Bank loans	**1.8% to 4.3%**	**3.8% to 5.5%**	**0.5% to 5.2%**
Loans from COSCO Finance	**–**	**3.6%**	**–**
Loans from CS Finance	**–**	**3.9%**	**–**
Notes/bonds	**4.0% to 4.4%**	**4.4% to 5.5%**	**–**
Loans from non-controlling shareholders of subsidiaries	**–**	**4.8%**	**–**
Loans from a fellow subsidiary	**–**	**4.4% to 6.0%**	**–**
Finance lease obligations	**–**	**–**	**3.4%**

22 Long-term borrowings (Continued)

Notes: (Continued)

(f) The effective interest rates per annum of the long-term borrowings as at 31 December 2017 were as follows: (Continued)

	2016		
	US dollar	RMB	EURO
Bank loans	1.3% to 3.3%	3.8% to 5.5%	0.5% to 5.2%
Loans from COSCO Finance	—	3.6% to 4.3%	—
Loans from CS Finance	—	3.9%	—
Notes/bonds	4.0% to 4.4%	4.4% to 5.5%	—
Loans from non-controlling shareholders of subsidiaries	—	—	1.5%
Loans from a fellow subsidiary	—	4.4% to 6.0%	—

As at 31 December 2017, balance of RMB32,355,133,000 (2016: RMB33,468,169,000) of bank loans bore floating interest rates.

(g) The carrying amounts and fair values of the long-term borrowings are as follows:

	Carrying amounts		**Fair values**	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Bank loans	**34,268,654**	35,810,222	**34,626,428**	34,320,297
Loans from COSCO Finance	**249,500**	167,000	**249,500**	167,000
Loans from CS Finance	**72,000**	98,402	**72,000**	98,402
Notes/bonds	**17,374,249**	17,852,399	**17,724,058**	18,270,862
Loans from a non-controlling shareholders of subsidiaries	**346,413**	2,212	**346,413**	2,212
Loans from a fellow subsidiary	**132,601**	199,823	**132,601**	199,823
Finance lease obligations	**6,528**	—	**6,174**	—
	52,449,945	54,130,058	**53,157,174**	53,058,596

The fair values of the Group's non-current borrowings are determined based on cash flows discounted using the Group's weighted average borrowing rate per annum.

(h) The carrying amounts of the long-term borrowings are denominated in the following currencies:

	2017 RMB'000	2016 RMB'000
US dollar	**28,454,658**	31,988,587
RMB	**18,165,844**	16,437,619
EURO	**5,829,443**	5,703,852
	52,449,945	54,130,058

22 Long-term borrowings (Continued)

Notes: (Continued)

(i) The secured bank loans as at 31 December 2017 are secured, inter alia, by one or more of the following:

(i) First legal mortgage over certain property, plant and equipment with aggregate net book value of RMB23,905,072,000 (2016: RMB22,601,560,000) (notes 6(b) and 6(c));

(ii) Assignments of the charter, rental income and earnings, requisition compensation and insurance relating to certain container vessels;

(iii) Shares of certain subsidiaries; and

(iv) Bank accounts of certain subsidiaries (note 17(a)).

23 Provisions and other liabilities

	Retirement benefit obligations RMB'000 (note a)	Provision for onerous contracts RMB'000	Provision for one-off housing subsidies RMB'000	Deferred income and others RMB'000	Total RMB'000
For the year ended 31 December 2017					
As at 1 January 2017	**302,257**	**–**	**39,982**	**227,767**	**570,006**
Decrease during the year	**(23,343)**	**–**	**–**	**(6,142)**	**(29,485)**
Provisions for the year	**9,150**	**–**	**–**	**109,052**	**118,202**
Currency translation differences	**(298)**	**–**	**–**	**(1,724)**	**(2,022)**
As at 31 December 2017	**287,766**	**–**	**39,982**	**328,953**	**656,701**
Less: current portion of provisions and other liabilities	**(4,688)**	**–**	**–**	**–**	**(4,688)**
Non-current portion of provisions and other liabilities	**283,078**	**–**	**39,982**	**328,953**	**652,013**
For the year ended 31 December 2016					
As at 1 January 2016	1,009,769	75,686	79,913	221,336	1,386,704
Decrease during the year	(44,599)	(70,504)	(9,001)	(2,120)	(126,224)
Provisions for the year	17,463	155,493	24	17,146	190,126
Currency translation differences	822	798	–	19,761	21,381
Disposals of subsidiaries	(681,198)	(161,473)	(30,954)	(28,356)	(901,981)
As at 31 December 2016	302,257	–	39,982	227,767	570,006
Less: current portion of provisions and other liabilities	(12,624)	–	–	–	(12,624)
Non-current portion of provisions and other liabilities	289,633	–	39,982	227,767	557,382

23 Provisions and other liabilities (Continued)

Notes:

(a) Retirement benefit obligations

	2017 RMB'000	2016 RMB'000
Balance sheet obligations for:		
Multi-employer defined benefits plans for US employees (note (i))	–	11,494
Early-retirement benefits for PRC employees (note (ii))	22,369	31,154
Post-retirement benefits for PRC employees (note (ii))	265,397	259,609
	287,766	302,257
Expensed in income statement for:		
Early-retirement benefits for PRC employees (note (ii))	(1,020)	6,156
Post-retirement benefits for PRC employees (note (ii))	27,798	28,277
	26,778	34,433

(i) Multi-employer defined benefit plan

As the actuary is unable to provide sufficient information to the Group's proportional share of the defined benefit obligation and the assets and expenses associated with the multi-employer plan and there is no agreement on the future allocation of surplus/shortfall from the plan, the multi-employer defined benefit plan has been accounted for as a defined contribution plan.

(ii) Retirement benefits for PRC employees

The Group recognises a liability for the present value of the unfunded obligations relating to retirement benefits payable to certain normal retired or early retired employees in the consolidated balance sheet. The liability related to the benefit obligations for eligible retired employees existing at year end is calculated by independent actuaries, using the projected unit credit method. The actuarial liabilities of early retirement and post retirement as at 31 December 2017 totalled RMB287,766,000 (2016: RMB290,763,000). If the discount rate used to increase/decrease by 0.25% from management's estimates with all other variables held constant, the carrying amount of retirement benefit obligations as at 31 December 2017 would have been RMB6,570,000 lower or RMB6,850,000 higher.

23 Provisions and other liabilities (Continued)

Notes: (Continued)

(a) Retirement benefit obligations (Continued)

(ii) Retirement benefits for PRC employees (Continued)

Movements of the net liabilities recognised in the consolidated balance sheets are as follows:

	2017			2016		
	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000
As at 1 January	31,154	259,609	290,763	109,568	885,622	995,190
Charged/(credited) to the consolidated income statement	(1,020)	27,798	26,778	6,156	163,207	169,363
Remeasurements of post-employment benefit obligations	–	17,600	17,600	–	(120,520)	(120,520)
Benefits paid	(7,765)	(39,610)	(47,375)	(23,370)	(48,703)	(72,073)
Disposal of subsidaries	–	–	–	(61,200)	(619,997)	(681,197)
As at 31 December	22,369	265,397	287,766	31,154	259,609	290,763

The amounts of retirement benefit costs recognised in the consolidated income statement comprise:

	2017			2016		
	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000
Interest cost	570	(9,020)	(8,450)	7,026	(3,992)	3,034

The principal actuarial assumptions used were as follows:

	2017		2016	
	Early retirement	Post retirement	Early retirement	Post retirement
Discount rate	3.75%	4.00%	3.00%	3.25%
Retirement benefits inflation rates	3.00% - 4.50%	0.00% - 8.00%	3.00% - 4.50%	0.00% - 8.00%

24 Trade and other payables

	2017 RMB'000	2016 RMB'000
Trade payables (note a)		
– third parties	**6,222,836**	5,345,658
– fellow subsidiaries	**1,460,610**	1,970,808
– joint ventures	**183,544**	226,094
– associates	**41,704**	53,153
– other related companies	**40,283**	82,341
	7,948,977	7,678,054
Bills payables (note a)	**122,725**	26,000
	8,071,702	7,704,054
Advances from customers	**242,557**	239,176
Other payables and accruals (note b)	**13,287,480**	12,811,738
Due to related companies		
– fellow subsidiaries (note 22(d))	**257,795**	362,013
– joint ventures (note d)	**305,508**	297,384
– associates (note e)	**102,186**	121
– other related companies (note f)	**918,701**	1,307,553
	1,584,190	1,967,071
Total	**23,185,929**	22,722,039

24 Trade and other payables (Continued)

Notes:

(a) As at 31 December 2017, the ageing analysis of trade and bills payables on the basis of the date of relevant invoice or demand note is as follows:

	2017	2016
	RMB'000	RMB'000
1-6 months	**7,914,745**	6,356,481
7-12 months	**95,879**	1,273,350
1-2 years	**34,258**	38,853
2-3 years	**12,238**	10,101
Above 3 years	**14,582**	25,269
	8,071,702	7,704,054

Trade balances with related companies are unsecured, interest free and have similar terms of repayment as those of third party suppliers.

(b) Other payables and accruals

	2017	2016
	RMB'000	RMB'000
Salary and welfare payables	**2,031,240**	1,163,301
Accruals for voyages costs	**5,197,577**	5,998,999
Accruals for vessel costs	**3,096,382**	2,993,305
Interest payables	**279,184**	216,309
Others	**2,683,097**	2,439,824
	13,287,480	12,811,738

(c) The carrying amounts of trade and other payables (excluding advances from customers) are denominated in the following currencies:

	2017	2016
	RMB'000	RMB'000
US dollar	**10,737,793**	11,318,641
RMB	**9,160,454**	7,431,512
EURO	**704,268**	1,134,132
HK dollar	**525,652**	550,508
Other currencies	**1,815,205**	2,048,070
Total	**22,943,372**	22,482,863

24 Trade and other payables (Continued)

Notes: (Continued)

(d) The balance included loans from a joint venture of US$42,622,000 (equivalent to approximately RMB278,501,000) (2016: US$40,147,000, equivalent to approximately RMB278,500,000) which are unsecured, bear interest at 2.3% (2016: 2.3%) per annum and repayable within twelve months.

(e) The amounts due to associates included a loan from an associate of US$15,304,000 (equivalent to approximately RMB99,999,000) (2016: Nil), which is unsecured, interest bearing at 2.3% per annum and repayable within twelve months.

(f) The balance included loans from non-controlling shareholders of subsidiaries, which are unsecured and repayable within twelve months. Balance of US$6,328,000 (equivalent to approximately RMB41,348,000) (2016: US$8,534,000, equivalent to approximately RMB59,200,000) bears interest at 0.6% above 1-year US dollar London Interbank Offered Rate ("LIBOR") per annum. Balance of US$49,681,000 (equivalent to approximately RMB324,626,000) (2016: US$49,681,000, equivalent to approximately RMB344,637,000) is interest free. Balance of US$45,912,000 (equivalent to approximately RMB299,998,000) (2016: US$57,661,000, equivalent to approximately RMB399,994,000) bears interest at 3.8% (2016:3.9%) per annum. Balance of US$9,182,000 (equivalent to approximately RMB59,997,000) (2016:US$51,896,000,equivalent to approximately RMB360,003,000) bears interest at 4.4% (2016:3.5%) per annum.

25 Short-term borrowings

	2017	2016
	RMB'000	RMB'000
Bank loans - unsecured	**6,823,572**	1,800,000
COSCO Finance-unsecured	**2,365,000**	763,807
Loan from COSCO - unsecured	**563,110**	563,110
Loans from COSCO SHIPPING - unsecured	**1,188,120**	—
Other loans - unsecured	**—**	120,000
	10,939,802	3,246,917

Notes:

(a) The effective interest rates of short-term borrowings as at 31 December 2017 were in the range of 0.85% to 4.35% (2016: 2.5% to 3.92%) per annum.

(b) The carrying amounts of short-term borrowings approximate their fair values. The carrying amounts of the short-term borrowings are denominated in the following currencies:

	2017	2016
	RMB'000	RMB'000
US dollar	**5,645,549**	—
RMB	**5,216,230**	3,246,917
EUR	**78,023**	—
	10,939,802	3,246,917

26 Other income/(expense), net

	2017 RMB'000	2016 RMB'000
Dividend income from listed and unlisted investments	**13,029**	40,385
Government subsidy for demolition of vessels and other subsidies (note a)	**1,171,581**	540,913
(Loss)/gain on disposal of/write off property, plant and equipment, net		
– container vessels	**(91,163)**	(1,038,656)
– others	**2,274**	11,390
Gain on disposal of an associate	**203**	—
Gain on remeasurement of equity invesments	**49,751**	—
Reversal of provision for impairment of trade and other receivables	**3,264**	32,614
Provision for impairment of trade and other receivables	**(14,098)**	(9,683)
Net exchange (loss)/gain	**(55,117)**	114,726
Compensation expense	**(11,681)**	(56,513)
Compensation income	**796**	10,724
Donations	**(377)**	(444)
Impairment on available-for-sale financial assets	**—**	(131,484)
Gain on fair value change on share appreciation rights	**—**	15,213
Others	**39,672**	622
Total	**1,108,134**	(470,193)

Note:

(a) In 2017, the Company received a subsidy of approximately RMB509.7 million (2016: approximately RMB189.5 million) from the Ministry of Finance ("MoF") through COSCO SHIPPING in respect of the demolition of vessels in accordance with the "Implementation Plan for Early Retirement and Replacement of Obsolete and Worn-out Transportation Vessels And Single-hull Oil Tankers" (《老舊運輸船舶和單殼油輪提前報廢更新實施方案》) and "Administrative Measure For The Special Subsidies Given By The Central Finance To Encourage Retirement And Replacement Of Obsolete and Worn-out Transportation Vessels And Single-hull Oil Tankers" (《老舊運輸船舶和單殼油輪報廢更新中央財政補助專項資金管理辦法》) jointly promulgated by MoF, the Ministry of Transport, the Development and Reform Commission, and the Ministry of Industry and Information Technology of China.

27 Disposal of a joint venture and further acquisition on available-for-sale financial asset to become an associate

On 20 January 2017, Shanghai China Shipping Terminal Development Co., Ltd. ("SCSTD", a wholly-owned subsidiary of the Group) and QPI entered into an agreement under which, SCSTD conditionally agreed to subscribe for 1,015,520,000 non-circulating domestic shares in QPI at a total consideration of RMB5,798,619,000 (being RMB5.71 per share), of which RMB3,198,651,000 was settled by the transfer of a 20% equity interest in QQCT to QPI and the remaining RMB2,599,968,000 was settled in cash. The disposal was completed on 19 May 2017 and resulted in a gain of RMB1,886,333,000 recognised in the consolidated income statement for the year ended 31 December 2017. The Group's share of fair value of identifiable net assets amounted to approximately RMB4,293,748,000 and the goodwill included in investment in associates arising from the acquisition amounted to approximately RMB1,504,871,000. The subscription was completed on 22 May 2017. After the subscription of the aforesaid QPI's non-circulating domestic shares, the Group's equity interest in QPI has increased from 1.59% to 18.41% and QPI became an associate of the Group since then. Separately, the gain from the remeasurement of the previously held 1.59% interest in QPI of approximately RMB264,099,000 has been recognised in the consolidated income statement for the year ended 31 December 2017.

28 Expenses by nature

	2017 RMB'000	2016 RMB'000
Cost of services and inventories sold (note a)		
Container shipping and related business		
– Equipment and cargo transportation costs	39,837,978	33,364,415
– Voyage costs (note b)	16,863,203	11,776,780
– Vessel costs (note c)	16,037,001	14,202,625
	72,738,182	59,343,820
Freight forwarding and shipping agency costs	7,621,592	9,041,577
Cost of services related to container shipping and related business	80,359,774	68,385,397
Terminal operating and other direct costs	2,867,542	2,384,520
Other business costs	–	182
Elimination between different businesses	(631,043)	(508,197)
Tax and surcharges	165,597	120,943
Total	82,761,870	70,382,845
Selling, administrative and general expenses		
Administrative staff costs	3,698,475	2,751,558
Depreciation and amortisation	181,291	164,016
Rental expense	262,984	246,661
Office expense	97,670	56,317
Transportation and travelling expense	101,610	85,449
Legal and professional fees	290,447	192,172
Auditors' remuneration	42,731	41,267
Telecommunication and utilities	86,197	101,011
Repair and maintenance expense	74,285	74,814
Others	396,361	307,810
Total	5,232,051	4,021,075

Notes:

(a) It included depreciation and amortisation expenses of RMB2,153,251,000 (2016: RMB2,056,534,000) and operating lease rentals of RMB12,248,757,000 (2016: RMB10,927,378,000) respectively.

(b) Voyage costs mainly comprised bunkers and port charges.

(c) Vessel costs mainly comprised operating lease rentals and depreciation of vessels.

29 Finance income and costs

	2017 RMB'000	2016 RMB'000
Finance income		
Interest income from:		
– deposits in COSCO Finance (note 17(b))	**62,790**	73,913
– deposits in CS Finance (note 17(c))	**170**	2,421
– loans to joint ventures and associates (note 13)	**50,347**	32,067
– banks	**371,418**	391,327
	484,725	499,728
Finance costs		
Interest expenses on:		
– bank loans	**(1,140,257)**	(913,119)
– other loans (note 25)	**(3,762)**	(3,431)
– loans from fellow subsidiaries (note 22)	**–**	(1,381)
– loans from non-controlling shareholders of subsidiaries (note 22 (c))	**(30,989)**	(18,541)
– loans from a joint venture	**(6,446)**	(5,791)
– loan from an associate	**(122)**	–
– loan from COSCO SHIPPING	**(11,000)**	(1,295)
– loan from COSCO	**(20,554)**	–
– loans from COSCO Finance (note 22 and 25)	**(67,718)**	(57,625)
– loans from CS Finance	**(3,581)**	(4,287)
– finance lease obligations	**(10,899)**	(18,806)
– notes/bonds (note 22(b))	**(750,120)**	(788,557)
	(2,045,448)	(1,812,833)
Amortisation of transaction costs on long-term borrowings	**(61,709)**	(52,443)
Amortisation of discount on issue of notes	**(1,433)**	(1,534)
Other incidental borrowing costs and charges	**(171,941)**	(150,103)
Less: amount capitalised in construction in progress (note 6(e))	**168,996**	104,035
	(2,111,535)	(1,912,878)
Net related exchange loss	**(35,833)**	(401,579)
Net finance costs	**(1,662,643)**	(1,814,729)

30 Income tax expenses

	2017 RMB'000	2016 RMB'000
Current income tax (note a)		
– PRC enterprise income tax	**648,642**	269,195
– Hong Kong profits tax	**9,320**	10,896
– Overseas taxation	**187,388**	169,016
(Over)/under provision in prior years	**(2,498)**	17,046
	842,852	466,153
Deferred income tax	**29,499**	40,286
	872,351	506,439

Notes:

(a) Current income tax

Taxation has been provided at the appropriate rates of taxation prevailing in the countries in which the Group operates. These rates range from 12.5% to 39.83% (2016: 12.5% to 43%).

The statutory rate for PRC enterprise income tax is 25% and certain PRC companies enjoy preferential tax treatment with the reduced rates ranging from 0% to 20% (2016: 0% to 20%).

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits derived from or arising in Hong Kong for the year.

(b) The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	2017 RMB'000	2016 RMB'000
Profit/(loss) before income tax	**5,703,036**	(5,456,070)
Less: Share of profits less losses of joint ventures and associates	**(1,701,956)**	(1,399,608)
	4,001,080	(6,855,678)
Calculated at a tax rate of 25% (2016: 25%)	**1,000,270**	(1,713,919)
Effect of different tax rates of domestic and overseas entities	**(38,923)**	(129,184)
Income not subject to income tax	**(837,356)**	(267,521)
Expenses not deductible for taxation purposes	**205,366**	627,830
Utilisation of previously unrecognised tax losses	**(206,932)**	(66,562)
Tax losses not recognised	**304,701**	1,949,750
Reversal of previously recognised deferred tax liabilities	**–**	(44,674)
Withholding income tax upon distribution of profits and payment of interest	**439,898**	129,817
Other temporary differences not recognised	**7,825**	3,856
(Over) /underprovision in prior years	**(2,498)**	17,046
Income tax expense	**872,351**	506,439

30 Income tax expenses (Continued)

Notes: (Continued)

(c) Except for the income tax RMB248,580,000 (2016: RMB2,750,000) relating to the deferred tax provided on the fair value gain (2016: fair value loss) on available-for-sale financial assets, RMB1,569,000 (2016: Nil) deferred tax liability to the cash flow hedges in 2017, there was no income tax relating to components of other comprehensive income for the year ended 31 December 2017 and 2016.

31 Loss attributable to equity holders of the Company

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB500,913,000 (2016: RMB22,327,640,000).

32 Dividend

The Directors did not recommend the payment of interim or final dividend for the year ended 31 December 2017 and the year ended 31 December 2016.

33 Earnings/(loss) per share

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the number of ordinary shares in issue during the year.

	2017	2016
Profit/(loss) from continuing operations attributable to equity holders of the Company (RMB)	**2,661,936,000**	(7,227,647,000)
Loss from discontinued operation attributable to equity holders of the Company (RMB)	**–**	(2,678,356,000)
	2,661,936,000	(9,906,003,000)
Number of ordinary shares in issue	**10,216,274,357**	10,216,274,357
Basic earnings/(loss) per share (RMB)		
From continuing operations	**0.26**	(0.71)
From discontinued operation	**–**	(0.26)
	0.26	(0.97)

(b) Diluted

The outstanding share options granted by a subsidiary of the Company did not have any dilutive effect on the earnings/(loss) per share for the year ended 31 December 2017, and the diluted (loss)/earnings per share is equal to the basic earnings/(loss) per share for the year ended 31 December 2017 (2016: same).

34 Staff costs

An analysis of staff costs, including directors', supervisors' and key management's emoluments, is set out below:

	2017	2016
	RMB'000	RMB'000
Wages, salaries and crew expenses (including bonus and share-based payments)	**5,156,847**	3,993,115
Housing benefits (note a)	**229,747**	229,217
Retirement benefits costs		
– defined benefit plans (including multi-employer defined benefit plans) (note 23(a))	**26,778**	25,060
– defined contribution plans (note b)	**842,402**	822,953
Welfare and other expenses	**1,729,630**	1,266,531
	7,985,404	6,336,876

Notes:

(a) These include contributions to PRC government sponsored housing funds (at rates ranging from 7% to 30% of the employees' basic salaries) for full time employees in the PRC during the year.

(b) The employees of the subsidiaries in the PRC participate in various retirement contribution plans organised by the relevant municipal and provincial governments in the PRC under which the Group was required to make monthly contributions to these plans at rates ranging from 5% to 22%, depending on the applicable local regulations, of the employees' basic salaries for the year.

In addition, the Group participates in various defined contribution retirement schemes for its qualified employees in certain countries outside the PRC. Employees' and employers' contributions are calculated based on various percentages of employees' gross salaries or fixed sums and length of service. The assets of the schemes are held separately from those of the administered funds independently.

No forfeited contributions were available as at 31 December 2017 and 2016 to reduce future contributions.

Contributions totalling RMB547,820,000 (2016: RMB545,713,000) payable to various retirement benefit plans as at 31 December 2017 are included in trade and other payables.

(c) The staff costs disclosed above do not include staff quarters provided to the directors, supervisors and the Group's key managements during the year. Further details of the directors, supervisors and key management's emoluments are disclosed in note 35 of the consolidated financial statements.

35 Emoluments of directors, supervisors and senior management

(a) Directors', supervisors' and senior management's emoluments

Details of the emoluments paid and payable to the directors, supervisors and senior management of the Company by the Group in respect of their services rendered for managing the business of the Group during the year are as follows:

	2017 RMB'000	2016 RMB'000
Independent non-executive directors		
– fees	1,782	1,928
Executive and other non-executive directors		
– salaries and allowances	12,333	5,743
– benefits in kind	186	105
– retirement benefit contributions	201	185
	12,720	6,033
Supervisors		
– salaries and allowances	7,103	1,873
– benefits in kind	56	60
– retirement benefit contributions	62	75
	7,221	2,008
Senior management		
– salaries and allowances	5,045	5,462
– benefits in kind	131	51
– retirement benefit contributions	134	152
	5,310	5,665
	27,033	15,634

Benefits in kind for the year ended 31 December 2017 disclosed above included amortised cost, change in fair value and cancellation with a net credit of RMB Nil (2016: RMB100,000) on outstanding SARs not yet exercised by directors, supervisors and senior management (note 20(b)).

35 Emoluments of directors, supervisors and senior management (Continued)

(b) Directors', chief executive's and supervisors' emoluments

Details of the remuneration of each of the directors, the chief executive and the supervisors are set out below:

	Year ended 31 December 2017				
Name	Fees	Salaries and allowances	Benefits in kind	Retirement benefit contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Wan Min	–	–	–	–	–
Huang Xiaowen	–	–	–	–	–
Xu Zunwu	–	1,865	65	67	1,997
Ma Jianhua	–	1,865	65	67	1,997
Wang Haimin	–	3,300	56	67	3,423
Zhang Wei (張為)	–	5,303	–	–	5,303
Feng Boming	–	–	–	–	–
Zhang Wei (張煒)	–	–	–	–	–
Chen Dong	–	–	–	–	–
Phillip Yang	482	–	–	–	482
TEO Siong Seng	283	–	–	–	283
Koo Chee Kong Kenneth	214	–	–	–	214
Zhou Zhonghui	104	–	–	–	104
Wu Dawei	99	–	–	–	99
Fan Hsu Lai Tai Rita	199	–	–	–	199
Kwong Che Keung Gordon	209	–	–	–	209
Peter Guy Bowie	192	–	–	–	192
Fu Xiangyang	–	–	–	–	–
Hao Wenyi	–	–	–	–	–
Qian Weizhong	–	3,300	56	62	3,418
Fang Meng	–	3,205	–	–	3,205
Meng Yan	–	302	–	–	302
Zhang Jianping	–	296	–	–	296
	1,782	19,436	242	263	21,723

35 Emoluments of directors, supervisors and senior management (Continued)

(b) Directors', chief executive's and supervisors' emoluments (Continued)

Details of the remuneration of each of the directors, the chief executive and the supervisors are set out below:

	Year ended 31 December 2016				
Name	Fees RMB'000	Salaries and allowances RMB'000	Benefits in kind RMB'000	Retirement benefit contributions RMB'000	Total RMB'000
Wan Min	—	—	(20)	—	(20)
Ma Zehua	—	—	—	—	—
Li Yunpeng	—	—	—	—	—
Huang Xiaowen	—	—	—	—	—
Sun Yueying	—	—	—	—	—
Sun Jiakang	—	—	—	—	—
Ye Weilong	—	—	—	—	—
Wang Yuhang	—	—	—	—	—
Xu Zunwu	—	960	60	89	1,109
Ma Jianhua	—	240	(21)	20	239
Wang Haimin	—	950	62	76	1,088
Zhang Wei（張為）	—	3,593	30	—	3,623
Feng Boming	—	—	(3)	—	(3)
Zhang Wei（張煒）	—	—	(4)	—	(4)
Chen Dong	—	—	—	—	—
Fan Hsu Lai Tai Rita	478	—	—	—	478
Kwong Che Keung Gordon	490	—	—	—	490
Peter Guy Bowie	474	—	—	—	474
Yang Liang Yee Philip	486	—	—	—	486
Fu Xiangyang	—	—	(6)	—	(6)
Hao Wenyi	—	—	—	—	—
Fang Meng	—	351	—	—	351
Qian Weizhong	—	193	9	12	214
Gao Ping	—	713	58	63	834
Zhang Li	—	—	—	—	—
Meng Yan	—	314	—	—	314
Zhang Jianping	—	302	—	—	302
	1,928	7,616	165	260	9,969

Note:

(i) During the year, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No directors of the Company waived or agreed to waive any emoluments during the year.

35 Emoluments of directors, supervisors and senior management (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year are as follows:

	Number of individuals	
	2017	2016
Directors	**2**	1
Employees	**3**	4
	5	5

The details of emoluments paid to the five highest paid individuals, have included two (2016: one) directors of the Company as disclosed in note 35(b) above. Details of emoluments paid to the remaining three (2016: four) highest paid non-director individuals for the year ended 31 December 2017 are as follows:

	2017	2016
	RMB'000	RMB'000
– Salaries and allowances	**5,603**	12,723
– Discretionary bonuses	**3,881**	2,493
– Retirement benefit contributions	**77**	86
– Others	**56**	57
	9,617	15,359

The emoluments of the above non-director individuals fell within the following bands:

	Number of individuals	
	2017	2016
HK$3,000,001 to HK$3,500,000 (equivalent to approximately RMB2,510,000 to RMB 2,930,000)	**–**	3
HK$3,500,001 to HK$4,000,000 (equivalent to approximately RMB2,930,000 to RMB3,340,000)	**2**	1
HK$4,000,001 to HK$4,500,000 (equivalent to approximately RMB3,340,000 to RMB3,760,000)	**1**	–
	3	4

36 Notes to the consolidated cash flow statement

(a) Reconciliation of profit before income tax to cash generated from operations:

	2017 RMB'000	2016 RMB'000
Profit/(loss) before income tax	**5,703,036**	(8,588,441)
Depreciation		
– property, plant and equipment	**2,200,289**	2,603,818
– investment properties	**9,237**	8,467
Amortisation		
– intangible assets	**68,955**	47,473
– leasehold land and land use rights	**45,175**	43,781
– concession	**10,886**	10,707
Amortised amount of transaction costs on long–term borrowings and discount on issue of notes/bonds	**63,142**	55,649
Dividend income from listed and unlisted investments	**(13,029)**	(40,385)
Share of profits less losses of		
– joint ventures	**(641,548)**	(770,674)
– associates	**(1,060,408)**	(634,150)
Interest expenses	**1,876,452**	1,977,127
Interest income	**(484,725)**	(511,421)
Net loss on disposal of property, plant and equipment	**88,889**	1,027,266
Provision for impairment of available–for–sale financial asset	**—**	131,484
Gain on remeasurement of previously held interest of an available-for-sale financial asset at fair value upon further acquisition to become an associate	**(264,099)**	—
Gain on disposal of a joint venture	**(1,886,333)**	—
Gain on disposal of an associate	**(203)**	—
Gain on remeasurement of equity investments	**(49,751)**	—
Net loss on disposal of subsidiaries	**—**	2,430,262
Other incidental borrowing costs and charges	**171,941**	167,640
Net exchange loss	**90,950**	349,038
Operating profit/(loss) before working capital changes	**5,928,856**	(1,692,359)
Increase in inventories	**(750,866)**	(557,226)
Increase/(decrease) in trade and other receivables	**1,598,796**	(3,851,974)
Increase in trade and other payables	**547,414**	7,273,321
Decrease in provisions and other liabilities	**19,718**	198,921
Decrease in restricted bank deposits	**37,129**	6,385
Cash generated from operations	**7,381,047**	1,377,068

36 Notes to the consolidated cash flow statement (Continued)

(b) Major non-cash transactions

	2017 RMB'000
Acquisition of an associate by transferring 20% equity interest in a joint venture as consideration (note 27)	3,198,651
Acquisition of an associate by contribution of 40% equity interest in a joint venture and 20% equity interest in an associate to the associate (note 11(b) and note 12(a))	795,155

(c) The reconciliation of liabilities arising from financing activities is as follows:

	Borrowings RMB'000	Notes/bonds RMB'000	Loans from non-controlling shareholders of subsidiaries RMB'000	Due to a related company RMB'000	Loans from a fellow subsidiary RMB'000	Loans from an associate RMB'000	Finance lease obligations RMB'000	Total RMB'000
Balance as at 1 Januray 2017	39,322,541	17,852,399	2,212	760,001	199,823	–	–	58,136,976
Changes from financing cash flows								
Loans draw down	21,555,245	–	–	–	–	–	7,129	21,562,374
Loans repaid	(17,129,278)	–	–	–	(72,701)	–	(446)	(17,202,425)
Loans from non-controlling shareholders of subsidiaries	–	–	347,977		–	–	–	347,977
Repayment of loans from a non-controlling shareholders of a subsidiary	–	–	–	(400,001)	–	–	–	(400,001)
Loan from an associate	–	–	–	–	–	100,000	–	100,000
Acquisition of subsidiaries	2,917,907	–	–	–	–	–	–	2,917,907
Foreign exchange difference	(1,157,332)	(518,986)	(3,776)	3	5,479	(1)	(155)	(1,674,768)
Other non-cash movements	20,873	40,836	–	–	–	–	–	61,709
Balance as at 31 December 2017	45,529,956	17,374,249	346,413	360,003	132,601	99,999	6,528	63,849,749

37 Discontinued operations

In 2016, the loss on disposals and the operations results of COSCO SHIPPING Bulk Co., Ltd. (formerly know as China COSCO Bulk Shipping (Group) Co., Ltd. ("COSCO SHIPPING Bulk") and Florens Container Holdings Limited ("FCHL") are disclosed as discontinued operations in accordance with HKFRS "Non-current Assets Hold for sale and Discontinued Operations":

	2016 RMB'000
Loss on disposals of subsidiaries (notes a, b and c)	(2,430,262)
Loss from discontinued operations (note d)	(708,461)
Loss from discontinued operations	(3,138,723)

(a) Disposal of 100% equity interest in COSCO SHIPPING Bulk

The disposal of 100% equity interest in COSCO SHIPPING Bulk to COSCO was completed on 15 March 2016 ("Completion Date") for a total consideration of RMB4,873,281,000. Since COSCO SHIPPING Bulk represented a separate business line prior to the disposal, its business and cash flow could be identified independently and had been classified as discontinued operations in the consolidated financial statements.

(b) Disposal of 100% equity interest in FCHL

On 24 March 2016, ("Completion Date") COSCO SHIPPING Ports, a non-wholly owned subsidiary of the Company, completed the disposal of the entire equity interests in FCHL (equivalent to the Group's container leasing, management and sales and related businesses) for a total consideration of US$1,223,725,000 (approximately RMB7.91 billion). FCHL's shareholders' loans in an aggregated amount of US$285,000,000 (approximately RMB1.94 billion) were transferred to China SHIPPING on the same date for a consideration of US$285,000,000 (approximately RMB1.94 billion). Since FCHL represented a separate business line prior to the disposal, its business and cash flow could be identified independently, FCHL had been classified as discontinued operations in the consolidated financial statements.

37 Discontinued operations (Continued)

(c) The details of the net assets of discontinued operations on disposals are as follows:

	2016 RMB'000
Property, plant and equipment	40,511,561
Investment properties	157,075
Leasehold land and land use rights	150,749
Intangible assets	18,330
Finance lease receivables	562,157
Joint ventures	622,852
Associates	1,252,283
Available-for-sale financial assets	967,212
Other non-current assets	238,283
Deferred income tax assets	30,236
Restricted bank deposits	20,851
Inventories	494,827
Trade and other receivables	3,210,410
Cash and cash equivalents	5,261,355
Trade and other payables	(2,604,553)
Long-term borrowings	(34,257,380)
Other non-current liabilities	(612,258)
Short-term borrowings	(489,811)
Loan from immediate holding company	(1,940,329)
Provisions and other liabilities	(901,981)
Deferred income tax liabilities	(111,460)
Tax payable	(112,159)
Net assets	12,468,250
Non-controlling interests	(626,661)
Net assets disposed of	11,841,589
Sales proceeds – cash received from disposals – price adjustment	14,576,373 (1,796,358)
Assignment of shareholder's loan	1,940,329
Less: cash and cash equivalents of disposed of	(5,261,355)
Net cash inflow on disposals of subsidiaries	9,458,989

37 Discontinued operations (Continued)

(d) The results and cash flows of discontinued operations are as follows:

	For the period from 1 January 2016 to Completion Date RMB'000
Revenues	1,594,498
Expenses	(2,296,602)
Loss before income tax from discontinued operations	(702,104)
Income tax expense	(6,357)
Loss for the period after tax of discontinued operations	(708,461)
Sales proceeds – cash received from disposals	14,576,373
– price adjustment	(1,796,358)
Net assets disposed of	(11,841,589)
Release of reserves upon disposals	(3,368,688)
Net loss on disposals of subsidiaries	(2,430,262)
Loss for the period from discontinued operations	(3,138,723)
Attributable to:	
Equity holders of the Company	(3,145,822)
Non-controlling interests	7,099
Loss for the period from discontinued operations	(3,138,723)
Net cash used in operating activities	(295,019)
Net cash used in investing activities	(1,794,706)
Net cash generated from financing activities	1,006,007
Net decrease in cash and cash equivalents	(1,083,718)
Cash and cash equivalents at beginning of period	6,338,558
Effect of exchange rate changes	6,515
Cash and cash equivalents on Completion Date	5,261,355

38 Acquisition of subsidiaries

(a) Acquisition of a subsidiary – Noatum Port Holdings, S.L.U. (“NPH”)

On 31 October 2017, the Group acquired 51% equity interests in NPH, a group of companies engaged in terminal operating activities in Spain, for a consideration of EURO203,490,000 (equivalent to approximately RMB1,620,837,000).

Details of net assets acquired are as follows:

	RMB’000
Purchase consideration	1,620,837
Fair value of net assets acquired shown as below	(741,197)
Goodwill	879,640

The assets and liabilities of the acquired terminal operations as at the date of acquisition were as follows:

	Fair value RMB’000
Property, plant and equipment	1,165,128
Intangible assets	2,000,944
Available-for-sale financial assets	841
Associates	7,332
Deferred income tax assets	643,616
Inventories	9,967
Trade and other receivables	544,379
Restricted bank deposits	61,903
Cash and cash equivalents	147,518
Bank borrowings	(2,378,766)
Other long-term liabilities	(77,235)
Trade and other payables	(313,505)
Deferred income tax liabilities	(321,511)
Total identifiable net assets acquired	1,490,611
Less: non-controlling interests	(749,414)
	741,197
Purchase consideration settled in cash	1,620,837
Cash and cash equivalents in acquired terminal operation	(147,518)
Net cash outflow on acquisition	1,473,319

38 Acquisition of subsidiaries (Continued)

(a) Acquisition of a subsidiary – Noatum Port Holdings, S.L.U. (“NPH”) (Continued)

Notes:

(i) The goodwill is attributable to the anticipated profitability of the acquired business. It will not be deductible for tax purposes.

(ii) Acquired receivables

The fair value of acquired trade receivables is RMB324,240,000. The gross contractual amount for trade receivables due is RMB343,282,000, of which RMB19,042,000 is expected to be uncollectible.

(iii) Non-controlling interests

The Group recognises the non-controlling interests in NPH at its proportionate share of the acquired net identifiable assets. See note 2(b) for the Group’s accounting policies for business combinations.

(iv) Revenue and profit contribution

The acquired terminal operation contributed approximately RMB301,347,000 revenues and contributed a net profit of approximately RMB14,494,000 for the year ended 31 December 2017 since the date of acquisition. If the acquisition had occurred on 1 January 2017, the Group’s consolidated revenue and profit for the year ended 31 December 2017 would have been increased by approximately RMB1,438,601,000 and approximately RMB28,590,000 respectively.

(v) Acquisition-related costs

Acquisition-related costs of RMB17,474,000 that were not directly attributable to the acquisition are included in administrative expenses in the consolidated income statement and in operating cash flows in the consolidated cash flow statement.

(vi) Pursuant to the purchase agreement, a put option was granted which entitled the non-controlling interests to sell the remaining interests in the acquired entity between the issuance of 2019 audited consolidated financial statements and 2020 audited consolidated financial statements of NPH Group at a consideration with reference to NPH Group’s EBITDA under specified circumstances.

(b) Step acquisition from an associate to a subsidiary

On 30 November 2017, the Group completed a further acquisition of 76% equity interests in CSP Zeebrugge Terminal NV (“CSP Zeebrugge”), a terminal operating company in Belgium, for a consideration of EURO28,000,000 (equivalent to approximately RMB220,017,000) and a shareholder loan of EURO8,000,000 (equivalent to approximately RMB64,187,000). CSP Zeebrugge became a wholly-owned subsidiary of the Group and the results of it is consolidated into the Group’s financial statements commencing from the acquisition date.

Upon the step-up acquisition, the Group remeasured the fair value of its pre-existing interest in CSP Zeebrugge at the acquisition date and recognised an impairment loss of RMB46,544,000 on the remeasurement of the Group’s pre-existing interest in CSP Zeebrugge to acquisition date fair value in the consolidated income statement.

Details of net assets acquired are as follows:

	RMB’000
Purchase consideration (including a shareholder loan)	284,204
Fair value of pre-existing interest in CSP Zeebrugge at the date of acquisition	69,478
Fair value of net assets acquired shown as below	(427,289)
Gain on bargain purchase	(73,607)

38 Acquisition of subsidiaries (Continued)

(b) Step acquisition from an associate to a subsidiary (Continued)

The assets and liabilities of the acquired terminal operations as at the date of acquisition were as follows:

	Fair value RMB'000
Property, plant and equipment	228,591
Intangible assets	4,162
Deferred income tax assets	237,747
Inventories	4,737
Trade and other receivables	33,874
Cash and cash equivalents	12,481
Bank borrowings	(55,085)
Trade and other payables	(37,887)
Deferred tax liabilities	(1,331)
Total identifiable net assets acquired	427,289
Purchase consideration settled in cash	284,204
Cash and cash equivalents in acquired terminal operation	(12,481)
Net cash outflow on acquisition	271,723

Notes:

(i) In the opinion of the Directors, the gain on bargain purchase is largely attributable to the Group's capability in negotiating more favourable transaction terms with the vendors. This has resulted in fair value of the identifiable net assets of the acquired subsidiary exceeded the total consideration paid. After netting off the impairment loss arising from the 24% interest in associate, RMB46,544,000 and accumulated exchange loss of RMB26,860,000, the net gain was RMB203,000.

(ii) Acquired receivables

The fair value of acquired trade receivables is RMB14,758,000. The gross contractual amount for trade receivables due is RMB14,913,000, of which RMB155,000 is expected to be uncollectible.

(iii) Revenue and profit contribution

The acquired terminal operation contributed approximately RMB8,670,000 revenues and contributed a net loss of approximately RMB5,554,000 for the year ended 31 December 2017 since the date of the completion of further acquisition. If the acquisition had occurred on 1 January 2017, the Group's revenue and profit for the year ended 31 December 2017 would have been increased approximately by RMB86,493,000 and decreased approximately by RMB39,929,000 respectively.

(iv) Acquisition-related costs

Acquisition-related costs were insignificant and have been included in administrative expenses in the consolidated income statement and in operating cash flows in the consolidated cash flow statement.

38 Acquisition of subsidiaries (Continued)

(c) Acquisition of other subsidiaries

During the year ended 31 December 2017, the Group acquired certain subsidiaries engaged in terminal operations the aggregate financial information as at date of acquisition is presented as follows:

	RMB'000
Purchase consideration	710,759
Fair value of net assets acquired shown as below	(668,398)
Goodwill	42,361

The combined assets and liabilities of the acquired terminal operations as at the date of acquisition were as follows:

	Fair value RMB'000
Property, plant and equipment	770,699
Land use rights	422,085
Intangible assets	7
Other receivables	368,642
Cash and cash equivalents	416,342
Bank borrowings	(484,056)
Deferred tax liabilities	(40,766)
Trade and other payables	(286,944)
Total identifiable net assets acquired	1,166,009
Less: non-controlling interests	(497,611)
	668,398
Purchase consideration settled in cash	710,759
Cash and cash equivalents in acquired terminal operation	(416,342)
Net cash outflow on acquisition	294,417

Notes:

(i) The goodwill is attributable to the anticipated profitability of the acquired businesses. It will not be deductible for tax purposes.

(ii) Acquired receivables

There are no acquired trade receivables.

(iii) Non-controlling interests

The Group recognizes the non-controlling interests in these subsidiaries at its proportionate share of the acquired net identifiable assets. See note 2(b) for the Group's accounting policies for business combinations.

38 Acquisition of subsidiaries (Continued)

(c) Acquisition of other subsidiaries (Continued)

Notes: (Continued)

(iv) Revenue and profit contribution

The acquired terminal operations contributed approximately net losses of approximately RMB4,960,000 for the year ended 31 December 2017 since the dates of acquisitions. If the acquisitions had occurred on 1 January 2017, the Group's profits for the year ended 31 December 2017 would have been decreased by approximately RMB31,300,000.

(v) Acquisition-related costs

Acquisition-related costs were insignificant and have been included in administrative expenses in the consolidated income statement and in operating cash flows in the consolidated cash flow statement.

39 Contingent liabilities and financial guarantee

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

As at 31 December 2017, the Group is unable to ascertain the likelihood and amounts of the above mentioned claims. However, based on advice of legal counsel and/or information available to the Group, the Directors are of the opinion that the related claims amounts should not be material to the Group's consolidated financial statements for the year ended 31 December 2017.

(b) Guarantee

	2017	2016
	RMB'000	RMB'000
Bank guarantee to a joint venture at face value	**60,282**	63,200

A subsidiary of COSCO SHIPPING Ports provided corporate guarantee to a joint venture. The Directors consider that it is not probable for a claim to be made against the Group and the fair value of the guarantee contract is not significant to the Group, and has not been recognised at the balance sheet date.

As at 31 December 2017, the Company provided guarantees for credit facilities and notes granted to its subsidiaries of RMB11,104,174,000 (2016: RMB9,224,474,000).

40 Commitments

(a) Capital commitments

	2017 RMB'000	2016 RMB'000
Contracted but not provided for		
Containers	**5,120**	—
Containers vessels	**18,720,565**	14,797,488
Terminal equipment	**3,766,153**	4,099,356
Buildings	**—**	4,746
Other property, plant and equipment	**4,104**	7,896
Investments in terminals and other companies	**2,893,972**	4,671,059
Intangible assets	**41,223**	17,614
	25,431,137	23,598,159

Amounts of capital commitments relating to the Group's interest in the joint ventures not included in the above are as follows:

	2017 RMB'000	2016 RMB'000
Contracted but not provided for	**40,211**	417,059

On 9 July 2017, the Company published an announcement that UBS AG Hong Kong Branch, on behalf of the Faulkner Global Holdings Limited (a wholly-owned subsidiary of the Company) and Shanghai Port Group (BVI) Development Co., Limited (collectively the "Joint Offerors"), firmly intended to make a voluntary general offer to acquire all of the issued shares of Orient Overseas (International) Limited ("OOIL") at HK$78.67 in cash per share (the "Offer"). Assuming the Offer is accepted in full, the Group will acquire 90.1% equity interest in OOIL at a consideration of HK$44,357.30 million, equivalent to RMB38,568.23 million.

As at the date of issuance of these consolidated financial statements, the Offer is still subject to satisfaction of the pre-conditions to the Offer as stipulated in the joint announcement.

40 Commitments (Continued)

(b) Operating lease commitments – where the Group is the lessee

As at 31 December 2017, the Group had future aggregate minimum payments under non–cancellable operating leases/time charter arrangements as follows:

	2017 **RMB'000**	2016 RMB'000
Containers vessels		
– not later than one year	**10,533,182**	9,578,427
– later than one year and no later than five years	**22,256,083**	24,559,999
– later than five years	**12,358,601**	1,621,059
	45,147,866	35,759,485
Concession of Piraeus Port (note 16)		
– not later than one year	**490,707**	372,378
– later than one year and no later than five years	**2,369,434**	2,304,305
– later than five years	**26,246,674**	29,205,811
	29,106,815	31,882,494
Containers		
– not later than one year	**1,435,305**	1,613,705
– later than one year and no later than five years	**3,080,456**	3,038,213
– later than five years	**289,992**	254,036
	4,805,753	4,905,954
Leasehold land, buildings and other property, plant and equipment		
– not later than one year	**333,051**	269,473
– later than one year and no later than five years	**733,451**	211,003
– later than five years	**3,279,365**	53,989
	4,345,867	534,465
	83,406,301	73,082,398

41 Significant related party transactions

The Company is controlled by COSCO SHIPPING, the parent company and a state-owned enterprise established in the PRC.

COSCO SHIPPING itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. Government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include COSCO SHIPPING Group, other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO SHIPPING as well as their close family members.

For the purpose of the related party transaction disclosures, the Directors believe that it is meaningful to disclose the related party transactions with COSCO SHIPPING Group companies for the interests of financial statements users, although certain of those transactions which are individually or collectively not significant, are exempted from disclosure. The Directors believe that the information of related party transactions has been adequately disclosed in the consolidated financial statements.

In addition to the related party information and transactions disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties during the year.

41 Significant related party transactions (Continued)

	2017 RMB'000	2016 RMB'000
Continuing operations		
Transactions with COSCO		
Revenues		
Management fee income	—	4,646
Expenses		
Sub-charter expenses	24,639	123,498
Rental expenses	—	13,473
Transactions with fellow subsidiaries and the related entities of COSCO SHIPPING (including joint ventures and associates)		
Revenues		
Container shipping income	597,999	306,091
Freight forwarding and shipping agency income	37,619	22,453
Vessel services income	25,347	34,971
Crew service income	91,754	53,385
Expenses		
Vessel costs		
Sub-charter expenses	103,864	303,653
Vessel leasing expenses	5,128,959	5,057,983
Vessel services expenses	1,190,336	302,413
Crew expenses	3,722	2,111
Voyage costs		
Bunker costs	9,361,734	3,764,136
Port charges	1,888,450	1,237,823
Equipment and cargo transportation costs		
Commission and rebates	44,789	276,472
Cargo and transhipment and equipment and repositioning expenses	113,626	56,579
Freight forwarding expenses	63,332	44,751
General service expenses	84,277	63,291
Rental expenses	194,756	107,937
Container leasing expense	1,529,520	1,641,211
Others		
Concession fee	259,083	88,608
Purchase of container vessels under construction	1,429,801	—
Purchase of containers	1,803,564	—
Installment of vessel under construction	850,266	—

41 Significant related party transactions (Continued)

	2017 RMB'000	2016 RMB'000
Continuing operations		
Transactions with joint ventures of the Group		
Revenues		
Management fee and service fee income	19,536	25,679
Crew service income	17,122	13,064
Expenses		
Port charges	1,476,406	1,119,646
Freight forwarding expenses	–	6,246
Rental expenses	4,059	3,915
Transactions with associates of the Group		
Expenses		
Port charges	703,516	482,802
Transactions with non-controlling shareholders of subsidiaries		
Revenues		
Terminal handling and storage income	377,286	320,950
Expenses		
Container handling and logistics services fee	85,031	96,966
Electricity and fuel expenses	50,521	54,248
Port construction fee and high-frequency communication fee	621	554
Transactions with other related party		
Revenue		
Shipping service income	61,242	–
Expense		
Vessel leasing expense	23,936	–

Note:

These transactions were conducted either (i) based on terms as governed by the master agreements and subsisting agreements entered into between the Group and COSCO and its subsidiaries (other than the Group) ("COSCO Group") or between the Group and COSCO SHIPPING Group or (ii) based on terms as set out in the underlying agreements, statutory rates or market prices or actual cost incurred, or as mutually agreed between the Group and the parties in concern.

As at 31 December 2017 and 31 December 2016, majority of the Group's bank balances and bank borrowings are with state-owned banks.

41 Significant related party transactions (Continued)

	2016 RMB'000
Discontinued operations	
Transactions with subsidiaries of COSCO SHIPPING and its related entities (including joint controlled entities and associates of COSCO SHIPPING)	
Revenues	
Vessel services income	1,005
Manning income	4,504
General service income	19,410
Expenses	
Vessel costs	
Charterhire expenses	4,304
Vessel services expenses	29,953
Crew expenses	848
Voyage costs	
Bunker costs	167,438
Freight forwarding expenses	340
General service expenses	3,219
Rental expenses	9,754
Logistics related expense	1,568
Agency fee	2,103
Transactions with joint ventures of the Group	
Revenues	
Charterhire income	5,857
Manning income	1,666

42 Business combinations under common control

The Group adopts merger accounting for common control combination in respect of the acquisition of subsidiaries. Statements of adjustments for business combinations under common control on the Group's financial position as at 31 December 2016 and the results for the year ended 31 December 2016 are summarised as follows:

	The Group before the Acquired Entities RMB'000	Acquired Entities RMB'000	Note	Adjustments RMB'000	Total RMB'000
Year ended 31 December 2016 **Continuing operations**					
Revenues	63,182,366	8,342,798	(i)	(1,692,000)	69,833,164
(Loss)/profit before income tax	(6,273,199)	823,203	(ii)	(6,074)	(5,456,070)
Income tax expenses	(403,419)	(107,314)	(ii)	4,294	(506,439)
(Loss)/profit for the year	(6,676,618)	715,889		(1,780)	(5,962,509)
As at 31 December 2016					
ASSETS					
Non-current assets	75,601,038	7,269,291	(iii) (iv)	(8,580,061)	74,290,268
Current assets	43,226,181	3,758,492	(iv)	(1,622,208)	45,362,465
Total assets	118,827,219	11,027,783		(10,202,269)	119,652,733
EQUITY					
Capital and reserves					
Share capital	10,216,274	8,688,156	(iii)	(8,688,156)	10,216,274
Reserves	9,175,899	(754,596)	(iii)	(314,281)	8,107,022
	19,392,173	7,933,560		(9,002,437)	18,323,296
Non-controlling interests	18,402,354	486,346	(iii)	336,873	19,225,573
Total equity	37,794,527	8,419,906		(8,665,564)	37,548,869
LIABILITIES					
Non-current liabilities	48,297,817	245,103	(iii) (iv)	5,626	48,548,546
Current liabilities	32,734,875	2,362,774	(iv)	(1,542,331)	33,555,318
Total liabilities	81,032,692	2,607,877		(1,536,705)	82,103,864
Total equity and liabilities	118,827,219	11,027,783		(10,202,269)	119,652,733

Notes:

(i) Adjustments to eliminate the inter-group transactions for the year ended 31 December 2016.

(ii) Adjustments to adjust the profit and tax in relation to reclassification of certain investments after acquisition of the Acquired Entities.

(iii) Adjustments to eliminate the investment costs and share capital of the Acquired Entities against reserves and non-controlling interests.

(iv) Adjustments to eliminate the inter-group balance as at 31 December 2016.

No other significant adjustments were made to the net (loss)/profit of any entities as a result of the common control combinations to achieve consistency of accounting policies.

43 Particulars of principal subsidiaries, joint ventures and associates

At 31 December 2017, the Group had the following principal subsidiaries, joint ventures and associates which, in the opinion of the Directors, materially affect the results and/or assets of the Group.

(a) Subsidiaries

As at 31 December 2017, the Group had direct and indirect interests in the following principal subsidiaries:

Name	Place of incorporation/ establishment and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2017	2016
Capital held directly					
COSCO SHIPPING Lines Limited	PRC/Worldwide	Container transportation	RMB17,328,273,082	100.00%	100.00%
China COSCO (Hong Kong) Company Limited	Hong Kong	Investment holding	RMB64,100	100.00%	100.00%
COSCO SHIPPING Holdings (Hong Kong) Co., Ltd	Hong Kong	Investment holding	US$10,000	100.00%	–
Capital held indirectly					
Shanghai Pan Asia Shipping Company Limited	PRC	Container transportation	RMB1,504,188,680	83.77%	100.00%
Shanghai COSCO Information & Technology Co., Ltd	PRC	Design and manufacture computer software, providing technology service and solution	RMB2,069,685	60.00%	60.00%
Tianjin Binhai COSCO Container Logistics Co., Ltd	PRC	Container stack, cargo storage and cargo Transportation	RMB190,000,000	56.10%	56.10%
Shanghai Coscon logistics Co., Ltd	PRC	Container stack, cargo storage and cargo Transportation	RMB403,000,000	100.00%	100.00%
COSCO SHIPPING Container Lines Agencies Limited	Hong Kong	Shipping agency	RMB1,063,700	100.00%	100.00%
COSCO International Freight Co., Ltd.	PRC	Freight forwarding and transportation	RMB377,170,094	100.00%	100.00%
COSCO SHIPPING Lines (Shanghai) Co., Ltd.	PRC	Freight forwarding and transportation	RMB114,003,453	100.00%	100.00%
COSCO SHIPPING Lines (Ningbo) Co., Ltd.	PRC	Freight forwarding and transportation	RMB5,000,000	100.00%	100.00%
COSCO SHIPPING Lines (Qingdao) Co., Ltd.	PRC	Freight forwarding and transportation	RMB24,295,332	100.00%	100.00%
COSCO SHIPPING Lines (Tianjin) Co., Ltd.	PRC	Freight forwarding and transportation	RMB62,825,653	100.00%	100.00%
COSCO SHIPPING Lines (Wuhan) Co., Ltd.	PRC	Freight forwarding and transportation	RMB44,681,134	51.00%	51.00%
COSCO Wuhan Logistics Co., Ltd	PRC	Logistics	RMB109,400,000	49.00%	51.00%
COSCO SHIPPING Lines (Dalian) Co., Ltd.	PRC	Freight forwarding and transportation	RMB20,000,000	100.00%	100.00%
COSCO SHIPPING Lines (Xiamen) Co., Ltd.	PRC	Freight forwarding and transportation	RMB15,000,000	100.00%	100.00%
COSCO Container Shipping Agency Co., Ltd.	PRC	Shipping agency	RMB84,717,009	100.00%	100.00%
COSCO Xiamen Container Shipping Agency Co.	PRC	Shipping agency	RMB10,000,000	100.00%	100.00%
COSCO Shanghai Container Shipping Agency Co.	PRC	Shipping agency	RMB10,000,000	100.00%	100.00%
COSCO SHIPPING Lines (Southern China) Co., Ltd.	PRC	Freight forwarding and transportation	RMB50,000,000	100.00%	100.00%
COSCO SHIPPING Lines (Hainan) Co., Ltd.	PRC	Freight forwarding and transportation	RMB5,500,000	100.00%	100.00%
COSCO SHIPPING Lines (Korea) Co., Ltd.	South Korea	Freight forwarding and shipping agency	RMB1,989,543	100.00%	100.00%

43 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2017	2016
Capital held indirectly (Continued)					
COSCO SHIPPING Lines Americas, Inc.	United States of America	Shipping agency	RMB23,965,890	100.00%	100.00%
COSCO SHIPPING Lines (Europe) Co., Ltd.	German/Europe	Shipping agency	RMB16,548,150	100.00%	100.00%
COSCO (Hong Kong) Shipping Co., Ltd.	Hong Kong	Freight forwarding and shipping agency	RMB1,066,100	100.00%	100.00%
COSCO SHIPPING (Oceania) Pty Ltd	Australia	Shipping agency, freight forwarding and other international sea transport services	RMB384,830	100.00%	100.00%
COHEUNG SHIPPING Co., Ltd.	Hong Kong	Container transportation	RMB24,627,018	100.00%	100.00%
COSCO (CAYMAN) Mercury Co., Ltd.	Cayman Islands/Hong Kong	Vessel chartering	RMB413,825	100.00%	100.00%
COSCO SHIPPING Lines (Japan)	Japan	Marine services	RMB3,224,240	100.00%	100.00%
New Golden Sea Shipping Pte. Co., Ltd.	Singapore	Freight forwarding	RMB119,182,788	100.00%	100.00%
Shanghai COSCON Document Services Co.,Ltd.	PRC	Document services	RMB1,000,000	100.00%	100.00%
COSCO SHIPPING Lines (Brazil)	Brazil	Freight forwarding and shipping agency	RMB2,208,692	100.00%	100.00%
COSCO SHIPPING LINES (PANAMA) INC.	Panama	Freight forwarding and shipping agency	RMB83,174	100.00%	100.00%
Shanghai Ocean Shipping Co., Ltd.	PRC	Vessel management and manning service	RMB482,843,450	100.00%	100.00%
Golden Sea Shipping Pte. Co., Ltd.	Singapore	Shipping Lines	RMB66,824,874	100.00%	100.00%
China Shipping Container Lines Qingdao Co., Ltd.	PRC	Cargo and liner agency	RMB10,000,000	100.00%	100.00%
China Shipping Container Lines Shanghai Co., Ltd.	PRC	Cargo and liner agency	RMB71,140,000	100.00%	100.00%
China Shipping Container Lines Guangzhou Co., Ltd.	PRC	Cargo and liner agency	RMB10,050,000	100.00%	100.00%
China Shipping Container Lines Hainan Co., Ltd.	PRC	Freight forwarding and shipping agency	RMB10,000,000	100.00%	100.00%
Yangpu Cosco Shipping Refrigeration Storage & Transportation Co., Ltd.	PRC	Transportation, storage and other services	RMB6,000,000	100.00%	100.00%
COSCO SHIPPING Lines (South Africa) Co., Ltd.	South Africa	Cargo and liner agency	RMB226	100.00%	100.00%
COSCO SHIPPING lines West Asia FZE	United Arab Emirates	Cargo and liner agency	RMB5,667,006	100.00%	100.00%
COSCO SHIPPING Ports Limited	Bermuda	Investment holding	US$39,254,000	46.91%	46.72%
COSCO Investment Limited	British Virgin Islands/ Hong Kong	Investment holding	1 ordinary share of US$1	100.00%	100.00%
COSCO Assets Management Limited	Hong Kong	Vessel owning	10,000 shares of US$1 each	100.00%	100.00%
Faulkner Global Holdings Limited	British Virgin Islands/Hong Kong	Investment holding	US$10,000	100.00%	–
COSCO SHIPPING (CENTRAL AMERICA) INC.	Panama	Cargo and liner agency	US$10,000	100.00%	–

43 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(b) Joint ventures

As at 31 December 2017, the Company had indirect interests in the following principal joint ventures:

Name	Place of incorporation/ establishmen and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2017	2016
Qingdao Qianwan Container Terminal Co. Ltd.	PRC	Operation of container terminal	US$308,000,000	–	9.34%
Yingkou Container Terminals Co. Ltd.	PRC	Operation of container terminal	RMB8,000,000	23.46%	23.35%
COSCO-PSA Terminal Private Limited	Singapore	Operation of container terminal	SGD65,900,000	22.99%	22.88%
Ningbo Yuan Dong Terminals Ltd.	PRC	Operation of container terminal	RMB2,500,000,000	9.38%	9.34%
Tianjin Port Euroasia International Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB1,260,000,000	14.07%	14.01%
Panama International Terminals, S.A.	Panama	Inactive	300 ordinary shares with no face value	–	23.35%
COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	Operation of container terminal	HK$20 divided into 2 "A" ordinary shares HK$20 divided into 2 "B" ordinary shares HK$40 divided into 4 non-voting 5% deferred shares	23.46%	23.35%
Shanghai Pudong International Container Terminals Limited	PRC	Operation of container terminal	RMB1,900,000,000	14.07%	14.01%
Piraeus Consolidation & Distribution Centre S.A.	Greece	Storage, consolidation and distribution	EURO1,000,000	23.46%	23.35%
Xiamen Haicang Free Trade Port Zone Container Inspection Co., Ltd.	PRC	Container stevedoring, storage, nspection and auxiliary services	RMB10,000,000	10.51%	10.46%
Qingdao Port Dongjiakou Ore Terminals Co., Ltd	PRC	Operation of container terminal	RMB1,400,000,000	11.73%	11.68%
Asia Container Terminals Holdings Limited	Cayman Islands	Investment Holding	HK$1 divided into 1,000 ordinary shares	9.38%	9.34%
COSCO-HPHT ACT Limited	British Virgin Islands	Investment Holding	1,000 ordinary shares of US $ 1 each	23.46%	23.35%
Euro-Asia Oceangate S.a.r.l	Luxembourg	Investment Holding	US$30,000	18.76%	18.68%
Dalian International Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB1,400,000,000	–	18.68%
Dalian Dagang China Shipping Container Co., Ltd.	PRC	Operation of container terminal	RMB7,500,000	16.42%	16.35%
Yingkou New Century Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB40,000,000	18.76%	18.68%

43 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(b) Joint ventures (Continued)

Name	Place of incorporation/ establishmen and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2017	2016
Lianyungang Port Railway Internationa Container Multimodal Transport Co., Ltd.	PRC	Logistics	RMB3,400,000	**14.07%**	14.01%
Nansha Stevedoring Corporation Limited of Port of Guangzhou	PRC	Operation of container terminal	RMB1,260,000,000	**18.76%**	18.68%
Guangxi Qin Zhou International Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB500,000,000	**18.76%**	18.68%
Qingdao Qianwan Intelligent Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB642,000,000	**N/A**	9.34%
Conte-Rail,S.A.	Spain	Operation of rail terminal	45,000 ordinary shares of EURO34.3 each	**11.96%**	–

43 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(c) Associates

As at 31 December 2017, the Company had indirect equity interests in the following principal associates:

Name	Place of incorporation/ establishmen and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company	
				2017	2016
COSCO Finance Co., Ltd	PRC	Banking and related financial services	RMB1,600,000,000	17.25%	17.25%
Dalian Automobile Terminal Co., Ltd	PRC	Construction and operation of automobile terminals	RMB320,000,000	11.26%	11.21%
Dalian Port Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB730,000,000	–	9.34%
Antwerp Gateway NV	Belgium	Operation of container terminal	EURO17,900,000	9.38%	9.34%
Dawning Company Limited	British Virgin Islands	Investment Holding	200 "A" shares of US$1 each and 800 "B" shares of US $1 each	9.38%	9.34%
Suez Canal Container Terminal S.A.E.	Egypt	Operation of container terminal	1,856,250 ordinary shares of US$100 each	9.38%	9.34%
Wattrus Limited	British Virgin Islands	Investment holding	32 "A" shares of US$1 each and 593 "B" shares of US$1 each	2.40%	2.39%
Sigma Enterprises Ltd.	British Virgin Islands	Investment holding	2,005 "A" shares of US$1 each and 8,424 "B "shares of US$1 each	7.74%	7.70%
Taicang International Container Terminal Co., Ltd.	PRC	Operation of automobile terminals	RMB450,800,000	18.31%	18.23%
Tianjin Five Continents International Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB1,145,000,000	13.13%	13.08%
Kao Ming Container Terminal Corp.	Taiwan	Operation of container terminals	TWD6,800,000,000	9.38%	9.34%
COSCO Shipping Terminals (USA) LLC	United States	Investment holding	US$200,000	18.76%	18.68%
CSP Zeebrugge Terminal N.V. (formerly known as APM Terminals Zeebrugge NV)	Belgium	Operation of container terminal	3,500,001 ordinary shares of EURO10 each	N/A	11.21%
Jiangsu Yantze Petrochemical Co., Ltd.	PRC	Operation of bulk liquid storage	RMB219,635,926	14.26%	14.20%
Qinhuangdao Port New Habour Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB400,000,000	14.07%	14.01%
Shanghai Mingdong Container Terminals Limited	PRC	Operation of container terminal	RMB4,000,000,000	9.38%	9.34%
Ningbo Meishan Bonded Port New Habour Terminal Operating Co., Ltd	PRC	Operation of container terminal	RMB200,000,000	9.38%	9.34%
Nanjing port Longtan Container Co., Ltd.	PRC	Operation of container terminal	RMB1,544,961,839	7.57%	7.54%

43 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(c) Associates (Continued)

Name	Place of incorporation/ establishmen and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2017	2016
Euromax Terminal Rotterdam B.V	Netherlands	Operation of container terminal	65,000 "A" shares of EURO1 each and 35,000 "B" shares of EURO1 each	16.42%	16.35%
Damietta International Port Company S.A.E	Egypt	Operation of container terminal	20,000,000 ordinary shares of US$10 each	9.38%	9.34%
Dalian container terminal Co.,Ltd	PRC	Operation of container terminal	RMB3,480,000,000	8.91%	–
Lianyuangarg Xiansanly Container Service Co.,Ltd	PRC	Container inspection and auxiliary services	RMB1,000,000	10.32%	N/A
Qingdao Port International Co.,Ltd	PRC	Operation of container terminal	RMB6,036,724,000	8.64%	–
Qingdao Qianwan Intelligent Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB642,000,000	9.38%	N/A
Servicios Intermodales Bilbaoport,S.L.	Spain	Container storage and transportation	860,323 ordinary shares of EURO0.57 each	2.59%	–
APM Terminals Vado Holdings B.V.	Netherlands	Investment holding	10 ordinary shares of EURO100 each	18.76%	18.68%

Notes:

(i) The English names of certain subsidiaries, joint ventures and associates referred to in the consolidated financial statements represent management's best efforts at translating the Chinese names of these companies as no English names have been registered.

(ii) Although the Group held less than 50% or 20% effective equity interests in some subsidiaries and associates as disclosed above, respectively, the Group owns indirectly, through its non-wholly owned subsidiaries, more than 50% of the voting power of those subsidiaries and more than or equal to 20% of the voting power of those associates.

(iii) Although the Group's equity interests in some joint ventures as disclosed above are more than 50%, the Group does not have unilateral control over these joint ventures.

44 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	Note	As at 31 December 2017 RMB'000	2016 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**648**	772
Intangible assets		**4,078**	4,773
Subsidiaries		**31,671,200**	30,304,624
Loans to subsidiaries		**4,981,420**	4,966,331
Total non-current assets		**36,657,346**	35,276,500
Current assets			
Advances to and amounts due from subsidiaries		**76,636**	1,136,167
Cash and bank balances		**1,124,629**	636,744
Total current assets		**1,201,265**	1,772,911
Total assets		**37,858,611**	37,049,411
EQUITY			
Share capital		**10,216,274**	10,216,274
Reserves	Note (a)	**16,095,486**	16,596,399
Total equity		**26,311,760**	26,812,673
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**4,959,763**	8,921,674
Current liabilities			
Trade and other payables		**374,784**	279,823
Short-term borrowings		**1,751,230**	563,110
Current portion of long-term borrowings		**3,989,000**	—
Tax payable		**472,074**	472,131
Total current liabilities		**6,587,088**	1,315,064
Total liabilities		**11,546,851**	10,236,738
Total equity and liabilities		**37,858,611**	37,049,411

The balance sheet of the Company was approved by the Board of Directors on 29 March 2018 and was signed on its behalf

Mr. Huang Xiaowen
Director

Mr. Wang Haimin
Director

44 Balance sheet and reserve movement of the Company (Continued)

(a) Reserve movement of the Company

	Capital reserve RMB'000	Statutory reserve fund RMB'000	Retained profit/ (accumulated losses) RMB'000	Exchange reserve RMB'000	Total RMB'000
As at 1 January 2016	39,134,574	913,032	2,219,225	(3,342,792)	38,924,039
Loss for the year	—	—	(22,327,640)	—	(22,327,640)
As at 31 December 2016	39,134,574	913,032	(20,108,415)	(3,342,792)	16,596,399
As at 1 January 2017	**39,134,574**	**913,032**	**(20,108,415)**	**(3,342,792)**	**16,596,399**
Loss for the year	**—**	**—**	**(500,913)**	**—**	**(500,913)**
As at 31 December 2017	**39,134,574**	**913,032**	**(20,609,328)**	**(3,342,792)**	**16,095,486**

Five Year Financial Summary

For the year ended 31 December 2017

	2017	2016	2015 (Restated)	2014	2013
Revenue	**90,399,078**	69,833,164	55,148,297	66,901,438	66,137,861
Profit/(Loss) before tax	**5,703,036**	(5,456,070)	1,742,096	507,287	(1,513,596)
Income tax	**(872,351)**	(506,439)	(530,884)	1,043,534	(299,472)
Profit/(Loss) from continuing operations for the year	**4,830,685**	(5,962,509)	1,211,212	1,550,821	(1,813,068)
Profit/(Loss) from discontinued operations for the year	**–**	(3,138,723)	997,392	–	4,692,490
Profit/(Loss) for the year	**4,830,685**	(9,101,232)	2,208,604	1,550,821	2,879,422
Profit/(Loss) attributable to:	**4,830,685**	(9,101,232)	2,208,604	1,550,821	2,879,422
– Equity holders of the Company	**2,661,936**	(9,906,003)	469,302	362,529	235,470
– Non-controlling interests	**2,168,749**	804,771	1,739,302	1,188,292	2,643,952
Total asset	**133,190,005**	119,652,733	160,493,498	148,788,454	161,862,107
Total liabilities	**(89,479,425)**	(82,103,864)	(107,322,423)	(105,830,496)	(119,748,300)
Total equity	**43,710,580**	37,548,869	53,171,075	42,957,958	42,113,807

Notes:

(a) The financial figures for the year 2017 and 2016 were extracted from the Consolidated Financial Statements.

(b) The financial figures for the year 2013 to 2015 were extracted from the 2016 annual report, which have also been reclassified to conform with the current year's presentation format. No retrospective adjustments for the common control combinations in 2016 were made on the financial figures for the year 2013 to 2014.

COSCO SHIPPING Holdings Co., Ltd.

8F, No.658 Dongdaming Road, Hongkou District, Shanghai
the People's Republic of China
http://www.chinacosco.com