中遠海運發展股份有限公司

COSCO SHIPPING Development Co.,Ltd.

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

Stock Code: 2866

Shipping Financial Service Platform

2017 ANNUAL REPORT

Company Profile

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

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

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

The Company is among the top global players in the industry with the shipping capacity of its container fleet and the scale of its container leasing business. As at 31 December 2017, the Company's container fleet had 93 container vessels, with a total capacity of 662,000 TEU; 4 bulk cargo vessels of 64,000 DWT each; there were over 70 bulk cargo vessels, LNG vessels and heavy crane vessels; and an inventory of containers of approximately 3.66 million TEU. In terms of other leasing businesses, the Company focuses on the development of financial leasing businesses in the areas of medical services, education, new energy, construction and industrial equipment. In terms of container manufacturing business, Shanghai Universal Logistics Equipment Co., Ltd., a subsidiary of the Company, attained an annual manufacturing capacity of 500,000 TEU. The Company also focuses on the development of Investment and service business, takes good advantage of its experience in the shipping industry as well as the existing resources of the financial service industry to promote the integration of industry and finance, optimize its business models and achieve the balanced development of its shipping finance business.

Guided by the concept of "excellence"and followed the mission of "finance aiding industry, development creates value", the Company will strive to become an outstanding industry financial services provider with "Integrity, efficiency, proactiveness and mutual benefit" as its core values.

Contents

Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Mr. Feng Boming
Mr. Huang Jian
Mr. Liang Yanfeng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cai Hongping
Ms. Hai Chi Yuet
Mr. Graeme Jack
Mr. Lu Jianzhong
Mr. Gu Xu
Ms. Zhang Weihua

SUPERVISORS

Mr. Ye Hongjun *(Chairman)*
Mr. Hao Wenyi
Mr. Zhu Donglin

INVESTMENT STRATEGY COMMITTEE

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

NOMINATION COMMITTEE

Ms. Hai Chi Yuet *(Chairman)*
Ms. Sun Yueying
Mr. Wang Daxiong
Mr. Cai Hongping
Mr. Gu Xu

REMUNERATION COMMITTEE

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

RISK CONTROL COMMITTEE

Mr. Wang Daxiong *(Chairman)*
Mr. Cai Hongping
Mr. Lu Jianzhong
Ms. Zhang Weihua

AUDIT COMMITTEE

Mr. Lu Jianzhong *(Chairman)*
Mr. Cai Hongping
Mr. Huang Jian

EXECUTIVE COMMITTEE

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

CHIEF ACCOUNTANT

Mr. Zhang Mingwen

COMPANY SECRETARY

Mr. Yu Zhen

AUTHORISED REPRESENTATIVES

Mr. Wang Daxiong
Mr. Yu Zhen

LEGAL ADDRESS IN THE PRC

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The PRC

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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183 Queen's Road Central
Hong Kong

INTERNATIONAL AUDITOR

Ernst & Young

DOMESTIC AUDITOR

Baker Tilly China (Special General Partnership)

LEGAL ADVISERS TO THE COMPANY

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

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of China
Industrial and Commerce Bank of China
China Development Bank
Agricultural Bank of China
Shanghai Pudong Development Bank
ABN Amro
Standard Chartered Bank

TELEPHONE NUMBER

86 (21) 6596 6105

FAX NUMBER

86 (21) 6596 6813

COMPANY WEBSITE

http://development.coscoshipping.com

H SHARE LISTING PLACE

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

LISTING DATE

16 June 2004

NUMBER OF H SHARES IN ISSUE

3,751,000,000 H Shares

BOARD LOT (H SHARES)

1,000 Shares

HONG KONG STOCK EXCHANGE STOCK CODE

02866

A SHARE LISTING PLACE

Shanghai Stock Exchange

LISTING DATE

12 December 2007

NUMBER OF A SHARES IN ISSUE

7,932,125,000 A Shares

BOARD LOT (A SHARES)

100 Shares

SHANGHAI STOCK EXCHANGE STOCK CODE

601866

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

Financial Highlights

COMPARISON OF 2017 AND 2016 KEY FINANCIAL FIGURES

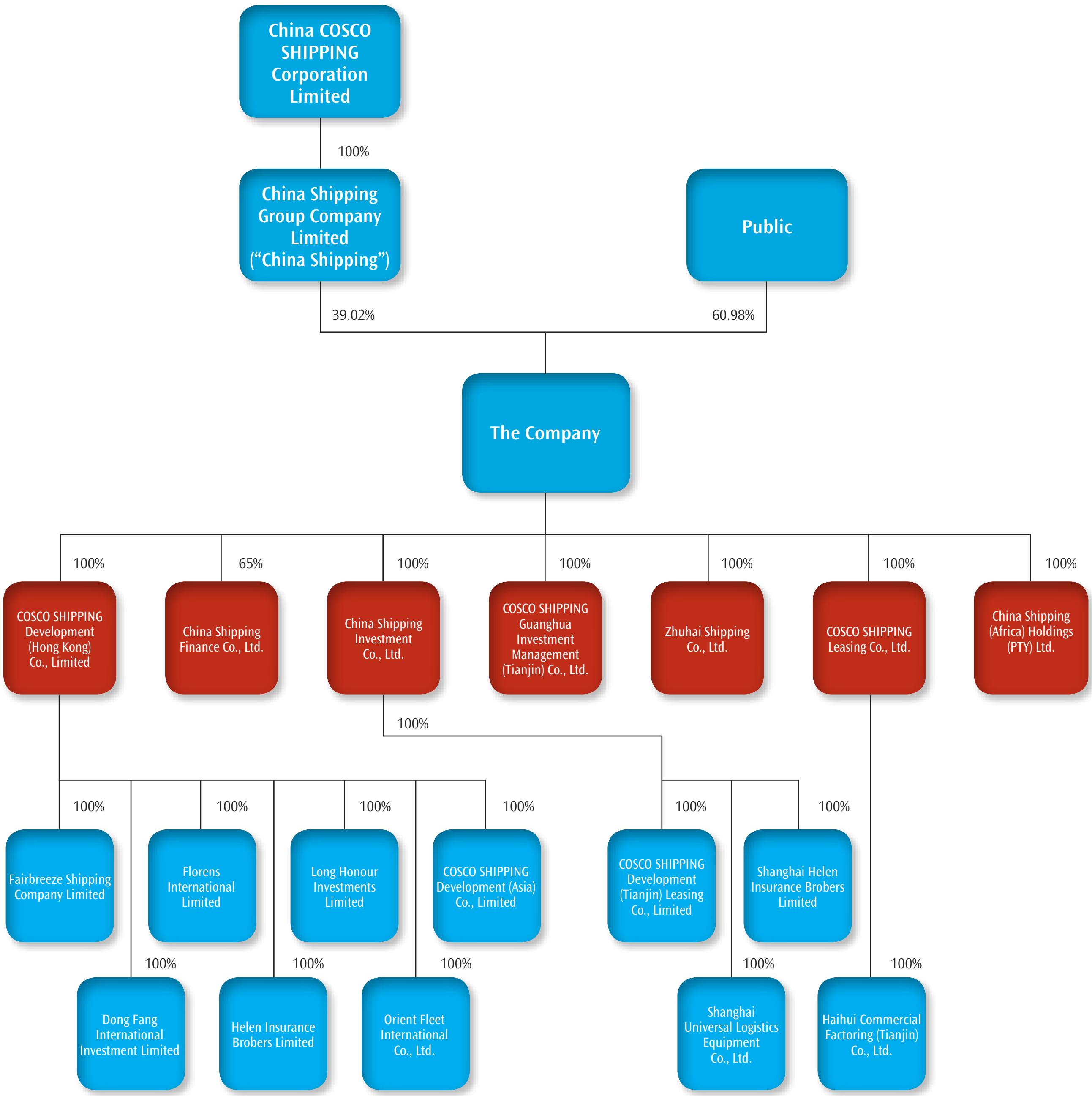
Consolidated Results
(Under Hong Kong Financial Reporting Standards ("HKFRS"))

For the year ended 31 December (the "Period")	**2017** **RMB'000**	2016 RMB'000	Change (%)
Revenue	**16,260,600**	15,527,887	5%
Operating profit	**2,458,662**	661,366	196%
Profit before income tax from continuing operations	**1,960,028**	517,000	279%
Profit for the year from a discontinued operation	**–**	77,326	(100%)
Profit for the year attributable to owners of parent	**1,463,803**	347,503	321%
Basic earnings for the year per share	**RMB0.1253**	RMB0.0297	322%
Gross profit margin (continuing operations)	**21%**	11%	145%
Profit margin before income tax (continuing operations)	**12%**	3%	300%
Gearing ratio	**535%**	662%	(19%)

Consolidated Assets and Liabilities
(Under HKFRS)

As at 31 December	**2017** **RMB'000**	2016 RMB'000	Change (%)
Total assets	**139,037,660**	125,460,305	11%
Non-current assets	**99,004,264**	98,584,089	0%
Current assets	**40,033,396**	26,876,216	49%
Total liabilities	**122,163,873**	111,897,191	9%
Current liabilities	**52,657,566**	44,634,474	18%
Net current liabilities	**(12,624,170)**	(17,758,258)	(29%)
Net assets	**16,873,787**	13,563,114	24%

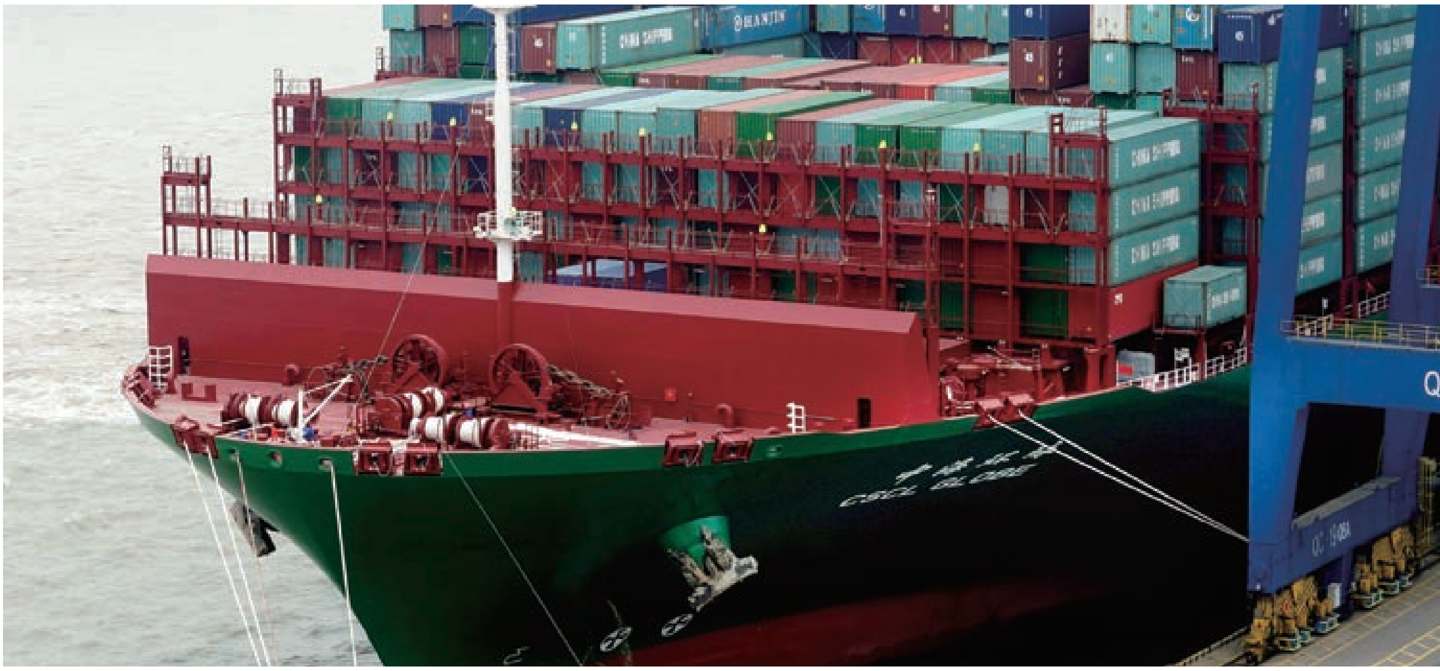
The following chart shows the simplified corporate and shareholding structure of the Company and its principal subsidiaries as at 31 December 2017:



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

Chairman's Statement

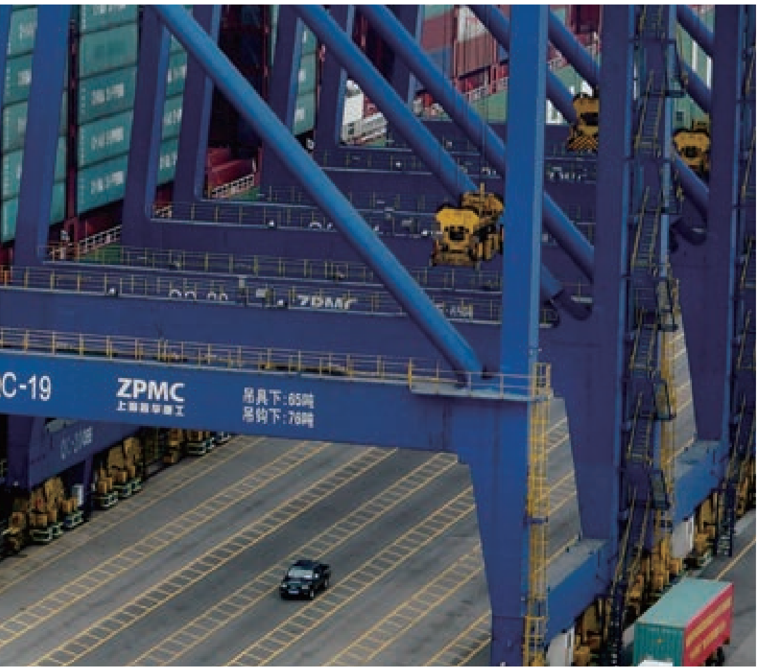

SHIPPING



The global economy recovered steadily in 2017, with EU-US economies consistently moving upwards, while China's economy grew in a steadfast manner. With the world's economy on the path to recovery, the shipping market experienced an overall revival. International trade increased considerably, while shipping demand grew gradually, improving the market's unbalanced demand and supply situation.

In 2017, China's regulatory policy tightened while market competition grew more intense. COSCO SHIPPING Development devised and executed its plan to restructure and transform its business, closely adhering to the principle of "deepening reforms, optimizing systems, streamlining management, enhancing quality and effectiveness". The Company strived to innovate and take full advantage of the shipping financial services platform, focusing on the main business of shipping, while also developing innovative shipping financial services and consolidating the industry's advantages and resources. We endeavored to complete the corporate mission of serving the real economy through financial services. Over the past year, the Company's management standards were constantly enhanced, while its asset scale and economic benefits grew steadily.

For the year of 2017, the Company's revenue was RMB16.26 billion, representing an increase of 4.72% as compared with 2016. Net profit attributable to owners of the parent of the Company for the year of 2017 amounted to RMB1.46 billion, representing an increase of 321% as compared with 2016. Basic earnings per share amounted to RMB0.1253.



REVIEW OF OPERATIONS

As an important entity of the shipping finance platform of China COSCO SHIPPING, COSCO SHIPPING Development has devoted its efforts to connecting assets with capital, as well as synergized development since the restructuring and transformation. We adapted to the demands of a new era and trend, proactively innovating to gain a deeper presence in the industry's financial market, at the same time developing specialized financial services to serve industries better.

We followed the philosophy of "finance aiding industry, development creates value", and had the vision of "creating an integrated supply-chain financial service platform with distinct shipping logistic features". We developed a series of professional and specialized financial services related to the shipping business, such as vessel and container leasing as well as industry funds.

In 2017, we kept our finger on the market pulse, The Company made a concerted effort to implement multiple measures and made a solid progress in the implementation of various projects. We put effort into expanding the shipping supply chain financial services business, creating synergy due to integration of industry and finance.

I) SHIPPING AND INDUSTRY-RELATED LEASING SEGMENTS:

1. Vessel leasing segment: As at 31 December 2017, the Company's container fleet had 93 container vessels, with a total capacity of 662,000 TEU. There were four bulk cargo vessels with a size of 64,000 DWT each; over 70 LNG vessels and heavy crane vessels. By adapting a mindset of "integrating industry and finance, facilitating industry development with finance and creating synergy", the Company actively implemented the strategy of integrating industry and finance, which shaped its brand image. The Company established synergetic collaboration mechanisms with other professional shipping companies, gaining an understanding of the new financing demands of shipping companies in a timely manner, and explored avenues for cooperation. At the same time, the Company developed its own brand of shipping finance, creating a unique competitive advantage, allowing it to delve deeper and explore third-party markets.

2. Container leasing segment: As at 31 December 2017, the container fleet of Florens International Limited ("FIL", an affiliate of the Company), boasted a total capacity of about 3.66 million TEU, making it the world's second largest container leasing company. In 2017, FIL took advantage of the leasing market's revival and stepped up its efforts in new container investment and client development, boosting its market share. The Company also promoted innovative projects and business models, enhancing the handling capacity of expired containers, and also developed its container renovation business with high add-on value. By optimizing the asset structure and business models, the container leasing segment's profitability and risk resistance was enhanced, which improved asset management capabilities and return on capital.

3. Other leasing businesses: As the Company reinforced the advantage of its existing businesses, it developed new areas of businesses and enhanced management standards.

II) CONTAINER MANUFACTURING SEGMENT:

In 2016 when markets were subdued, the Company revamped its water-based paint application technique for containers and gained technological advantage amongst fierce competition through the benchmark effect. In 2017, the Company made accurate predictions and grasped the opportunity arising from the revival of the shipping market and large influx of container orders, resuming double-shift production and fully utilizing its capacity. As a result of the Company's correct judgement, it was able to lock in costs before container raw material prices rose, which stabilized its profit margins. The Company also strengthened collaborations with container liner and leasing companies, creating a greater synergy effect.

III) INVESTMENT AND SERVICES SEGMENT:

The Company made strides in establishing the "Yuan Hai"(遠 海) series of funds, attracting external capital to aid the development of shipping and new businesses, which generated synergy and induced the integration of industry and finance. By focusing on industry-related entities, we continued to expand our insurance, asset management, small loans and factoring businesses, and created new business models. By focusing on the shipping supply chain, we optimized our business model, thereby achieving synergized development of shipping financial services.

The Company emphasizes risk control. By utilizing its position as an integrated supply-chain financial service platform with distinct shipping logistic features, it carried out detailed evaluations and planning according to the three aspects "the status of business and legal risk management", "the environment of internal and external law and risk management" and "strategic planning of legal and risk management". The foundations for legal and risk management were thereby established, which were combined with the legal development framework to build the risk control system.

FUTURE PROSPECT

At the 19th CPC National Congress, the Party clearly stated its objectives of deepening institutional reform in the financial sector, making it better serve the real economy, increasing the proportion of direct financing, and promoting the healthy development of a multi-level capital market at multiple levels. With this as a starting point, China's economy will enter a new era with growth expected to remain steady in 2018. Supply-side reforms will continue to be implemented, while active financial policies and neutral monetary policies look set to continue for an extended period. In the mid-to-long term, reforms of state-own enterprises, consumption upgrades and "the Belt and Road Initiative" will drive China's economic growth.

At the beginning of 2018, eight ministries and commissions of the State Council jointly published the "Guiding Opinions on Improving and Strengthening Marine Economic Development in Financial Services", reaffirming the 19th CPC National Congress' important strategic plan of "expediting the establishment of China as a marine power", "enhancing the financial sector's impact on the real economy" and "expanding blue economy", as well as to speed up the implementation of "the Belt and Road Initiative". It also focused on the goal of promoting the quality development of the marine economy, and defined the support points and development direction of various sectors including banks, securities, insurance and diversified financing.

COSCO SHIPPING Development will continue to adhere to the philosophy of "integrating industry and finance, facilitating industry development with finance and creating synergy" to actively respond to and tap the financial service needs of the shipping industry. It will focus on the goal of promoting the quality development of the "marine economy" and "expanding shipping finance". This can benefit the Company's expansion of capital operations, shipping finance service, diversified financing and shipping funds.

In 2018, risk control will be the Company's top priority for the expansion of various business. We will further define the daily risk monitoring mechanism, expand risk quota monitoring, optimize and promote COSCO SHIPPING Development's basic risk control management in various businesses, as well as risk prevention.

For shipping and industry-related leasing segments, the Company will keep its finger on the market's pulse, focus on the shipping business, achieve diversified development, increase revenue and cut costs and enhance its profitability. We will promote the collaboration between the industry and the finance sections with other shipping companies to create greater synergy. Continued efforts will be made to further define and develop the market, while service capabilities will be reinforced to boost competitiveness. The four fields of asset acquisition, capital protection, risk control and internal management will be improved, strengthening the foundation to discover cooperative mechanisms that can benefit all parties involved. We will also explore a diversified and multi-layered development path for internal and external customers and business models.

As for the container manufacturing segment, the Company will pursue key account marketing strategy to further stabilize market share. The specialized container market will also be developed, and new skills and techniques will be applied to promote the innovation and upgrade of technology, while also enhancing the automation, intellectualization and informatization standards.

In terms of the investment and services segment, the shipping background of COSCO SHIPPING Development will be leveraged, while following the philosophy of "integrating industry and finance, facilitating industry development with finance" to identity financial services demand in internal and external business sectors. The industry fund and small loans company business will also be developed, along with risk control and strategic development to allow for the integration of industry and finance. At the same time, we will focus on the two parallel goals of strategic synergy and business development to realize outstanding financial return.

As we enter a new era and embark on a new journey, we will step forward with our new dreams, at the same time remembering our roots and mission. Integrity, efficiency, proactiveness and mutual benefit will continue to serve as the Company's core values. We will leverage China COSCO SHIPPING's strength and view markets with globalized vision to discover more value and potential in the shipping finance sector. Our main business will be our focus as we promote industry development and strive to become an outstanding industry financial services provider.

Chairman
Sun Yueying

Shanghai, the People's Republic of China
29 March 2018

Management Discussion and Analysis

ANALYSIS OF OPERATING ENVIRONMENT

1. MACROECONOMIC CONDITIONS

In 2017, the global economy continued to recover at a moderate pace. The advanced economies as a whole continued to recover steadily, with a rebound across the United States, Europe and Japan. In its latest World Economic Outlook Report for the year, the International Monetary Fund indicates that global economic activities will continue to consolidate and it has upgraded its forecast for global economic growth. According to the report, global economic growth would be 3.7% for 2017 and 3.9% for 2018, while the economic growth in emerging and developing economies is expected to reach 4.7% in 2017 and 4.9% in 2018.

China has maintained a continuous and stable economic growth with remarkable achievements in the structural reforms. In 2017, the GDP growth in China reached 6.9%, maintaining a medium-to-rapid growth, while the quality of growth further improved. There is a continuous growth in foreign trade in China. According to statistics released by the Customs, the total foreign trade volume of exports and imports of China for 2017 was RMB27.79 trillion, representing an increase of 14.2% as compared with the same period of 2016. Against the backdrop of continual global economic recovery and China's economy continue to stabilize and improve, it is expected that the overall situation of China's external trade will be improving this year. However, as to international trade, uncertain and unstable factors still persist.

2. SHIPPING MARKET

In 2017, the international shipping market generally recovered and the imbalance between supply and demand improved. Global trade revived as the EU-US economies rebound. The increase in commodity price such as iron and coal had resulted in an increasing demand for transportation, which all pointed to positive sign for global trade and demand. The imbalance between supply and demand improved while the market for container shipping, bulk shipping and multi-purpose vessels showed signs of recovery.

An overall revival of the shipping market as well as slow delivery of new vessels in 2017 has contributed to the rebound of the vessel leasing industry. Since the beginning of the year, the vessel leasing market has gradually picked up alone with increased leasing demand, which resulted in the rent increase in most types of ships. Owing to the recovery of the container transport market, the demand for containers has gradually increased. In addition, in April 2017, the industry-wide application of water-proof coats has made the production process more difficult and thus less supply of new containers in the early stage. The prices for new containers and rental prices were both higher than 2016.

3. FINANCIAL MARKET

In 2017, the financial market in China generally operated in a healthy manner. As for social financing, the size of social financing increased by an aggregate of RMB19.44 trillion in 2017, of which loans to real economy increased by RMB13.84 trillion, representing an increase of 1.41 trillion as compared with that in the same period of last year. Meanwhile, however, the size of equity financing in the direct financing market decreased as a result of a substantial decrease in the size of re-financing activities as compared with last year. Regulatory bodies for financial issues have been implementing prudent regulatory measures to further regulate the financial market by curbing speculations and deleveraging the secondary market. In June 2017, A Shares were included in MSCI Emerging Markets Index, which helps the A share market to attract investors. As to RMB exchange rate, the RMB exchange rate remained stable in 2017. As RMB appreciates against US dollars, the possibility of depreciation is expected to be lower.

FUTURE DEVELOPMENT STRATEGY OF THE COMPANY

1. STRATEGIC POSITION

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

2. DEVELOPMENT GOALS

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

3. DEVELOPMENT PLANS

1) Shipping and Industry-related Leasing Business

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

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

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

2) *Container manufacturing business*

We will enhance our comprehensive competitiveness through technology upgrading, management upgrading and accelerating the promotion and upgrading of environmental technology. We will strengthen dry container manufacturing, diversify container products, increase the market share of specialized container market, and lay out refrigerated container manufacturing business in advance. We will also seek for consolidation opportunity and optimize operation, so as to build a technology-leading and world class container manufacturing enterprise with high capacity utilization as well as profitability.

3) *Investment and service business*

As to investment and service business, the Company will give equal weight to strategic value and financial returns, prioritize both strategic synergy and performance drivers, and make full use of domestic and overseas resources to pool external capital through various means such as industry fund, so as to support development of the shipping industry and emerging industry and promote the integration of industry and finance. The Company will make effort to realize good financial returns while incubating the Company's future financial investment business.

MAJOR RISKS AND COUNTERMEASURES

1. MACROECONOMIC RISKS

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

2. MARKET RISK

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

3. LIQUIDITY RISK

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

4. STRATEGY-RELATED RISK

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

5. COMPANY-WIDE CONCENTRATION RISK

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

6. RISK OF INDUSTRY COMPETITION

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

FINANCIAL REVIEW OF THE GROUP

The Group recorded a revenue of RMB16,260,600,000 for 2017, representing an increase of 4.72% as compared with RMB15,527,887,000 of last year; total profit before income tax from continuing operations amounted to RMB1,960,028,000, representing an increase of 279% as compared with RMB517,000,000 of last year; profit attributable to owners of the parent of the Company amounted to RMB1,463,803,000, representing an increase of 321% as compared with RMB347,503,000 of 2016. The increase was mainly attributable to: (1) The Company's leasing business scale achieved positive development and profitability continuously increased; (2) Investment business continued to grow steadily and achieved satisfactory return; (3) The sales volumes and prices of the Company's container manufacturing segment have increased substantially.

Analyses of segment results are as follows:

Unit: RMB'000

	Revenue			Cost		
Segment	**2017**	2016	Change *(%)*	**2017**	2016	Change *(%)*
Shipping and industry-related leasing business	**10,380,425**	10,040,568	3%	**7,715,229**	7,714,111	0%
Container manufacturing Business	**5,939,685**	3,064,626	94%	**5,436,275**	2,981,116	82%
Investment and service Business	**475,538**	396,480	20%	**155,994**	162,298	(4%)
Other businesses	**12,436**	24,861	(50%)	**16,112**	19,177	(16%)
Liner business	**–**	3,660,447	(100%)	**–**	4,735,081	(100%)
Offset amount	**(547,484)**	(1,659,095)	(67%)	**(471,456)**	(1,762,420)	(73%)
Total	**16,260,600**	15,527,887	5%	**12,852,154**	13,849,363	(7%)

1. ANALYSIS OF SHIPPING AND INDUSTRY-RELATED LEASING BUSINESS

1) *Operating Revenue*

The Group recorded a revenue from its leasing business of RMB10,380,425,000 for 2017, representing an increase of 3% as compared with RMB10,040,568,000 of last year, which accounted for 64% of the total revenue of the Group. The increase was mainly due to the further expansion of other industry-related finance leasing business of the Company.

Revenue from vessel leasing business amounted to RMB5,733,995,000, representing a decrease of 5% as compared with RMB6,005,853,000 of last year. Of which, revenue from vessel operating leasing amounted to RMB5,591,430,000, revenue from vessel finance leasing amounted to approximately RMB142,565,000. The revenue from vessel leasing decreased was mainly due to the term expiry of chartered vessels during the year, the number of subchartering vessels decreased by nine as compared with last year. In 2017, the Group leased out 97 vessels (2016: 106 vessels).

Revenue from container leasing business amounted to RMB3,200,852,000, representing a decrease of 1% as compared with RMB3,219,520,000 of last year, The reason for the decrease was mainly due to a slight decrease in container operating lease and sales of containers.

Of which, revenue from other industry-related finance leasing amounted to RMB1,445,578,000, representing an increase of 77% as compared with RMB815,195,000 of last year. The increase was mainly due to further expansion of our finance leasing business.

2) *Operating Costs*

Operating costs for leasing business mainly include the depreciation and maintenance costs for self-owned vessels, depreciation of self-owned containers, staff salaries, net carrying value of sales of containers returned upon expiry and rents of the leased-in vessels and containers. Operating costs for leasing business for 2017 was RMB7,715,229,000, representing an increase of 0.01% as compared with the costs of RMB7,714,111,000 of last year.

2. ANALYSIS OF CONTAINER MANUFACTURING BUSINESS

1) *Operating Revenue*

In 2017, the Group's container manufacturing business realized operating revenue of RMB5,939,685,000, representing an increase of 94% as compared with RMB3,064,626,000 of last year. The reason for the substantial increase was mainly due to recovery of the container manufacturing market alongside the global economic and shipping market recovery. Besides, the industry-wide application of water-proof coats in April 2017 has resulted in rising price for containers. As a result, there was a rise in both volumes and prices in the container manufacturing market. The Group's container sales amounted to 480,000 TEU during the year, representing an increase of 34% as compared with 358,000 TEU of last year.

2) *Operating Costs*

The operating costs of the container manufacturing business mainly consist of raw material costs, employee compensation and depreciation expenses. The operating costs of the business amounted to RMB5,436,275,000 in 2017, representing an increase of 82% as compared with RMB2,981,116,000 of last year. Such increase was mainly due to the surge in sales volume of container as the container manufacturing market improved. Besides, the industry-wide application of water-proof coats in April 2017 has resulted in the rise of raw material prices.

3. ANALYSIS OF INVESTMENT AND SERVICE BUSINESS

1) *Operating Revenue*

In 2017, the Group's financial services realized operating revenue of RMB475,538,000, representing 3% of the Group's total operating revenue and an increase of 20% as compared with RMB396,480,000 of last year. The increase was mainly due to an increase in interest income from loans in line with an increase in loans of CS Finance, a subsidiary of the Company.

2) *Operating Costs*

The operating costs in 2017 were RMB155,994,000, representing a decrease of 4% as compared with RMB162,298,000 of last year.

3) *Investment Income*

In 2017, the income from investment business was RMB2,232,270,000, representing an increase of 34% as compared with RMB1,665,667,000 of last year. Such increase was mainly attributable to an improvement in the performances of China International Marine Containers (Group) Co., Ltd., China Bohai Bank Co., Ltd. and China Everbright Bank Co., Ltd., which are associates of the Company, for the year as compared with that of last year.

GROSS PROFIT

Due to the above reasons, the Group recorded gross profit of RMB3,408,446,000 for 2017 (2016: gross profit RMB1,678,524,000).

SIGNIFICANT SECURITIES INVESTMENT

As at 31 December 2017, the Company's equity investments in associates and joint ventures generated profit of RMB2,064,324,000, mainly attributable to the profits from China Everbright Bank Co., China International Marine Containers (Group) Co., Ltd. and China Bohai Bank Co., Ltd. for the Period.

1. *Shareholdings in Other Listed Companies*

Stock code	Company name	Initial investment cost *(RMB)*	Shareholding at the beginning of the period *(%)*	Shareholding at the end of the period *(%)*	Book value at the end of the period *(%)*	Gain during the period *(RMB)*	Changes in other reserve during the period *(RMB)*	Gain from Disposal *(RMB)*	Dividends received during the period *(RMB)*	Accounting ledger	Sources of the shareholding
000039/ 02039	China International Marine Containers (Group) Ltd.	6,338,818,000	22.76	22.73	7,560,476,000	485,844,000	(120,252,000)	–	40,384,000	Investment in associates	Purchase
601818	China Everbright Bank Co., Ltd.	3,398,255,000	1.551	1.379	3,779,671,000	466,706,000	(36,510,000)	–	70,952,000	Investment in associates	Purchase
600643	Shanghai AJ Group Co., Ltd.	33,814,000	0.56	0.33	52,079,000	–	(23,600,000)	24,343,000	–	Available-for-sale investments	Purchase
000617	CNPC Capital Company Limited	950,000,000	0.97	0.97	1,015,033,000	–	(56,024,000)	–	–	Available-for-sale investments	Purchase
600390	Minmetals Capital Co., Ltd.	1,500,000,000	/	3.94	1,377,635,000	–	(122,365,000)	–	–	Available for-sale investments	Purchase
Total		12,220,887,000	/	/	13,784,894,000	952,550,000	(358,751,000)	24,343,000	111,336,000		

2. *Shareholdings in Financial Enterprises*

Name of investee	Initial investment cost *(RMB)*	Shareholding at the beginning of the period *(%)*	Shareholding at the end of the period *(%)*	Book value at the end of the period *(RMB)*	Gain during the period *(RMB)*	Changes in other reserve during the period *(RMB)*	Gain from disposal *(RMB)*	Dividends received during the period *(RMB)*	Accounting ledger	Sources of the shareholding
China Bohai Bank Co., Ltd.	5,749,379,000	13.67	13.67	6,625,207,000	923,247,000	(47,419,000)	–	–	Investment in associates	Purchase
Bank of Kunlun Co., Ltd.	838,959,000	3.74	3.74	1,139,574,000	110,701,000	(6,751,000)	–	36,010,000	Investment in associates	Purchase
Shanghai Life Insurance Co., Ltd.	320,000,000	16	16	919,242,000	18,519,000	(5,262,000)	–	–	Investment in associates	Purchase
CIB Fund Management Co., Ltd.	50,000,000	10	10	182,996,000	53,836,000	(344,000)	–	–	Investment in associates	Purchase
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd.	125,000,000	25	25	130,876,000	3,304,000	–	–	–	Investment in joint ventures	Purchase
Total	7,083,338,000	/	/	8,997,895,000	1,109,607,000	(59,776,000)	–	36,010,000		

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

Name of Investee	Exchange	Principal businesses
China International Marine Containers (Group) Co., Ltd.	Shenzhen Stock Exchange/ Hong Kong Stock Exchange	Manufacturing and sales of Containers
Shanghai AJ Group Co., Ltd.	Shanghai Stock Exchange	Investment in industries and other financial businesses
China Everbright Bank Co., Ltd.	Shanghai Stock Exchange	Bank business
Minmetals Capital Co.,Ltd.	Shanghai Stock Exchange	Ore mining, processing and sales
CIB Fund Management Co., Ltd.	/	Fund Management
Bank of Kunlun Co., Ltd.	/	Bank business
Shanghai Life Insurance Co., Ltd.	/	Insurance
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd.	/	Leasing
China Bohai Bank Co., Ltd.	/	Bank business
CNPC Capital Company Limited	Shenzhen Stock Exchange	Finance company, banking, financial leasing and other financial business

The stock market was volatile in 2017. The Company expects the investment portfolio of the Group (including the above major investments) will be subject to the movement of interest rates, market factors and macroeconomic factors etc. Moreover, the market value of individual shares will be affected by the financial results, development plan as well as prospects of the industry of the listed companies. To mitigate relevant risks, the Group will take appropriate measures in due course and adjust its investment strategies in response to market situation.

INFORMATION OF THE SUBSIDIARY, CS FINANCE

1. *Shareholding Structure of CS Finance*

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

2. *DEPOSITS AND LOANS OF CS FINANCE DURING THE PERIOD*

A Total deposits and loans at the end of the Period

Unit: RMB

	As at 31 December 2017	As at 31 December 2016	Change *(%)*
Balance of deposits	**19,809,304,805.25**	13,355,355,637.56	48%
Balance of loans	**5,718,376,489.55**	5,416,437,400.00	6%

B Balance of deposits and loans with the top ten customers

(a) Balance of deposits of the top ten customers

Unit: RMB

No.	Name of Customer	As at 31 December 2017
1	COSCO SHIPPING Development	2,155,128,180.08
2	COSCO SHIPPING Asset Management Co., Ltd.	2,004,995,821.65
3	COSCO SHIPPING Energy Transportation Co., Ltd.	1,928,829,871.22
4	COSCO Shipping (Guangzhou) Co., Ltd.	1,581,812,235.85
5	China COSCO Shipping Corporation Limited	1,220,135,319.50
6	COSCO SHIPPING LEASING CO., LTD.	964,733,189.06
7	COSCO SHIPPING Tanker (Shanghai) Co., Ltd.	835,198,312.63
8	Shanghai Pan Asia Shipping Company Limited	678,000,000.00
9	Dong Fang International Container (Lianyungang) Co., Ltd.	575,316,954.02
10	COSCO SHIPPING (Shanghai) Company Ltd.	515,070,162.16

(b) Balance of loans to the top ten customers

Unit: RMB

No.	Name of Customer	As at 31 December 2017
1	COSCO SHIPPING Development	1,700,000,000.00
2	China Shipping Group Company Limited	1,000,000,000.00
3	China Shipping Bulk Carrier Co., Ltd.	1,000,000,000.00
4	SDIC Shipping Development Co., Ltd.	532,125,000.00
5	Shanghai COSCO SHIPPING Logistics Supply Chain Management Co., Ltd.	400,000,000.00
6	COSCO SHIPPING Seafarer Management Co., Ltd.	200,000,000.00
7	Hainan Haisheng Shipping Co., Ltd.	200,000,000.00
8	China Shipping Industrial Construction (Shanghai Pudong) Co., Ltd.	150,000,000.00
9	Shanghai Times Shipping Company Limited	150,000,000.00
10	China Shipping Industry Co., Ltd.	100,000,000.00

INCOME TAX

From 1 January 2017 to 31 December 2017, the corporate income tax ("CIT") rate applicable to the Company and its subsidiaries in the PRC was 25%.

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

SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

For the year ended 31 December 2017, the Group's selling, administrative and general expenses were RMB1,158,540,000, representing a decrease of 27% as compared with 2016.

OTHER (LOSSES)/GAINS, NET

For the year ended 31 December 2017, other losses of the Group were RMB10,305,000, representing a decrease of approximately RMB127,533,000 as compared with other gains of RMB117,228,000 for 2016, mainly attributable to exchange loss.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The profit attributable to owners of the parent of the Company for 2017 was RMB1,463,803,000, representing an increase of 321% as compared with RMB347,503,000 for 2016.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

LIQUIDITY AND BORROWINGS

The Group's principal sources of liquidity are operating cash inflow and short-term bank borrowings. The Group's cash is mainly used for operating expenses, repayment of loans, construction of new vessels, procurement of containers, and the Group's financial leasing business. During the Period, the Group's net operating cash inflow was RMB11,852,141,000. As at 31 December 2017, the Group's cash at banks was RMB23,193,300,000.

As at 31 December 2017, the Group's total bank and other borrowings were RMB95,421,295,000, of which RMB31,571,856,000 is repayable within one year. The Group's long-term bank borrowings are mainly used to finance the procurement of containers, equity acquisitions and replenishment of liquidity.

As at 31 December 2017, the Group's RMB-denominated bonds payable amounted to RMB3,086,327,000, and all proceeds raised from the bonds were used for the purchase of financial lease assets.

In addition, the Group's USD-denominated bonds payable at fixed interest rates amounted to USD203,388,000 (equivalent to approximately RMB1,328,979,000), and all proceeds raised from the bonds were used for procurement of containers.

The Group's RMB borrowings at fixed interest rates amounted to RMB37,621,636,000. USD borrowings at fixed interest rates amounted to USD158,142,000 (equivalent to approximately RMB1,033,334,000), RMB borrowings at floating interest rates amounted to RMB2,680,637,000, and USD borrowings at floating interest rates amounted to USD8,277,324,000 (equivalent to approximately RMB54,085,688,000). The Group's borrowings are settled in RMB or USD while its cash and cash equivalents are also primarily denominated in RMB and USD.

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

NET CURRENT LIABILITIES

As at 31 December 2017, the Group's net current liabilities amounted to RMB12,624,170,000. Current assets mainly include: the current portion of the finance lease receivables of RMB7,333,145,000 and the current portion of the loans and receivables of RMB3,763,801,000, inventories of RMB1,155,668,000, trade and notes receivables of RMB1,388,976,000, prepayments and other receivables of RMB896,243,000, cash and cash equivalents of RMB23,193,300,000, and restricted cash of RMB1,748,512,000. Current liabilities mainly include: trade and notes payable of RMB2,328,672,000, other payables and accruals of RMB2,081,501,000, tax payable of RMB237,297,000, the current portion of bank and other borrowings of RMB31,571,856,000 and current portion of finance lease obligations RMB68,446,000.

CASH FLOWS

For the year of 2017, the Group's net cash inflow generated from operating activities was RMB11,852,141,000, denominated principally in RMB and USD, representing an increase of RMB4,194,825,000 from the net cash inflow generated from operating activities of RMB7,657,316,000 in 2016. Cash and cash equivalents balances at the end of 2017 increased by RMB7,666,046,000 year-on-year, the main reason of which is that the net cash generated from operating activities and the net cash generated from financing activities were more than the net cash outflow used in investing activities. The cash generated from financing activities of the Group during year 2017 was mainly derived from bank borrowings and issuance of commercial bills and such funds were used mainly for the purposes of short-term operation and purchase and construction of containers.

The following table provides the information regarding the Group's cash flow for the years ended 31 December 2017 and 31 December 2016:

Unit: RMB

	2017	2016
Net cash generated from operating activities	**11,852,141,000**	7,657,316,000
Net cash used in investing activities	**(6,652,489,000)**	(13,731,500,000)
Net cash generated from financing activities	**2,886,277,000**	5,425,101,000
Exchange movement on cash	**(419,883,000)**	244,666,000
Net increase/(decrease) in cash and cash equivalents	**7,666,046,000**	(404,417,000)

NET CASH GENERATED FROM OPERATING ACTIVITIES

For the year ended 31 December 2017, the net cash inflow generated from operating activities was RMB11,852,141,000, representing an increase of RMB4,194,825,000 as compared with the net inflow of RMB7,657,316,000 for 2016. The increase was attributable to the increase year-on-year in the Group's operating profit in 2017.

NET CASH USED IN INVESTING ACTIVITIES

For the year ended 31 December 2017, the net cash outflow used in investing activities was RMB6,652,489,000, decreased by RMB7,079,011,000 as compared with the net outflow of RMB13,731,500,000 for 2016. The decrease in net cash outflow used in investing activities was primarily attributable to optimized financial products structure as well as an increase in cashflow received from investments.

NET CASH GENERATED FROM FINANCING ACTIVITIES

For the year ended 31 December 2017, the net cash generated from financing activities was RMB2,886,277,000, representing a decrease of RMB2,538,824,000 as compared with the net cash generated from financing activities of RMB5,425,101,000 for 2016. For the year of 2017, the Group's bank and other borrowings amounted to RMB44,062,964,000, and repayment of bank and other borrowings amounted to RMB38,915,250,000.

AVERAGE TURNOVER DAYS OF TRADE AND NOTES RECEIVABLES

As at 31 December 2017, the net balance of trade and notes receivables by the Group amounted to RMB1,388,976,000, representing a decrease year-on-year of RMB266,680,000. Of which note receivables decreased by RMB5,100,000 and trade receivables decreased by RMB261,580,000, which was mainly due to receivables relating to container liner transportation operations been settled and no new receivables generated since the cease of that business during the Period.

GEARING RATIO

As at 31 December 2017, the Company's net gearing ratio (i.e. net debts over shareholders' equity) was 535%, which was lower than 662% as at 31 December 2016. The decrease was primarily due to the increase in equity interest.

FOREIGN EXCHANGE RISK

Revenues and costs of the Group's shipping-related leasing business and container manufacturing operations are settled or denominated in USD. As a result, the impact on the net operating revenue due to RMB exchange rate fluctuation can be offset by each other to a certain extent. During the Period, the Group recorded a net exchange loss of RMB179,543,000 which was mainly due to fluctuations of the USD and Euro exchange rates in 2017; the exchange difference which was charged to equity attributable to shareholders of the parent amounted to RMB660,456,000. The Group will continue to monitor the exchange rate fluctuation of RMB and major international currencies, minimize the loss arising from exchange rate fluctuation, and take appropriate measures to mitigate the Group's foreign exchange exposure when necessary.

CAPITAL EXPENDITURES

For the year ended 31 December 2017, the Group's expenditures on the acquisition of container vessels, vessels under construction and other expenditures amounted to RMB2,105,721,000, expenditures on the acquisition of finance lease assets amounted to RMB13,442,693,000.

CAPITAL COMMITMENTS

As at 31 December 2017, the Group had RMB1,475,393,000 in capital commitments which had been contracted but not provided for in relation to fixed assets. Equity investment commitment was RMB1,910,500,000.

PLEDGE

As at 31 December 2017, certain container vessels and containers with net carrying value of approximately RMB25,031,111,000 (2016: RMB24,792,246,000), finance lease receivables of RMB7,219,076,000 (2016: RMB1,379,841,000) and pledged deposits of RMB178,325,000 (2016: RMB107,848,000) were pledged to banks for the grant of credit facilities and issuance of bonds.

SUBSEQUENT EVENTS

There is no material subsequent event undertaken by the Group after 31 December 2017.

CONTINGENT LIABILITIES

As at 31 December 2017, there were no significant contingent liabilities for the Group.

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2017, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

EMPLOYEES, TRAINING AND BENEFITS

As at 31 December 2017, the Group had 8,278 employees, and the total staff costs for the Period (including staff remuneration, welfare and social insurance, etc.) amounted to approximately RMB1,790,420,000 (including outsourced labour costs).

Remuneration management, as one of the most effective incentives and a form of enterprise value distribution, was carried out on the basis of total budget control, value creation, internal fairness, market competition and sustainable development. Based on the principle of "contractualized management, differential compensation", the management has introduced and implemented the professional manager system and strengthened the incentive and restraint mechanism based on performance management. The Company's overall remuneration system mainly consists of: (1) salaries: including remuneration, title salary, performance salary, special incentives, bonus and allowances; (2) benefits: including mandatory social insurance, provident housing fund and corporate welfares; and (3) recognized schemes and other items in support of corporate strategies and corporate culture.

To support human resources management reform, talent development and training, the Company has reconstructed its employee training system to make it base on identification of demand, with the support of clear defined responsibilities and list-based management. We have optimized the training content and implementation system, improved the effectiveness of training resource allocation, staff training participation and satisfaction. Various training programmes were designed and implemented to address different types of business and positions, covering topics such as transformation and innovation, industry development, management capability, financial business, risk management, safety and individual caliber.

EXECUTIVE DIRECTORS

MS. SUN YUEYING (孫月英), AGED 59

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

MR. WANG DAXIONG (王大雄), AGED 57

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

MR. LIU CHONG (劉沖), AGED 47

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

MR. XU HUI (徐輝), AGED 55

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

NON-EXECUTIVE DIRECTORS

MR. FENG BOMING (馮波鳴), AGED 48

General manager of the strategic and corporate management department of China COSCO SHIPPING Corporation Limited, a director of COSCO SHIPPING Bulk Co., Ltd. and a director of Piraeus Port Authority S.A. Mr. Feng has held various positions including the deputy chief of the Commerce Section of the Liner Department and insurance settlement manager of COSCO Container Lines Co., Ltd., general manager of COSCO (Cayman) Mercury Co., Ltd since October 2005, general manager of the operation and management (HK) department of COSCO SHIPPING Holdings Co., Ltd. (listed on the Hong Kong Stock Exchange under the stock code of 1919 and listed on Shanghai Stock Exchange under the stock code of 601919), general manager of the corporate management department of COSCO Container HK, general manager of COSCO Container PRC Wuhan Branch/COSCO (Wuhan) Bulk Shipping Company (COSCO Logistics (Wuhan) Co., Ltd since January 2012, and the supervisor of the strategic management implementation office of China Ocean Shipping (Group) Company/China COSCO since August 2015. Mr. Feng graduated successively from Wuhan Institute of Water Transportation Engineering, majoring in transportation administrative engineering; and from Hong Kong University, majoring in business administration. He holds a bachelor degree and a master degree.

MR. HUANG JIAN (黃堅), AGED 48

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

MR. LIANG YANFENG (梁岩峰), AGED 52

Mr. Liang graduated from Tsinghua University with a master's degree in law and an executive master of business administration (EMBA) degree. He is a senior economist and a member of the Senior Professional and Technical Qualification Examination Committee for Economics of the Ministry of Transport. Mr. Liang has previously served as the deputy general manager of the human resources department and the director of staff management of China Ocean Shipping (Group) Company; general manager, a member of Party Committee and the director of COSCO Talent Service Centre of COSCO Human Resources Development Company. He has also served as the general manager of capital operations division of China Ocean Shipping (Group) Company. He was the standing committee member of Luzhou Municipal Committee of the Communist Party of China and the deputy mayor (temporary) of Luzhou Municipal Government, Sichuan Province, the deputy general manager and general manager of COSCO SHIPPING International Holdings Limited, the vice president and a member of Party Committee of COSCO (Hong Kong) Group Limited, the deputy general manager and secretary of Party Committee of Dalian Ocean Shipping Company Limited, and the general manager and vice secretary of Party Committee of COSCO Shipyard Group Co., Ltd.. Mr. Liang is currently the general manager and the vice secretary of Party Committee of COSCO SHIPPING Heavy Industry Company Limited.

INDEPENDENT NON-EXECUTIVE DIRECTOR

MR. CAI HONGPING (蔡洪平), AGED 63

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

MS. HAI CHI YUET (奚治月), AGED 63

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

MR. GRAEME JACK, AGED 67

Independent non-executive Director and a member of the Remuneration Committee of the Company. He has over 40 years' experience in finance and auditing. He spent 33 years at PricewaterhouseCoopers during his path of career and retired as a partner in 2006. He is currently an independent non-executive director of The Greenbrier Companies Inc., and an independent trustee for Hutchison Port Holdings Trust and The Greenbrier Companies Inc.. Mr. Graeme Jack holds a bachelor's degree in commerce and is a fellow member of the Hong Kong Society of Accountants and an associate member of The Institute of Chartered Accountants in Australia and New Zealand.

MR. LU JIAN ZHONG(陸建忠), AGED 63

Independent non-executive Director of the Company. Mr. Lu graduated from the department of accounting of Shanghai University of Finance and Economics with a bachelor's degree in economics in January 1983. He started his career in the field of finance in the same year. Mr. Lu was a lecturer and an Associate Professor of Finance and Accounting at the Shanghai Maritime University from September 1986 to August 1997. He served as a certified accountant and a partner of the audit department of PricewaterhouseCoopers Zhong Tian LLP from September 1997 to June 2012. Between July 2012 and September 2016, Mr. Lu served as a partner of Shanghai De'an Certified Public Accountants LLP, the marketing director of Daxin Certified Public Accountants LLP and a partner of Zhongxinghua Certified Public Accountants LLP. Mr. Lu served as a certified accountant at Da Hua Certified Public Accountants LLP since October 2016. Mr. Lu is also an independent director of Hangzhou Hikvision Digital Technology Co., Ltd., Changshu Fengfan Power Equipment Co., Ltd., Ningbo Lehui International Engineering Equipment Co., Ltd., an enterprise mentor for the Master of Professional Accounting (MPACC)/ the Master of Auditing programs (Maud) of Antai College of Economics and Management of Shanghai Jiao Tong University and an external expert of the Asset Securitization Task Group under the Economic Research Center of the State Council, and a member of Jiusan Society in the PRC.

MR. GU XU (顧旭), AGED 53

Independent non-executive Director of the Company. Mr. Gu Xu has over 20 years of experience in the financial and securities industry as well as extensive experience in corporate financial management. He led and participated in the restructuring, issue and listing of Shanghai Phoenix Bicycle Co., Ltd., Hero (Gold Pen) Co. Ltd. and Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. (A shares and B shares) and succeeded in leading several corporate mergers and acquisitions and reorganizations. He has accumulated theoretical and practical experience in respect of corporate financial and accounting management, assets management, investment management, disposal of distressed assets and management of financial information systems. He is currently the chairman of Shanghai Dongsheng Investment Management Co., Ltd., an independent director of Suzhou Financial Leasing Co., Ltd. and the general manager of Henan Zhongyuan Lianchuang Investment Funds Management Company.

MS. ZHANG WEIHUA (張衛華), AGED 56

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

SUPERVISORY COMMITTEE MEMBERS

MR. YE HONGJUN (葉紅軍), AGED 55

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

MR. HAO WENYI (郝文義), AGED 55

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

MR. ZHU DONGLIN (朱冬林), AGED 58

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

COMPANY SECRETARY

MR. YU ZHEN (俞震), AGED 40

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

SENIOR MANAGEMENT

MR. ZHANG MINGWEN (張銘文), AGED 39

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

MR. MING DONG (明東), AGED 47

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

The Board submits its report together with the audited consolidated financial statements for the year ended 31 December 2017 (the "Year").

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

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

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

RESULTS

The results of the Group for the Year are set out in the consolidated statement of profit or loss on page 98 of this Annual Report.

BUSINESS REVIEW

Business review of the Group for the year ended 31 December 2017, an analysis of the Group's performance for the year using key financial metrics, recent development, a discussion on the future development of the Group, subsequent events after the period and a description of the potential principal risks and uncertainties facing the Group are set out in "Chairman's Statement" on pages 6 to 11 and "Management Discussion and Analysis" on pages 12 to 27. The Company's environmental policy and our performance, its compliance with relevant laws and regulations that may have significant effect on the Group and the relationship between the Group and its employees, customers and suppliers are set out in "Report of the Board of Directors" and "Corporate Governance Report" on pages 36 to 88.

DIVIDENDS

The accumulated losses of the Company calculated under PRC accounting standards as at 31 December 2017 were RMB1,320 million. The retained profits of the Group calculated under PRC accounting standards as at 31 December 2017 were RMB4,562 million.

It was proposed that no profit distribution would be made for the year 2017 and no capitalization of capital common reserve fund would be made. The above proposal is subject to review at the Annual General Meeting.

RESERVES

Movement of the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on pages 102 to 103 and 185 to 188 of this Annual Report, Note 38 and Note 49 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 37 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

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

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

As at 31 December 2017, the accumulated losses of the Company, calculated based on the above principles, amounted to approximately RMB1,320 million, which is prepared in accordance with the PRC accounting standards and regulations.

PRE-EMPTIVE RIGHTS

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

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on pages 211 to 212 of this Annual Report.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2017.

THE BASIS OF DETERMINING THE EMOLUMENT OF THE DIRECTORS

The Company determines the remuneration of Directors by reference to the performance of Directors for the year ended 31 December 2017 and on the principle of linking Company's management with operation results.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors who held office as at the date of this Annual Report are:

DIRECTORS

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Mr. Feng Boming
Mr. Huang Jian
Mr. Liang Yanfeng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cai Hongping
Ms. Hai Chi Yuet
Mr. Graeme Jack
Mr. Lu Jianzhong
Mr. Gu Xu
Ms. Zhang Weihua

SUPERVISORS

Mr. Ye Hongjun *(Chairman)*
Mr. Hao Wenyi
Mr. Zhu Donglin

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

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

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

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

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

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

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

PERMITTED INDEMNITY PROVISION

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

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors, Supervisors and senior management of the Company are set out on pages 28 to 35 of this Annual Report. Each of Sun Yueying, Feng Boming, Huang Jian, Ye Hongjun and Hao Wenyi was as at 31 December 2017, the chief accountant, the department general manager, department general manager, department general manager, legal adviser and head of the department respectively of China COSCO SHIPPING and/or China Shipping. As at 31 December 2017, China COSCO SHIPPING and China Shipping had an interest or short position in the Company's shares and underlying shares which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO").

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

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

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

As at 31 December 2017, the interests or short positions of the Directors, Supervisors or chief executive(s) of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors or chief executive(s) is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") adopted by the Company were as follows:

INTERESTS IN THE SHARES OF THE COMPANY

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

Notes:

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

2. As disclosed in the announcement of the Company dated 24 November 2016, certain executive Directors, Supervisor, senior management and employees of the Company have voluntarily invested, with their own fund, in an asset management plan (the "Asset Management Plan"), pursuant to which the executive Directors, Supervisor, senior management and employees of the Company have subscribed to the units of the Asset Management Plan and entrusted the manager of the Asset Management Plan to manage the Asset Management Plan, which will invest in the H Shares. The manager of the Asset Management Plan shall be responsible for, among other things, the investment and re-investment of the assets under the Asset Management Plan and shall be entitled to exercise the voting rights and other relevant rights in respect of the H Shares held under the Asset Management Plan. The Company did not participate in the Asset Management Plan, and the Asset Management Plan does not constitute a share option scheme or any type of employee benefit scheme of the Company. As at 31 December 2017, the Asset Management Plan has been fully funded and has acquired 6,900,000 H Shares on the market at an average price of HK$1.749 per H Share.

3. Mr. Wang Daxiong is one of the participants of the Asset Management Plan through which he holds approximately 12.10% of the total number of units of the Asset Management Plan as at 31 December 2017. Accordingly, the 834,677 H Shares represent the interests derived from the units subscribed by Mr. Wang Daxiong in the Asset Management Plan as at 31 December 2017. As at 31 December 2017, Mr. Wang Daxiong does not hold any Shares.

4. Mr. Liu Chong is one of the participants of the Asset Management Plan through which he holds approximately 16.13% of the total number of units of the Asset Management Plan as at 31 December 2017. Accordingly, the 1,112,903 H Shares represent the interests derived from the units subscribed by Mr. Liu Chong in the Asset Management Plan as at 31 December 2017. As at 31 December 2017, Mr. Liu Chong does not hold any Shares.

5. Mr. Xu Hui is one of the participants of the Asset Management Plan through which he holds approximately 13.71% of the total number of units of the Asset Management Plan as at 31 December 2017. Accordingly, the 945,968 H Shares represent the interests derived from the units subscribed by Mr. Xu Hui in the Asset Management Plan as at 31 December 2017. As at 31 December 2017, Mr. Xu Hui does not hold any Shares.

6. Mr. Fu Yi is one of the participants of the Asset Management Plan through which he holds approximately 8.06% of the total number of units of the Asset Management Plan as at 31 December 2017. Accordingly, the 556,452 H Shares represent the interests derived from the units subscribed by Mr. Fu Yi in the Asset Management Plan as at 31 December 2017. As at 31 December 2017, Mr. Fu Yi does not hold any Shares. Mr. Fu Yi resigned as an employee representative Supervisor with effective from 15 March 2018.

Save as disclosed above, as at 31 December 2017, none of the Directors, Supervisors or chief executive(s) of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors or chief executive(s) is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company.

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

As at 31 December 2017, so far as was known to the Directors, Supervisors or chief executive(s) of the Company, the interests or short positions of the shareholders who are entitled to exercise or control 5% or more of the voting power at any general meeting or other persons (other than a Director, Supervisor or chief executive(s) of the Company) in the shares or underlying shares of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or the interests or short positions which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO or the interests or short positions which have been notified to the Company and the Stock Exchange were as follows:

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

Notes:

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

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

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

Save as disclosed above, as at 31 December 2017, no other person (other than Directors, Supervisors or chief executive(s) of the Company) had any interest or short position in any shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or any interest or short positions recorded in the register kept by the Company pursuant to Section 336 of the SFO or any interest or short positions which have been notified to the Company and the Stock Exchange.

DIRECTORS AND EMPLOYEES OF THE SUBSTANTIAL SHAREHOLDERS

Certain Directors and Supervisors of the Company are the director or employee of China COSCO SHIPPING and/or China Shipping (details of which are set out on pages 28 to 35 of this Annual Report), and China COSCO SHIPPING and China Shipping has interests in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

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

MANAGEMENT CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, the Group sold in aggregate 68% of its goods and services to its 5 largest customers, including 53% to its largest customer.

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

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

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

EQUITY-LINKED AGREEMENT

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

CHARITABLE DONATIONS

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

RELATIONSHIP WITH KEY STAKEHOLDERS

RELATIONSHIP WITH EMPLOYEES

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

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

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

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

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

RELATIONSHIP WITH CUSTOMERS

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

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

RELATIONSHIP WITH SUPPLIERS

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

ENVIRONMENTAL POLICY AND PERFORMANCE

"Green" has gradually become the development trend among companies in different industries. According to the 13th Five-Year Plan for the Protection of Ecological Environment, green and low carbon practices in production and daily life will be strengthened by 2020, with a significant reduction in emissions of key pollutants and potential environmental implication will be under effective control. In this regard, COSCO SHIPPING Development will consider environmental protection as our bounded duty and actively perform our responsibilities of management and actions for environmental protection as part of our efforts to build a beautiful ecological environment.

OPTIMIZATION OF ENVIRONMENT MANAGEMENT SYSTEM

The Company continually improves its environment management system. On the one hand, the Company strictly adheres to the Atmospheric Pollution Prevention Law of the People's Republic of China (《中華人民共和國大氣污染防治法》) and Cleaner Production Promotion Law of the People's Republic of China (《中華人民共和國清潔生產促進法》) among other national laws and regulations concerning environment protection applicable to the industry; on the other hand, the Company actively urges its business departments and direct business units to improve environment management regulations and systems.

The Company formulated "Regulations on Wastewater Discharge", "Regulations on Exhaust Emission Management", "Regulations on Solid Waste Environment Pollution Prevention Management", "Vessel Waste Management Plan", "Regulations on Treatment of Oily Sewage and Residual Oil in the Cabin" and "Regulations on Treatment of Domestic Sewage" to minimize the impact of emissions on the environment. The Company also formulates "Regulations on Noise Management" to minimize noise pollution, "Energy Conservation and Emission Reduction Management System" to manage resource usage, "Contingency Plan for Environmental Pollution Accidents" and "Management Procedures for Identification, Evaluation and Management" to provide advance management for potential environmental risks.

The Company extended the policy of environmental protection from production lines to offices. By improving "Regulations on Disposal of Wastes in Offices", "Regulations on Energy Conservation in Offices" and other policies of green office, the Company achieved management on use of energy and disposal of wastes in offices, laying a sound foundation for forging a green enterprise.

SUPPORT THE DEVELOPMENT OF CLEAN ENERGY

Clean energy is essential in our efforts of accelerating exploration into clean, efficient, safe and sustainable resources. It also plays an important role in minimizing energy consumption and improving air quality. COSCO SHIPPING Development has been focusing on the development of power generation by clean energy such as photovoltaics, hydroelectric power and wind power to support upgrading of green technologies and facilities among enterprises and promote construction of energy project with its professional finance leasing services, supporting continuous expansion of the clean energy industry.

GREEN MANUFACTURE OF CONTAINERS

According to the Notice Regarding the Commencement of Construction of Green Manufacturing System issued by the General Office of the Ministry of Industry and Information Technology (《工業和信息化部辦公廳關於開展綠色製造體系建設的通知》), a green manufacturing system that is clean, efficient, low carbon and recycling shall be established for setting the benchmark for upgrading and transformation of manufacturing enterprises into green enterprises. COSCO SHIPPING Development has been proactively forging itself into a green manufacturer of containers. By incorporating the concepts of green manufacturing and minimizing CO2 emission into the whole process from raw material procurement, production to disposal of wastes, the Company achieved higher efficiency in its container manufacturing business.

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

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

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

CONNECTED TRANSACTIONS

During the year ended 31 December 2017, the Company entered into the following connected transactions:

(1) CAPITAL INCREASE IN CHINA SHIPPING FINANCE COMPANY LIMITED

- Date, parties and description of the transaction:

  On 20 January 2017, the Company entered into a capital increase agreement (the "Capital Increase Agreement") with China Shipping and COSCO SHIPPING Energy Transportation Co., Ltd. ("COSCO SHIPPING Energy"), pursuant to which China Shipping, the Company and COSCO SHIPPING Energy have agreed to increase the registered capital of China Shipping Finance Company Limited ("CS Finance") by RMB600,000,000 in proportion to their respective shareholding (the "Capital Increase"), subject to the terms and conditions set out therein.

- Connected relationship of the parties to the transaction:

  China Shipping is a controlling shareholder of the Company and therefore a connected person of the Company. COSCO SHIPPING Energy is owned as to 38.56% by China Shipping and thus an associate of China Shipping and a connected person of the Company. CS Finance is owned as to 65% by the Company, 10% by China Shipping and 25% by COSCO SHIPPING Energy, respectively, and a connected subsidiary of the Company. Accordingly, the Capital Increase constitutes a connected transaction of the Company under the Listing Rules.

- Total consideration and other terms:

  The aggregate amount of capital contribution payable by China Shipping, the Company and COSCO SHIPPING Energy to CS Finance for the Capital Increase under the Capital Increase Agreement is RMB600,000,000, of which RMB390,000,000 shall be payable by the Company to CS Finance.

  The amount of capital contribution for the Capital Increase was determined after arm's length negotiations by the parties with reference to, among other things, (i) their respective shareholding in CS Finance, (ii) the estimated business needs and future business development of CS Finance, and (iii) the net asset value of CS Finance.

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

  The Board is of the view that the Capital Increase provides liquidity for CS Finance, and enhances its financing capability to provide financing services for various business segments of the Group with larger scale and more varieties, which in turn enhance Shareholders' value.

  The Directors (including the independent non-executive Directors) are of the view that the Capital Increase Agreement and the transactions contemplated thereunder have been entered into on normal commercial terms that are fair and reasonable and in the ordinary and usual course of business of the Company, and the Capital Increase is in the interests of the Company and the Shareholders as a whole.

  For further information relating to the above transaction, please refer to the announcement of the Company dated 20 January 2017.

(2) PROPOSED SUBSCRIPTION OF A SHARES BY COSCO SHIPPING UNDER THE REVISED PROPOSED NON-PUBLIC ISSUANCE OF A SHARES

- Date, parties and description of the transaction:

  On 20 April 2017, the Board has approved, among other things, the revised proposed non-public issuance of A Shares, pursuant to which the Company will issue a maximum of 2,336,625,000 A Shares (subject to adjustments) to not more than 10 specific target subscribers, including COSCO SHIPPING, which would raise a gross proceeds of up to RMB8.6 billion (the "Revised Proposed Non-public Issuance of A Shares"). As part of the Revised Proposed Non-public Issuance of A Shares, on 20 April 2017, the Company has entered into (i) a termination agreement with China Shipping to terminate the previous subscription agreement dated 11 October 2016 and the subscription thereunder; and (ii) a subscription agreement with COSCO SHIPPING (the "COSCO Subscription Agreement"), pursuant to which 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 Revised Proposed Non-public Issuance of A Shares (the "COSCO Subscription").

- Connected relationship of the parties to the transaction:

  COSCO SHIPPING is an indirect controlling shareholder of the Company and therefore a connected person of the Company. Accordingly, the COSCO Subscription constitutes a connected transaction of the Company under the Listing Rules.

- Total consideration and other terms:

  The subscription price shall not be lower than the benchmark price, being 90% of the average trading price (the average trading price of the A Shares during the 20 trading days immediately preceding the first day of the offering period of the Revised Proposed Non-public Issuance of A Shares (the "Price Determination Date"), which is calculated by dividing the total turnover of the A Shares by the total trading volume of the A Shares during the 20 trading days immediately preceding the Price Determination Date) (subject to adjustments).

  The final subscription price will be determined by the Board and its authorised person(s) with the authorisation by the Shareholders at the extraordinary general meeting and the class meetings and the sponsor (the lead underwriter) based on the price inquiry results in accordance with the price priority principle and applicable laws and regulations, after obtaining the approval documents issued by the China Securities Regulatory Commission in respect of the Revised Proposed Non-public Issuance of A Shares.

  The terms and conditions of the COSCO Subscription Agreement are agreed after arm's length negotiations between the Company and COSCO SHIPPING.

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

  The Board is of the view that the COSCO Subscription demonstrates the confidence COSCO SHIPPING places in the Company and COSCO SHIPPING's support to the development and transformation of the business of the Company as an integrated financial services platform with diversified leasing businesses.

  The independent non-executive Directors consider that the terms of the Revised Proposed Non-public Issuance of A Shares and the COSCO Subscription are on normal commercial terms and are fair and reasonable, and the Revised Proposed Non-public Issuance of A Shares and the COSCO Subscription are in the interests of the Company and the Shareholders as a whole.

  For further information relating to the above transaction, please refer to the circular of the Company dated 19 May 2017.

(3) ASSIGNMENT AND NOVATION OF SHIPBUILDING CONTRACTS

- Date, parties and description of the transaction:

  On 4 May 2017, in respect of eight container vessels with a capacity of 13,500 TEU each (the "13,500 TEU Vessels"), (i) COSCO SHIPPING Development (Hong Kong) Co., Ltd. ("COSCO SHIPPING HK", as assignor and a wholly-owned subsidiary of the Company) and COSCO (Cayman) Mercury Co., Ltd. ("COSCO Mercury", as assignee) entered into eight assignment agreements (the "13,500 TEU Vessel Assignment Agreements") for the assignment of eight shipbuilding contracts for the construction of the 13,500 TEU Vessels entered into between COSCO SHIPPING HK (as buyer) and China Shipbuilding Trading Company Limited ("CSTC") and Shanghai Jiangnan Changxing Shipbuilding Company Limited (collectively, the "13,500 TEU Vessel Builders") (as seller) on 29 July 2015 (the "13,500 TEU Shipbuilding Contracts"), and (ii) COSCO SHIPPING HK (as original buyer), COSCO Mercury (as new buyer) and the 13,500 TEU Vessel Builders (as seller) entered into eight variation agreements for the transfer of all the rights, obligations, debts and liabilities of COSCO SHIPPING HK under the 13,500 TEU Shipbuilding Contracts to COSCO Mercury.

  On the same date, in respect of six container vessels with a capacity of 21,000 TEU each (the "21,000 TEU Vessels"), (i) Oriental Fleet International Co., Ltd. ("Oriental Fleet", as assignor and a wholly-owned subsidiary of the Company) and COSCO Mercury (as assignee) entered into six memoranda of agreement (the "21,000 TEU Vessel Memoranda of Agreement") for the assignment of six shipbuilding contracts for the construction of the 21,000 TEU Vessels entered into between Oriental Fleet (as buyer) and CSTC and Shanghai Waigaoqiao Shipbuilding Company Limited (collectively, the "21,000 TEU Vessel Builders") (as seller) on 30 October 2015 (the "21,000 TEU Shipbuilding Contracts"), and (ii) Oriental Fleet (as original buyer), COSCO Mercury (as new buyer) and the 21,000 TEU Vessel Builders (as seller) entered into six novation agreements for the novation of the 21,000 TEU Shipbuilding Contracts from Oriental Fleet to COSCO Mercury.

  (collectively, the "Assignment and Novation")

- Connected relationship of the parties to the transaction:

  COSCO SHIPPING is an indirect controlling shareholder of the Company and therefore a connected person of the Company. As COSCO SHIPPING is the indirect controlling shareholder of COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings") and COSCO Mercury is a wholly-owned subsidiary of COSCO SHIPPING Holdings, COSCO Mercury is an associate of COSCO SHIPPING and therefore a connected person of the Company. Accordingly, the Assignment and Novation constitute a connected transaction of the Company under the Listing Rules.

- Total consideration and other terms:

  The aggregate consideration payable by COSCO Mercury to the Group under the aforementioned assignment and novation agreements in respect of the Shipbuilding Contracts is estimated to be approximately US$208,075,200, which was determined after arm's length negotiation between the parties thereto with reference to the valuation reports dated 7 April 2017 prepared by an independent valuer.

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

  The Board is of the view that the Assignment and Novation are in line with the Group's transformed business and would also optimize the Company's capital structure and reduce the future capital expenditure of the Company. In addition, the consideration payable to the Group under the aforementioned assignment and novation agreements would enhance the financial position of the Company.

  The independent board committee of the Company, after considering the advice from the independent financial adviser, is of the view that the terms of the aforementioned assignment and novation agreements and the transactions contemplated thereunder are on normal commercial terms that are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

  For further information relating to the above transaction, please refer to the circular of the Company dated 31 May 2017.

(4) ESTABLISHMENT OF A JOINT VENTURE COMPANY

- Date, parties and description of the transaction:

  On 30 August 2017, the Company, Shanghai Pan Asia Shipping Co., Ltd. ("Shanghai Pan Asia"), Shanghai Sino-Poland Enterprise Management Development Corporation Limited and Shanghai Vision Credit Financial Technology Company Limited, entered into a promoters agreement (the "Promoters Agreement") to establish Shanghai COSCO SHIPPING Micro-finance Company Limited (the "Joint Venture Company") in Shanghai, the PRC. Pursuant to the Promoters Agreement, the Company has agreed to contribute RMB90 million, representing 45% of the registered capital of the Joint Venture Company.

- Connected relationship of the parties to the transaction:

  COSCO SHIPPING is an indirect controlling shareholder of the Company and therefore a connected person of the Company. As COSCO SHIPPING is the indirect controlling shareholder of COSCO SHIPPING Holdings and Shanghai Pan Asia is a wholly-owned subsidiary of COSCO SHIPPING Holdings, Shanghai Pan Asia is an associate of COSCO SHIPPING and therefore a connected person of the Company. Accordingly, the establishment of the Joint Venture Company constitutes a connected transaction of the Company under the Listing Rules.

- Total consideration and other terms:

  The registered capital of the Joint Venture Company shall be RMB200 million (subject to the approval by the relevant authorities of the PRC), of which the Company shall contribute RMB90 million, representing 45% of the registered capital of the Joint Venture Company.

  The amount of the capital contribution to be made by the parties was determined after arm's length negotiations between the parties to the Promoters Agreement with reference to, among other things, the expected capital requirements of the Joint Venture Company.

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

  The Board is of the view that the Joint Venture Company will leverage on the network COSCO SHIPPING to provide relevant financial services to the upstream and downstream customers and suppliers in the shipping and logistics sector in the PRC. It is expected that the establishment of the Joint Venture Company will be conducive to enhancing the profitability and the overall competitiveness of the Company.

The Board (including the independent non-executive Directors) considers that the terms of the Promoters Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

For further information relating to the above transaction, please refer to the announcement of the Company dated 30 August 2017.

(5) INVESTMENT IN PARTNERSHIP

- Date, parties and description of the transaction:

  On 19 September 2017, the Company, COSCO SHIPPING Logistics Co., Ltd. ("COSCO SHIPPING Logistics"), Qingdao City Construction Investment (Group) Co., Ltd., Henan Province Modern Service Industry Investment Fund Co., Ltd. and Shanghai Qianlin Industry Co., Ltd. (each as limited partner) entered into a partnership agreement (the "Partnership Agreement") with the Henan Yuan Hai Zhong Yuan Logistics Industry Development Fund Management Co., Ltd. (as general partner). Pursuant to the Partnership Agreement, the Company has agreed to contribute RMB150 million to the capital of Henan Yuan Hai Zhong Yuan Logistics Industry Development Fund (Limited Partnership) (the "Partnership"), representing approximately 1.50% of the partnership interest in the Partnership.

- Connected relationship of the parties to the transaction:

  COSCO SHIPPING is an indirect controlling shareholder of the Company and therefore a connected person of the Company. COSCO SHIPPING Logistics is a wholly-owned subsidiary of COSCO SHIPPING and therefore is a connected person of the Company. Accordingly, the entering into of the Partnership Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company under the Listing Rules.

- Total consideration and other terms:

  Pursuant to the Partnership Agreement, the initial total committed capital contribution of the Partnership is RMB10,001 million, of which the Company shall contribute RMB150 million, representing approximately 1.50% of the partnership interest in the Partnership.

  The amount of the committed capital contribution was determined after arm's length negotiations among the partners with reference to the initial investment scale and the capital requirements of the Partnership. The capital contribution to be made by the Company will be funded by the internal resources of the Group.

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

  The Board is of the view that the Partnership will be able to seize the investment opportunities by leveraging on the competitive advantages of the partners to the Partnership in the logistics industry. The investment in the Partnership is in line with the strategic planning and development of the Group as an integrated financial services platform with leasing businesses. It is expected that the investment in the Partnership will generate considerable investment income for the Company.

  The Board (including the independent non-executive Directors) considers that the terms of the Partnership Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

  For further information relating to the above transaction, please refer to the announcement of the Company dated 19 September 2017.

(6) MERGER OF CS FINANCE AND COSCO FINANCE CO., LTD

- Date, parties and description of the transaction:

  On 13 November 2017, the Board has approved the merger between CS Finance (a non-wholly owned subsidiary of the Company) and COSCO Finance Co., Ltd. ("COSCO Finance"), pursuant to which CS Finance will absorb and merge with COSCO Finance (the "Merger"). Upon completion of the Merger, CS Finance will continue as the surviving company with its company type, business term and business scope remaining unchanged, and will be renamed as COSCO SHIPPING Finance Company Limited ("COSCO SHIPPING Finance").

  In addition, on 13 November 2017, COSCO SHIPPING, the Company, COSCO SHIPPING Energy, COSCO SHIPPING Lines Co., Ltd., COSCO Bulk Carrier Co., Ltd., China Ocean Shipping Agency Co., Ltd., Guangzhou Ocean Shipping Co., Ltd, COSCO International Freight Co., Ltd, COSCO SHIPPING Specialized Carriers Co., Ltd, Qingdao Ocean Shipping Co., Ltd., COSCO Shipping Tanker (Dalian) Co., Ltd., COSCO Shipbuilding Industry Company, COSCO Shipyard Group Co., Ltd., China Marine Bunker (Petro China) Co., Ltd., COSCO (Xiamen) Co., Ltd. and China Ocean Shipping Tally Co., Ltd. (collectively, the "Post-Merger Shareholders") entered into a shareholders agreement (the "Shareholders Agreement") to govern their respective rights and obligations in COSCO SHIPPING Finance.

- Connected relationship of the parties to the transaction:

  COSCO SHIPPING is an indirect controlling shareholder of the Company and therefore a connected person of the Company. As COSCO Finance is an indirect non-wholly owned subsidiary of COSCO SHIPPING, it is an associate of COSCO SHIPPING and therefore a connected person of the Company. Each of the Post-Merger Shareholders (excluding COSCO SHIPPING and the Company) is an associate of COSCO SHIPPING and therefore a connected person of the Company. Accordingly, the Merger, the Shareholders Agreement and the transactions contemplated thereunder also constitute a connected transaction of the Company under the Listing Rules.

- Total consideration and other terms:

  Upon completion of the Merger, the registered capital of COSCO SHIPPING Finance will be the aggregate of the registered capital of CS Finance and COSCO Finance prior to the Merger, being RMB2.8 billion., of which the Company shall contribute approximately RMB654,752,268, representing approximately 23.38% of the registered capital of COSCO SHIPPING Finance.

  The amount of contributed registered capital of each of the Post-Merger Shareholders and their respective shareholding in COSCO SHIPPING Finance shall be determined in accordance with their respective shareholding in CS Finance and/or COSCO Finance prior to the Merger with reference to the assessed value of the equity interest of CS Finance and COSCO Finance based on the assessed net asset value of CS Finance and COSCO Finance stated in the valuation reports dated 9 November 2017 prepared by an independent valuer.

  The terms of the Merger, the Shareholders Agreement and the transactions contemplated thereunder were agreed after arm's length negotiations between the parties thereto.

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

  The Board is of the view that upon completion of the Merger, the scope of services of COSCO SHIPPING Finance, being the surviving entity after the Merger, will be expanded to cover all qualified subsidiaries of COSCO SHIPPING. As the second-largest shareholder of COSCO SHIPPING Finance, the Company will continue to maintain considerable degree of influence over the operations of COSCO SHIPPING Finance by participating in the formulation of its policies and decision-making processes. Meanwhile, the Company will also be entitled to the economic benefits resulting from the enhanced quality of service rendered by COSCO SHIPPING Finance, and to maintain its steady investment returns from COSCO SHIPPING Finance.

  The Board considers that the terms of the Merger, the Shareholders Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

  For further information relating to the above transaction, please refer to the circular of the Company dated 12 December 2017.

CONTINUING CONNECTED TRANSACTIONS

As at 31 December 2017, the Company had the following relevant annual caps which were announced and subsequently revised and approved at the Company's general meeting. The actual annual figures for the year ended 31 December 2017 in relation to those continuing connected transactions are also set out below. Unless otherwise defined, terms used in the following table shall have the same meanings as defined in the Company's announcements dated 30 March 2016, 5 December 2016, 28 April 2017 and 11 July 2017.

						Transaction amount		
No.	**Continuing Connected Transactions**	**Date of agreement and expiry date of its term**	**Parties and connected relationship**	**Nature of transaction**	**Pricing Terms**	Year ended 31 December 2015 *RMB'000*	Year ended 31 December 2016 *RMB'000*	**Year ended 31 December 2017** ***RMB'000***
A	Revenue from the COSCO SHIPPING Group							
1	Services provided by the Group under the Master Operating Lease Services Agreement	5 December 2016 31 December 2019	The Company and the COSCO SHIPPING Group[1]	Operating lease services	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and on principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	–	1,873,075	**1,553,789**
2	Products and services provided by the Group under the Master Containers Services Agreement	5 December 2016 31 December 2019	The Company and the COSCO SHIPPING Group[1]	Manufacture of containers	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and on principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	–	–	**1,561,991**
3	Service provided by the Group under the Master Finance Lease Services Agreement	5 December 2016 31 December 2019	The Company and the COSCO SHIPPING Group[1]	Finance lease	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and on principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	–	1,610	**11,146**
4	Service provided by the Group under the Master Vessel Charter Agreement	5 December 2016 31 December 2019	The Company and the COSCO SHIPPING Group[1]	Charter of vessels	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and on principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	–	5,023,896	**5,466,347**

No.	Continuing Connected Transactions	Date of agreement and expiry date of its term	Parties and connected relationship	Nature of transaction	Pricing Terms	Transaction amount Year ended 31 December 2015 *RMB'000*	Year ended 31 December 2016 *RMB'000*	**Year ended 31 December 2017** ***RMB'000***
5	Services provided by the Group under the Master Factoring Services Agreement	5 December 2016 31 December 2019	The Company and the COSCO SHIPPING Group[1]	Factoring services	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and on principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	–	–	**73,652**
6	Services provided by the Group under the Master Insurance Brokerage Services Agreement	5 December 2016 31 December 2019	The Company and the COSCO SHIPPING Group[1]	Insurance brokerage services	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and on principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	–	13,763	**15,698**
7	Lease of properties by the Group under the Master Tenancy Agreement	5 December 2016 31 December 2019	The Company and the COSCO SHIPPING Group[1]	Property leasing services	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and on principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	–	–	**3,035**
B	Revenue from the CS Financial							
8	Management services provided by the Group to CS Financial and the Target Equities under the Management Services Agreement	28 April 2017 31 December 2019	The Company, the COSCO SHIPPING Group[1] and the CS Financial[2]	Management services	(i)Fixed management fee[6] plus variable income fee[7]	–	–	**29,995**
C	Expenditure to the COSCO SHIPPING Group							
9	Services provided to the Group under the Master Vessel Services Agreement	5 December 2016 31 December 2019	The Company and the COSCO SHIPPING Group[1]	Ship related services	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and on principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	1,885,039	1,402,749	**1,060,544**

No.	Continuing Connected Transactions	Date of agreement and expiry date of its term	Parties and connected relationship	Nature of transaction	Pricing Terms	Transaction amount Year ended 31 December 2015 RMB'000	Year ended 31 December 2016 RMB'000	**Year ended 31 December 2017 RMB'000**
10	Products and services provided to the Group under the Master Containers Services Agreement	5 December 2016 31 December 2019	The Company and the COSCO SHIPPING Group[1]	Container management services	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and on principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	1,644,528	206,748	**322,749**
11	Services provided to the Group under the Master General Services Agreement	5 December 2016 31 December 2019	The Company and the COSCO SHIPPING Group[1]	General Services	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and on principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	48,723	17,935	**17,476**
12	Lease of properties to the Group under the Master Tenancy Agreement	5 December 2016 31 December 2019	The Company and the COSCO SHIPPING Group[1]	Property leasing services	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and on principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	81,392	45,163	**34,245**
D	Expenditure to COSCO SHIPPING Insurance							
13	Insurance services provided to the Group under the Insurance Services Agreement	11 July 2017 31 December 2019	The Company and COSCO SHIPPING Insurance[2]	Insurance Services	Not higher than: (i) fee charged by any independent third party for provision of comparable services; or (ii) fee charged by COSCO SHIPPING Insurance for the provision of comparable services to an independent third party.	–	–	**30,488**
E	Financial Transactions with CS Finance							
14	The maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the Group at CS Finance under the Master CS Finance Financial Services Agreement	5 December 2016 31 December 2019	The Company and CS Finance[2]	Deposit services	Interest rate not lower, or thus more favourable (if applicable), than: (i) the deposit benchmark interest rate set by the PBOC from time to time for the same type of deposit; or (ii) the interest rate charged by major and independent PRC commercial banks in the service location or adjacent areas for the same type of deposit services	4,783,426	8,767,817	**8,948,295**

No.	Continuing Connected Transactions	Date of agreement and expiry date of its term	Parties and connected relationship	Nature of transaction	Pricing Terms	Transaction amount Year ended 31 December 2015 RMB'000	Year ended 31 December 2016 RMB'000	**Year ended 31 December 2017 RMB'000**
F	Financial Transactions with the COSCO SHIPPING Group							
15	The maximum daily outstanding balance of loans (including accrued interest and handling fee) to be granted to the COSCO SHIPPING Group by CS Finance under the Master Financial Services Agreement	5 December 2016 31 December 2019	CS Finance and the COSCO SHIPPING Group[1]	Loan services	Interest rates not lower than: (i) the loan benchmark interest rate set by the PBOC from time to time for same types of loan; and (ii) the interest rate offered by the major and independent PRC commercial banks in the service location or adjacent areas in the normal course of business for such types of loan.	5,041,961	3,722,056	**4,680,570**
G	Financial Transactions with COSCO Finance							
16	The maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the Group at COSCO Finance under the Florens Finance Financial Services Agreement	30 March 2016 31 December 2019	Florens and COSCO Finance[2]	Deposit services	Interest rate not lower, or thus more favourable (if applicable), than: (i) the deposit benchmark interest rate set by the PBOC from time to time under the same deposit conditions; or (ii) the interest rate charged by major and independent commercial banks in the service place or adjacent areas for the same type of deposit services	158,278	250,000	**17,231**

1 COSCO SHIPPING is the indirect controlling shareholder (as defined in the Listing Rules) of the Company. COSCO SHIPPING, its subsidiaries and/or its associates (collectively, the "COCSO SHIPPING Group") are connected persons of the Company.

2 Such companies are associates (as defined in the Listing Rules) of COCSO SHIPPING, which are connected persons of the Company.

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

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

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

6 Fixed management fee is RMB20,000,000 per year.

7 During the period of management, the variable income is calculated as 3% of amount that is above 8% on the net asset value of the target equities under management, that is (the net profit of CS Financial for the year - average net assets*8%)*3%. The amount of net profit does not include returns on non-financial asset, and the amount of net assets does not include non-financial assets.

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

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

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

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

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

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

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

For further details regarding the above connected transactions and continuing connected transactions, please refer to Note 44 to the consolidated financial statements. The Company confirmed that it has disclosed the connected transactions and continuing connected transactions pursuant to the definitions of "connected transaction" and "continuing connected transaction" (as the case may be) of Chapter 14A of the Listing Rules and pursuant to the disclosure requirements of Chapter 14A of the Listing Rules.

For further information about the Group's significant transaction with related parties, please refer to note 44 to the consolidated financial statements. The Company confirms that the significant transaction with related parties fall within the definitions under Chapter 14A of the Listing Rules in relation to"connected transaction" and "continuing connected transaction" as set out in Chapter 14A (as the case may be) and met the disclosure requirements under Chapter 14A under the Listing Rules.

INTERNAL CONTROL PROCEDURES

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

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

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

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

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

The independent non-executive Directors of the Company, Mr. Cai Hongping, Ms. Hai Chi Yuet, Mr. Graeme Jack, Mr. Lu Jianzhong, Mr. Gu Xu and Ms. Zhang Weihua have reviewed the above continuing connected transactions and confirmed that these transactions have been entered into:

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

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

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

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

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

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

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

4. the disclosed continuing connected transactions have exceeded the relevant maximum aggregate annual cap amount disclosed in the previous announcements of the Company in respect of each of the disclosed continuing connected transactions.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

PENSION SCHEME

Details of the Group's pension scheme for the year ended 31 December 2017 are set out in Note 2.4 to the consolidated financial statements.

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December 2017, the Group had not placed any designated deposits with any financial institution in the PRC, nor had it failed to collect any time deposits upon maturity during the year.

TAX RELIEF AND EXEMPTION

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

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 64 to 88.

AUDIT COMMITTEE

The audit committee of the Company is comprised of two independent non-executive Directors, namely Mr. Lu Jianzhong and Mr. Cai Hongping, and one non-executive Director, namely Mr. Huang Jian. The Group's final results for the year ended 31 December 2017 have been reviewed by the audit committee.

AUDITOR

Auditor appointed by the Company in the past 3 years is as follows:

2015, 2016 and 2017 : Ernst & Young

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

On behalf of the Board

Sun Yueying
Chairman

Shanghai, the People's Republic of China
29 March 2018

Corporate Governance Report

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

Save as disclosed in this Corporate Governance Report, the Board confirms that the Company has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2017.

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

A. BOARD OF DIRECTORS

1. COMPOSITION OF THE FIFTH SESSION OF THE BOARD

As approved by the annual general meeting of the Company for the year 2015, the fifth session of the Board consists of four executive Directors, three non-executive Directors and four independent non-executive Directors. Mr. Tsang Hing Lun, an independent non-executive Director, passed away in June 2017. Accordingly, Mr. Lu Jianzhong was appointed as an independent non-executive Director at the general meeting held on 28 December 2017 to fill the vacancy. At the general meeting held on 15 March 2018, Mr. Liang Yanfeng was appointed as an non-executive Director and Mr. Gu Xu and Ms. Zhang Weihua were appointed as independent non-executive directors, while Mr. Chen Dong resigned as a non-executive Director 26 March 2018. The current members of the fifth session of the Board included:

DIRECTORS

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

Non-executive Directors
Mr. Feng Boming
Mr. Huang Jian
Mr. Liang Yanfeng

Independent non-executive Directors
Mr. Cai Hongping
Ms. Hai Chi Yuet
Mr. Graeme Jack
Mr. Lu Jianzhong
Mr. Gu Xu
Ms. Zhang Weihua

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

As disclosed in the announcement of the Company dated 7 June 2017, following the departure of Mr. Tsang Hing Lun, the Board comprised 10 members with three independent non-executive Directors and the Audit Committee comprised two members with only one independent non-executive Director. Further, the position of the Chairman of the Audit Committee was vacant. Following the appointment of Mr. Lu Jianzhong on 28 December 2017, the Company has then complied with the requirements under Rule 3.10A and Rule 3.21 of the Listing Rules.

Save as disclosed above, in 2017, the Board had at least three independent non-executive Directors (and representing at least one-third of the Board) in accordance with the requirement of the Listing Rules, of whom one had appropriate professional qualifications or accounting or related financial management expertise. Each independent non-executive Director has re-confirmed his/her independence to the Company in accordance with the requirement of the Listing Rules. Based on their confirmation, the Company considers that they are independent.

2. RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

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

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

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

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

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

3. CORPORATE GOVERNANCE FUNCTION

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

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

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

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

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

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

In 2017, the Board has performed its corporate governance duties through aspects such as the formulation of the Board Diversity Policy, the review and monitor of the training and continuing professional development of the Directors and senior management and compliance with the relevant laws and regulations. It has also put great effort into improving the Group's corporate governance practices.

4. CHAIRMAN, CHIEF EXECUTIVE OFFICER AND GENERAL MANAGER

In 2017, Ms. Sun Yueying, Mr. Wang Daxiong and Mr. Liu Chong served as the Chairman, the Chief Executive Officer and the General Manager of the Company respectively. As required by the Articles of Association, the Chairman, the Chief Executive Officer and the General Manager perform their responsibilities separately. The Chief Executive Officer is responsible for organising the implementation of the decisions, resolutions, policies and development plans of the Board and the Supervisory Committee, and report to the Board; organizing the implementation of the Company's annual business plans, budgets and investment plans; coordinating the Company's internal and external relations; formulating the Company's internal management organization; devising the Company's basic management system; drawing up the basic rules and regulations of the Company; submitting the annual work report and other reports to the Board; employing or dismissing management personnel whose employment or dismissal is not subject to the approval of the Board and determine their assessment and remuneration; proposing the convening of the extraordinary meeting of the Board; and other matters as authorized by the Articles of Association and the Board. The General Manager is responsible for implementing the daily operations and management of the Company; responsible for convening the daily performance analysis meetings of the Company; coordinating the daily management and administration of the subsidiaries; assisting the Chief Executive Officer to coordinate the Company's internal and external relations; drafting the annual development plans, operation policy and annual business plan of the Company; drafting the basic management systems of the Company; drafting specific rules and regulations of the Company; coordinate the operation of each department of the Company; review and approve all budgeted expenses and expenditures of the Company; formulate the salary, welfare, rewards and punishments of the Company's employees and determine the engagement and dismissal of such employees; responsible for developing the business and staff training of the company; and other duties as authorized by the Chief Executive Officer.

5. TRAINING OF THE DIRECTORS AND CONTINUING PROFESSIONAL DEVELOPMENT

(1) Newly appointed Directors

Each newly appointed Director will receive a set of training materials which covers the legal responsibilities of the Directors, the specific legal responsibilities, rules governing the dealings of the securities of listed company, disclosure of price sensitive information, discloseable transactions, connected transactions, other continuing responsibilities, Corporate Governance Code and disclosure of interests under the SFO to ensure each newly appointed Director fully understands their duties under the Listing Rules and other regulations. In 2017, all newly appointed Directors attended such training.

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

According to the Company's records, in order to comply with the new regulation of the Corporate Governance Code regarding continuing professional development, the Directors received the following training in 2017:

Director	Reading materials regarding updates on the Board practice and development, corporate governance and regulation	Attending Risk management and strategy/ business/industry specific briefings, seminars or training
EXECUTIVE DIRECTORS		
Sun Yueying	✓	✓
Wang Daxiong	✓	✓
Liu Chong	✓	✓
Xu Hui	✓	✓
NON-EXECUTIVE DIRECTORS		
Feng Boming	✓	✓
Chen Dong(1)	✓	✓
Huang Jian	✓	✓
INDEPENDENT NON-EXECUTIVE DIRECTORS		
Hai Chi Yuet	✓	✓
Graeme Jack	✓	✓
Tsang Hing Lun(2)	✓	✓
Cai Hongping	✓	✓
Lu Jianzhong(2)	✓	✓

Note:

1. Mr. Chen Dong resigned as a non-executive Director with effect from 26 March 2018 due to adjustment of work arrangements.

2. Mr. Tsang Hing Lun passed away in June 2017. Accordingly, the appointment of Mr. Lu Jianzhong as an independent non-executive Director to fill the vacancy was considered and approved at the general meeting held on 28 December 2017.

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

6. BOARD MEETINGS

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

The Board held 21 Board meetings during 2017. Record of attendance for each Director is set out as follows:

Attendance of Directors at Board Meetings and General Meetings

	Attendance of Board meetings						Attendance of general meetings[1]	
Name of Director	Board meetings to attend this year	Meetings Attended in person	Meetings attended through proxy	Meetings attended by way of telecommunication	Attendance rate (%)	Unable to attend in person for two consecutive board meetings	Annual general meetings attended	Extraordinary general meetings attended
Executive Directors								
Sun Yueying	21	21	0	18	100	No	0/1	2/4
Wang Daxiong	21	21	0	18	100	No	1/1	1/4
Liu Chong	20	20	1	18	100	No	1/1	2/4
Xu Hui	21	21	0	18	100	No	1/1	3/4
Non-executive Directors:								
Chen Dong	20	20	1	18	100	No	0/1	0/4
Huang Jian	21	21	0	18	100	No	0/1	0/4
Feng Boming	20	20	1	18	100	No	0/1	0/4
Independent Non-executive Directors:								
Hai Chi Yuet	21	21	0	18	100	No	1/1	4/4
Graeme Jack	21	21	0	18	100	No	1/1	1/4
Tsang Hing Lun[2]	12	12	0	10	100	No	0/0	1/1
Cai Hongping	21	21	0	18	100	No	0/1	3/4
Lu Jianzhong[2]	0	0	0	0	–	–	–	–

Notes:

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

2. Mr. Tsang Hing Lun passed away in June 2017, and Mr. Lu Jianzhong was appointed as an independent non-executive Director for replacement in December 2017.

7. SUPPLY OF AND ACCESS TO INFORMATION

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

8. APPOINTMENT AND RESIGNATION OF DIRECTORS

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

The Board held one meeting in 2017 to review the appointment and resignation of the Directors and make recommendation thereon, and the attendance rate of the Directors was 100%. Record of attendance for each Director is set out as follows:

Executive Directors

Directors	Number of meetings attended	Attendance rate
Sun Yueying	1	100%
Wang Daxiong	1	100%
Liu Chong	1	100%
Xu Hui	1	100%

Non-executive Directors

Directors	Number of meetings attended	Attendance rate
Feng Boming	1	100%
Huang Jian	1	100%
Chen Dong	1	100%

Independent non-executive Directors

Directors	Number of meetings attended	Attendance rate
Hai Chi Yuet	1	100%
Graeme Jack	1	100%
Cai Hongping	1	100%
Tsang Hing Lun[(1)]	–	–
Lu Jianzhong[(1)]	–	–

Notes:

(1) Mr. Tsang Hing Lun passed away in June 2017, and the appointment of Mr. Lu Jianzhong as an independent non-executive Director for replacement was discussed and passed at the general meeting held on 28 December 2017.

9. BOARD COMMITTEES

(1) Audit Committee

As approved by the Board, the fifth session of the Audit Committee of the Board assumed office from 1 July 2016. The fifth session of the Audit Committee of the Board of the Company consists of Mr. Tsang Hing Lun and Mr. Cai Hongping, who are independent non-executive Directors and Mr. Chen Dong, who is a non-executive Director. Mr. Tsang Hing Lun, chairman of the Audit Committee, passed away in the middle of 2017, and Mr. Lu Jianzhong was elected as an independent non-executive Director for replacement at the general meeting held at the end of 2017, and was appointed as chairman of the Audit Committee. In March 2018, Mr. Chen Dong tendered his resignation as non-executive Director due to change of job assignments, and Mr. Huang Jian was appointed as a member of the Audit Committee.

The primary duties of the Audit Committee are to oversee the integrity of the financial reports, annual and interim reports of the Group, and review its financial control.

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

Four regular meetings were held as follows:

(1) The thirteenth meeting of the fifth session of the Audit Committee of the Board was convened with physical presence on 29 March 2017, the proposal regarding the changes in accounting policies and the Proposal regarding 2016 financial report of the Company were discussed and passed by unanimous vote at the meeting.

(2) The fifteenth meeting of the fifth session of the Audit Committee of the Board was convened on 27 April 2017 by communication voting method, the proposal regarding the first quarterly report of 2017 of the Company and the Proposal regarding the Company's management on COSCO SHIPPING Financial Holdings Co., Ltd. under the entrustment of the controlling shareholder were passed by unanimous vote at the meeting.

(3) The eighteenth meeting of the fifth session of the Audit Committee of the Board was convened on 28 August 2017 by communication voting method, the following proposals were discussed and passed by unanimous vote at the meeting:

    1. Proposal regarding the financial report for the first half of 2017 of the Company;

    2. Proposal regarding the implementation of the newly issued accounting standards.

(4) The nineteenth meeting of the fifth session of the Audit Committee of the Board was convened on 30 October 2017 by communication voting method, the proposal regarding the third quarterly report of 2017 of the Company was passed by unanimous vote at the meeting.

Nine extraordinary meetings were held as follows:

(1) The seventh meeting of the fifth session of the Audit Committee of the Board was convened through written correspondence on 5 January 2017, the following proposals were discussed and passed at the meeting:

    1. Proposal regarding 2016 domestic audit plan of the Company;

    2. Proposal regarding 2016 foreign audit plan of the Company.

(2) The eighth meeting of the fifth session of the Audit Committee of the Board was convened through written correspondence on 19 January 2017, the following proposal was discussed and passed at the meeting:

    1. Proposal regarding the registered capital increase to CS Finance.

(3) The ninth meeting of the fifth session of the Audit Committee of the Board was convened through written correspondence on 22 January 2017, the following proposals were discussed and passed at the meeting:

1. Proposal regarding the profit warning announcement of the Company for 2016;

2. Proposal regarding provision for impairment of the Company for 2016.

(4) The tenth meeting of the fifth session of the Audit Committee of the Board was convened through written correspondence on 14 February 2017, the following proposal was discussed and passed at the meeting:

1. Proposal regarding the participation in investment and establishment of Henan Yuan Hai Zhong Yuan Logistics Industry Development Fund Management Co., Ltd..

(5) The eleventh meeting of the fifth session of the Audit Committee of the Board was convened through written correspondence on 6 March 2017, the following proposal was discussed and passed at the meeting:

1. Proposal regarding the application for project loan to China Bohai Bank Co., Ltd. by COSCO SHIPPING Leasing Co., Ltd.

(6) The twelfth meeting of the fifth session of the Audit Committee of the Board convened with physical presence on 23 March 2017, the following proposals were discussed and passed at the meeting:

1. Proposal regarding 2016-2017 internal audit of the Company;

2. Proposal regarding reappointment of 2017 domestic and foreign auditors and internal control auditor of the Company;

3. Proposal regarding duties performance of the Audit Committee of the Board in 2016.

(7) The thirteenth meeting of the fifth session of the Audit Committee of the Board convened on 18 April 2017 by communication voting method, the proposal regarding whether the non-public issuance constitutes a connected transaction was passed by unanimous vote at the meeting.

(8) The sixteenth meeting of the fifth session of the Audit Committee of the Board was convened through written correspondence on 3 May 2017, the proposal regarding assignment of the shipbuilding contract for 14 large container vessels was discussed and passed by unanimous vote at the meeting.

(9) The seventeenth meeting of the fifth session of the Audit Committee of the Board was convened through written correspondence on 25 May 2017, the proposal regarding the capital increase to China Bohai Bank Co., Ltd. was discussed and passed by unanimous vote at the meeting.

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

Directors	Number of meetings attended/Number of meetings held	Attendance rate
The fifth session of the Audit Committee of the Board		
Tsang Hing Lun *(independent non-executive Director) (Chairman)*[(1)]	11/11	100%
Lu Jianzhong *(independent non-executive Director) (Chairman)*[(1)]	–	–
Cai Hongping *(independent non-executive Director)*	13/13	100%
Chen Dong *(non-executive Director)*	13/13	100%

Note:

(1) Mr. Tsang Hing Lun passed away in June 2017, and the appointment of Mr. Lu Jianzhong as an independent non-executive Director for replacement was discussed and passed at the general meeting held on 28 December 2017.

(2) Remuneration Committee

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

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

The Remuneration Committee held three meetings in 2017, the average attendance rate was 100%. The proposal regarding remuneration of the Directors and Supervisors of the Company for the year 2017 and the proposal regarding remuneration of the senior management of the Company for the year 2016 were reviewed at the first meeting of the fifth session of the Remuneration Committee of the Board, and were recommended to the Board for approval. The proposal regarding remuneration of the senior management of the Company for the year 2017 was reviewed at the second meeting of the fifth session of the Remuneration Committee of the Board, and was recommended to the Board for approval. The proposal regarding refining the 2017 assessment distribution work of operation and management personnel of the Company was reviewed at the third meeting of the fifth session of the Remuneration Committee of the Board, and was recommended to the Board for approval.

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

Directors	**Number of meetings attended/Number of meetings held**	**Attendance rate**
The fifth session of the Remuneration Committee of the Board		
Cai Hongping *(independent non-executive Director) (Chairman)*	3/3	100%
Graeme Jack *(independent non-executive Director)*	3/3	100%
Hai Chi Yuet *(independent non-executive Director)*	3/3	100%

(3) Investment Strategy Committee

As approved by the Board, the fifth session of the Investment Strategy Committee of the Board assumed office from 1 July 2016. The fifth session of the Investment Strategy Committee of the Board of the Company consists of Ms. Sun Yueying, Mr. Wang Daxiong and Mr. Liu Chong, who are executive Directors, Mr. Feng Boming and Mr. Huang Jian, who are non-executive Directors, and Mr. Cai Hongping and Ms. Hai Chi Yuet, who are independent non-executive Directors. Ms. Sun Yueying, who is the Chairman of the Company, is the Chairman of the Investment Strategy Committee. In March 2018, Mr. Liang Yanfeng was elected as a non-executive Director by the general meeting, and as discussed and approved by the Board, Mr. Liang Yanfeng was appointed as a member of the Investment Strategy Committee.

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

During the reporting period, the Investment Strategy Committee convened one meeting with average attendance rate of 100%. The proposal regarding the 2016-2020 development plan of the Company and the proposal regarding the 2017 investment plan and asset disposal plan of the Company were reviewed and passed at the first meeting of the fifth session of the Investment Strategy Committee of the Board, and were recommended to the Board for approval.

Directors	**Number of meetings attended/Number of meetings held**	**Attendance rate**
The fifth session of the Investment Strategy Committee of the Board		
Sun Yueying *(executive Director) (Chairman)*	1/1	100%
Wang Daxiong *(executive Director)*	1/1	100%
Liu Chong *(executive Director)*	1/1	100%
Feng Boming *(non-executive Director)*	1/1	100%
Huang Jian *(non-executive Director)*	1/1	100%
Cai Hongping *(independent non-executive Director)*	1/1	100%
Hai Chi Yuet *(independent non-executive Director)*	1/1	100%

(4) Nomination Committee

As approved by the Board, the fifth session of the Nomination Committee of the Board assumed office from 1 July 2016. The fifth session of the Nomination Committee of the Board consists of Ms. Hai Chi Yuet, Mr. Tsang Hing Lun and Mr. Cai Hongping, who are independent non-executive Directors, and Ms. Sun Yueying and Mr. Wang Daxiong, who are executive Directors. Ms. Hai Chi Yuet is the Chairman of the Nomination Committee. Mr. Tsang Hing Lun passed away in June 2017, and Mr. Lu Jianzhong was appointed as an independent non-executive Director of the Company and a member of the Nomination Committee for replacement in December 2017. In March 2018, as discussed and approved by the Board, Mr. Lu Jianzhong resigned as a member of the Nomination Committee and Mr. Gu Xu was elected as a member of the Nomination Committee.

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

On 28 August 2013, the Board of the Company passed the Board Diversity Policy. The Nomination Committee has formulated a Board Diversity Policy, which has been set out in the working rules of the Nomination Committee of the Board. The main contents are: when determining the composition of the Board, the Company will consider board diversity in terms of, among other things, gender, age, cultural and education background, professional experience, skills, knowledge and term of service. All appointments of the Directors are based on meritocracy, and candidates will be considered against objective criteria, taking into account the benefits of board diversity. The final selection of candidates will be determined based on their merits and contribution to the Board. The composition of the Board is basically in line with the diversity principle, details of composition are set out under the section headed "Composition of the fifth session of the Board" in the "Corporate Governance Report". The biographies of Directors set out on pages 28 to 35 also set out the diversified skills, professional knowledge, experience and qualifications of the Directors.

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

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

Directors	Number of meetings attended/Number of meetings held	Attendance rate
The fifth session of the Nomination Committee of the Board		
Tsang Hing Lun *(independent non-executive Director)*[(1)]	–	–
Lu Jianzhong *(independent non-executive Director)*[(1)]	–	–
Cai Hongping *(independent non-executive Director)*	1/1	100%
Sun Yueying *(executive Director)*	1/1	100%
Wang Daxiong *(executive Director)*	1/1	100%
Hai Chi Yuet *(independent non-executive Director) (Chairman)*	1/1	100%

Note:

(1) Mr. Tsang Hing Lun passed away in June 2017, and the appointment of Mr. Lu Jianzhong as an independent non-executive Director for replacement was discussed and passed at the general meeting held on 28 December 2017.

(5) *Risk Control Committee*

To enhance internal control and risk control capacity and level of the Company, the Risk Control Committee under the Board has been established as discussed and passed by the fourteenth meeting of the fifth session of the Board. The fifth session of the Risk Control Committee of the Board consists of Mr. Wang Daxiong, who is an executive Director, and Mr. Cai Hongping and Mr. Tsang Hing Lun, who are independent non-executive Directors. Mr. Wang Daxiong is the Chairman of the Risk Control Committee. Mr. Tsang Hing Lun passed away in June 2017, and Mr. Lu Jianzhong was elected as an independent non-executive Director for replacement at the general meeting held at the end of 2017, and as discussed and approved by the Board, Mr. Lu Jianzhong was appointed as a member of the Risk Control Committee. In March 2018, Ms. Zhang Weihua was elected as an independent non-executive Director by the general meeting, and as discussed and approved by the Board, Ms. Zhang Weihua was appointed as a member of the Risk Control Committee.

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

During the reporting period, the Risk Control Committee convened five meetings with average attendance rate of 100%.

No.	Convening time	Name of meeting	Voting method	Proposals
1	10 February 2017	The first meeting of the fifth session of the Risk Control Committee of the Board	Written correspondence	1. Proposal regarding the 2017 risk management report of the Company
2	23 March 2017	The second meeting of the fifth session of the Risk Control Committee of the Board	Physical presence	1. Report on 2016 internal control construction and 2017 internal control plan of the Company 2. Proposal on developing the Risk Administrative Measures of COSCO SHIPPING Development Co., Ltd. 3. Proposal on developing the Administrative Measures on Risk Preference System of COSCO SHIPPING Development Co., Ltd.
3	19 May 2017	The third meeting of the fifth session of the Risk Control Committee of the Board	Written correspondence	1. Proposal on developing the risk preference of COSCO SHIPPING Development
4	28 August 2017	The fourth meeting of the fifth session of the Risk Control Committee of the Board	Written correspondence	1. Proposal regarding the report on internal control construction for the first half of 2017 of COSCO SHIPPING Development Co., Ltd. 2. Proposal regarding the 2017 interim risk management report of COSCO SHIPPING Development Co., Ltd.
5	26 December 2017	The fifth meeting of the fifth session of the Risk Control Committee of the Board	Written correspondence	1. Proposal on review of the Compliance Administrative Measures of COSCO SHIPPING Development Co., Ltd.

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

Directors	**Number of meetings attended/Number of meetings held**	**Attendance rate**
The fifth session of the Risk Control Committee of the Board		
Wang Daxiong *(executive Director) (Chairman)*	5/5	100%
Cai Hongping *(independent non-executive Director)*	5/5	100%
Lu Jianzhong *(independent non-executive Director)*[1]	–	–
Tsang Hing Lun *(independent non-executive Director)*[1]	3/3	100%

Note:

(1) Mr. Tsang Hing Lun passed away in June 2017, and the appointment of Mr. Lu Jianzhong as an independent non-executive Director for replacement was discussed and passed at the general meeting held on 28 December 2017.

(6) Executive Committee

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

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

During the reporting period, the Executive Committee convened three meetings with average attendance rate of 100%.

No.	Convening time	Name of meeting	Voting method	Proposals
1	5 April 2017	The first meeting of the fifth session of the Executive Committee of the Board	Written correspondence	1. Proposal regarding the disposal of the convertible bonds of Everbright Bank
2	4 August 2017	The second meeting of the fifth session of the Executive Committee of the Board	Written correspondence	1. Proposal regarding the new shipbuilding financing project for two LR2 refined oil tankers of Eletson Group
3	20 October 2017	The third meeting of the fifth session of the Executive Committee of the Board	Written correspondence	1. Proposal regarding the capital increase to COSCO SHIPPING Leasing Co., Ltd.

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

Directors	Number of meetings attended/Number of meetings held	Attendance rate
The fifth session of the Executive Committee of the Board		
Sun Yueying *(executive Director) (Chairman)*	3/3	100%
Wang Daxiong *(executive Director)*	3/3	100%
Liu Chong *(executive Director)*	3/3	100%
Xu Hui *(executive Director)*	3/3	100%

10. SECURITIES TRANSACTION BY DIRECTORS AND SUPERVISORS

The Company has adopted a code of conduct on terms no less exacting than the required standard as set out in the Model Code as set out in Appendix 10 to the Listing Rules as the standards for the Directors, Supervisors and relevant employees' securities transactions. The Company confirms, having made specific enquiries with all Directors and Supervisors, that for the year ended 31 December 2017, its Directors and Supervisors have complied with the requirements relating to Directors and Supervisors' dealing in securities as set out in the Model Code. The Company is not aware of any non-compliance with these guidelines by the relevant employees.

11. ANNUAL REMUNERATION OF DIRECTORS AND KEY MANAGEMENT

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

For the year ended 31 December 2017, the remuneration of key management is divided into the following grades:

Basic annual salary grade	No. of people
HKD1,000,000 and below (Approximately RMB867,200 and below)	4
HKD1,000,001 to HKD1,500,000 (Approximately RMB867,201 to RMB1,300,800)	1
HKD1,500,001 to HKD2,000,000 (Approximately RMB1,300,801 to RMB1,734,400)	6

Details of the annual remuneration of Directors for the year ended 31 December 2017 are set out in Note 8 to the consolidated financial statements.

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

Non-executive Directors	Term of office starting date	Term of office expiration date
Feng Boming	30 June 2016	until the conclusion of the annual general meeting of the Company for the year 2018, i.e. in or around June 2019
Huang Jian	30 June 2016	until the conclusion of the annual general meeting of the Company for the year 2018, i.e. in or around June 2019
Chen Dong(1)	6 September 2016	until the conclusion of the annual general meeting of the Company for the year 2018, i.e. in or around June 2019
Liang Yanfeng(2)	15 March 2018	until the conclusion of the annual general meeting of the Company for the year 2018, i.e. in or around June 2019

Note:

(1) Mr. Chen Dong resigned as a non-executive Director with effect from 26 March 2018 due to adjustment of work arrangements.

(2) Mr. Liang Yanfeng was appointed as a non-executive Director on 15 March 2018.

B. ACCOUNTABILITY AND AUDITING

1. EXTERNAL AUDITORS

Baker Tilly China and Ernst & Young were appointed as the domestic and foreign auditors of the Company respectively at the 2016 annual general meeting by the shareholders until the conclusion of the next annual general meeting.

The Company has paid Ernst & Young RMB7,250,000 as remuneration for its auditing service and related service provided for the year 2017. The Company has paid Baker Tilly China RMB5,550,000 as remuneration for its auditing service and related service provided for the year 2017. The Company has paid Baker Tilly China RMB1,000,000 as remuneration for its internal control and auditing service provided for the year 2017.

2. ACKNOWLEDGEMENT OF THE DIRECTORS AND AUDITORS

All Directors of the Company have confirmed their responsibility for preparing the annual accounts for the year ended 31 December 2017. Ernst & Young, the auditor of the Company, has confirmed its reporting responsibilities as set out in the auditor's report in the financial statements of the Company for the year ended 31 December 2017.

C. INTERNAL CONTROL AND RISK CONTROL

THE PROCESS OF IDENTIFYING, ASSESSING AND MANAGING SIGNIFICANT RISKS

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

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

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

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

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

REVIEW OF INTERNAL CONTROL AND RISK CONTROL SYSTEMS

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

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

For the year ended 31 December 2017, the Board has reviewed the effectiveness of the Group's internal control and risk control systems with reference to the evaluation by the Audit Committee of the Board, the Risk Control Committee, the senior management and the internal audit team. The Board is of the opinion that the internal control and risk control systems of the Group for financial reporting and non-financial reporting are effective and adequate.

D. SHAREHOLDER RIGHTS

1. PROCEDURES FOR EXTRAORDINARY GENERAL MEETINGS CONVENED BY SHAREHOLDERS

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

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

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

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

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

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

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

2. PROCEDURES FOR THE PROPOSAL OF MOTIONS AT GENERAL MEETINGS

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

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

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

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

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

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

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

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

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

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

Postal code: 200135

Email: ir@cnshipping.com

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

E. COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

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

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

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the year ended 31 December 2017, the following amendments to the Articles of Association were proposed and approved at the extraordinary general meeting:

(i) a special resolution was proposed and approved at the extraordinary general meeting held on 10 May 2017 to make certain amendments to the Articles of Association to further improve the Company's governance structure, accelerate the Company's strategic transformation, promote the Company's execution capability and achieve the Company's strategic objectives. Please refer to the announcement of the Company dated 30 August 2017 and the circular of the Company dated 14 September 2017 for further details of the amendments;

G. COMPANY SECRETARY

Mr. Yu Zhen is the company secretary of the Company. Mr. Yu Zhen, secretary to the Board, is one of the Company's main contact persons with the Stock Exchange. Pursuant to Rule 3.29 of the Listing Rules, as at 31 December 2017, Mr. Yu Zhen had attended more than 15 hours of relevant professional training.

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

I. WORKING STATUS OF THE SUPERVISORY COMMITTEE

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

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

Name of meeting	Convening time	Convening method	Attendance of Supervisors	Subject
Sixth meeting of the fifth session of the Supervisory Committee	25 January 2017	Written correspondence	All	1. Proposal regarding provision for impairment for 2016 of the Company.
Seventh meeting of the fifth session of the Supervisory Committee	30 March 2017	Physical presence	All	1. Proposal regarding the management work report for the first half of 2017 of the Company
				2. Proposal regarding the financial report for the first half of 2017 of the Company
				3. Proposal regarding the financial report and the interim results report for the first half of 2017 of the Company
				4. Proposal regarding the implementation of the newly issued accounting standards

Name of meeting	Convening time	Convening method	Attendance of Supervisors	Subject
Eighth meeting of the fifth session of the Supervisory Committee	20 April 2017	Written correspondence	All	1. Proposal regarding satisfying the conditions for the non-public issuance of A Shares by the Company 2. Proposal regarding the adjustment of the plan for the non-public issuance of A Shares by the Company 3. Proposal in relation to the proposed non-public issuance of A Shares by the Company (revised version) 4. Proposal in relation to the "Feasibility Report on the Use of Proceeds from the proposed non-public issuance of A Shares (revised version)" 5. Proposal regarding whether the non-public issuance constitutes a connected transaction
Ninth meeting of the fifth session of the Supervisory Committee	28 April 2017	Voting through Written correspondence	All	1. Proposal regarding the first quarterly report of 2017 of the Company
Tenth meeting of the fifth session of the Supervisory Committee	30 August 2017	Physical presence	All	1. Proposal regarding the management work report for the first half of 2017 of the Company 2. Proposal regarding the financial report for the first half of 2017 of the Company 3. Proposal regarding the financial report and the interim results report for the first half of 2017 of the Company 4. Proposal regarding the implementation of the newly issued accounting standards

Name of meeting	Convening time	Convening method	Attendance of Supervisors	Subject
Eleventh meeting of the fifth session of the Supervisory Committee	30 October 2017	Voting through Written correspondence	All	1. Proposal regarding the adjustment of the plan for the non-public Issuance of A Shares by the Company
				2. Proposal in relation to the proposed non-public issuance of A Shares by the Company (the 2nd revised version)
				3. Proposal regarding the third quarterly report of 2017 of the Company
Twelfth meeting of the fifth session of the Supervisory Committee	13 November 2017	Voting through Written correspondence	All	1. Proposal in relation to the merger by absorbing by China Shipping Finance Co., Ltd. ("CS Finance", a holding subsidiary)
				2. Proposal in relation to signing the shareholders' agreement of the post-merger CS Finance

II. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE

1. OPERATION COMPLIANCE

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

2. REVIEW OF FINANCIAL POSITION OF THE COMPANY

The financial statements of the Company for 2017 are true and reliable, and gave a fair view of the financial position and operating results of the Company.

3. ACTUAL USE OF THE PROCEEDS

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

4. ACQUISITION AND DISPOSALS OF ASSETS AND RELATED PARTY TRANSACTIONS

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

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

Supervisory Committee
COSCO SHIPPING Development Co., Ltd.

29 March 2018

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

OPINION

We have audited the consolidated financial statements of COSCO SHIPPING Development Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 98 to 210, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matter	How our audit addressed the key audit matter
Classification of leases	
The leasing services are significant parts of the Group's principal business. The determination of the lease classification involves significant management's judgements at the inception of each lease, which will then have a material impact on the subsequent accounting of each lease transaction. Thus classification of leases is regarded as a key audit matter of the audit. The Group's accounting policy regarding the classification of leases and the related disclosures of leases are detailed in note 2.4, note 21 and note 42 to the financial statements.	Our audit procedures included, among others: • testing the design and operation of internal control over the Group's determination of classification of leases; • reviewing the key terms of the selected leasing contracts and assessing management's judgements applied when determining the classification of the leases; and • assessing the impact of subsequent modification to the leasing terms on the classification of leases.
Impairment of long-lived assets attributable to a container leasing cash-generating unit ("CGU")	
A container leasing business CGU of the Group faces challenging economic and market conditions with significant pressure on lease rates and operating profit margins, which are considered impairment indicators and management performed an impairment assessment on and estimated the recoverable amount of the related assets in accordance with HKAS 36 *Impairment of Assets* at the end of the reporting period. The balance carrying value of the related long-lived assets is material and the estimation of the recoverable amount involves significant management's judgements or estimations and assumptions. The Group's accounting policy and the related disclosures regarding impairment of the long-lived asset are detailed in note 2.4 and note 14 to the financial statements.	Our audit procedures included, among others: • evaluating the mathematical accuracy of the impairment assessment models and checked relevant data to the latest business plan and approved budgets; and • evaluating management's assumptions and estimates used in the models, mainly including those related to revenue, cost, expenses and discount rate. We involved our internal valuation experts to review the assessment model and compare key assumptions against external benchmarks (for example, discount rate) and evaluate the assumptions based on our knowledge of the Group and its industry.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is LEUNG WAI LAP, PHILIP.

Ernst & Young
Certified Public Accountants

Hong Kong
29 March 2018

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CONTINUING OPERATIONS			
REVENUE	5	16,260,600	15,527,887
Cost of sales		(12,852,154)	(13,849,363)
Gross profit		3,408,446	1,678,524
Selling and administrative expenses		(1,158,540)	(1,576,653)
Other income	5	219,061	442,267
Other (losses)/gains, net	5	(10,305)	117,228
Finance costs	7	(2,562,958)	(1,690,941)
Share of profits of:			
Associates		2,057,169	1,538,043
Joint ventures		7,155	8,532
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	1,960,028	517,000
Income tax expense	10	(425,696)	(201,251)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		1,534,332	315,749
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	11	–	77,326
PROFIT FOR THE YEAR		1,534,332	393,075
Attributable to:			
Owners of the parent		1,463,803	347,503
Non-controlling interests		70,529	45,572
		1,534,332	393,075
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (expressed in RMB per share)	13		
Basic and diluted			
– For profit for the year		0.1253	0.0297
– For profit from continuing operations		0.1253	0.0232

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
PROFIT FOR THE YEAR		**1,534,332**	393,075
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investments:			
Changes in fair value, net of tax		**(69,332)**	66,325
Reclassification adjustments for gains included in the consolidated statement of profit or loss		**(102,869)**	(33,019)
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year		**8,812**	8,555
Exchange differences:			
Exchange differences on translation of foreign operations		**660,456**	(738,492)
Reclassification adjustments for foreign operations disposed of	*40*	**–**	37,937
Associates and joint ventures:			
Share of other comprehensive (loss)/income of associates and joint ventures		**(217,017)**	47,135
Reclassification adjustments for disposal		**–**	(1,179)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**280,050**	(612,738)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**1,814,382**	(219,663)
Attributable to:			
Owners of the parent		**1,739,824**	(241,719)
Non-controlling interests		**74,558**	22,056
		1,814,382	(219,663)

Consolidated Statement of Financial Position

31 December 2017

	Notes	**2017** RMB'000	2016 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**53,844,184**	58,392,439
Investment properties	*15*	**100,012**	8,217
Prepaid land lease payments	*16*	**114,382**	216,817
Intangible asset	*17*	**18,641**	21,881
Investments in associates	*18*	**20,256,221**	18,244,380
Investments in joint ventures	*19*	**198,526**	137,349
Available-for-sale investments	*20*	**4,013,699**	6,114,082
Finance lease receivables	*21*	**20,087,976**	15,010,397
Loans and receivables	*22*	**154,116**	198,114
Derivative financial instruments	*34*	**13,360**	6,702
Deferred tax assets	*23*	**113,147**	89,482
Other long term prepayments		**90,000**	144,229
Total non-current assets		**99,004,264**	98,584,089
CURRENT ASSETS			
Inventories	*24*	**1,155,668**	859,415
Trade and notes receivables	*25*	**1,388,976**	1,655,656
Prepayments and other receivables	*26*	**896,243**	899,933
Prepaid land lease payments	*16*	**3,587**	3,918
Finance lease receivables	*21*	**7,333,145**	3,593,896
Loans and receivables	*22*	**3,763,801**	3,132,913
Held-for-trading investments	*27*	**547,428**	72,466
Derivative financial instruments	*34*	**2,736**	1,340
Restricted cash	*28*	**1,748,512**	1,129,425
Cash and cash equivalents	*28*	**23,193,300**	15,527,254
Total current assets		**40,033,396**	26,876,216
Total assets		**139,037,660**	125,460,305

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31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CURRENT LIABILITIES			
Trade and notes payables	29	2,328,672	1,738,742
Other payables and accruals	30	2,081,501	2,184,723
Bank and other borrowings	31	31,571,856	29,925,251
Corporate bonds	32	1,611,981	2,075,822
Finance lease obligations	36	68,446	36,104
Deposits from customers	33	14,757,813	8,550,566
Tax payable		237,297	123,266
Total current liabilities		52,657,566	44,634,474
NET CURRENT LIABILITIES		(12,624,170)	(17,758,258)
TOTAL ASSETS LESS CURRENT LIABILITIES		86,380,094	80,825,831
NON-CURRENT LIABILITIES			
Bank and other borrowings	31	63,849,439	64,102,361
Corporate bonds	32	2,803,325	1,426,942
Finance lease obligations	36	512,082	311,344
Deposits from customers	33	14,951	951
Deferred tax liabilities	23	321,867	264,041
Other long term payables		2,004,643	1,157,078
Total non-current liabilities		69,506,307	67,262,717
Net assets		16,873,787	13,563,114
EQUITY			
Equity attributable to owners of the parent			
Share capital	37	11,683,125	11,683,125
Special reserve	38	1,912	–
General reserve	38	142,932	79,291
Other reserves	38	(5,505,506)	(6,067,818)
Other equity instrument	38	1,000,000	–
Retained profits		8,953,699	7,555,449
		16,276,162	13,250,047
Non-controlling interests		597,625	313,067
Total equity		16,873,787	13,563,114

Sun Yueying
Director

Wang Daxiong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Note	Attributable to owners of the parent								
		Share capital	Special reserve	General reserve	Other reserves	Other equity instrument	Retained profits	Total	Non-controlling interests	Total equity
	Note	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017		11,683,125	–	79,291	(6,067,818)	–	7,555,449	13,250,047	313,067	13,563,114
Profit for the year		–	–	–	–	–	1,463,803	1,463,803	70,529	1,534,332
Other comprehensive income for the year:										
Available-for-sale investments:										
Changes in fair value, net of tax		–	–	–	(78,036)	–	–	(78,036)	8,704	(69,332)
Reclassification adjustments for gains included in the consolidated statement of profit or loss		–	–	–	(98,194)	–	–	(98,194)	(4,675)	(102,869)
Cash flow hedges:										
Effective portion of changes in fair value of hedging instruments arising during the year		–	–	–	8,812	–	–	8,812	–	8,812
Exchange differences:										
Exchange differences on translation of foreign operations		–	–	–	660,456	–	–	660,456	–	660,456
Associates and joint ventures:										
Share of other comprehensive loss of associates and joint ventures		–	–	–	(217,017)	–	–	(217,017)	–	(217,017)
Total comprehensive income for the year		–	–	–	276,021	–	1,463,803	1,739,824	74,558	1,814,382
Share of capital reserves of associates		–	–	–	311,959	–	–	311,959	–	311,959
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	210,000	210,000
Issue of perpetual debt	*38*	–	–	–	–	1,000,000	–	1,000,000	–	1,000,000
Effect of dilution of investment in an associate		–	–	–	(68,512)	–	–	(68,512)	–	(68,512)
Transfer from retained profits		–	43,881	63,641	–	–	(107,522)	–	–	–
Utilisation of special reserve		–	(41,969)	–	–	–	41,969	–	–	–
Others		–	–	–	42,844	–	–	42,844	–	42,844
At 31 December 2017		11,683,125	1,912	142,932	(5,505,506)	1,000,000	8,953,699	16,276,162	597,625	16,873,787

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		Attributable to owners of the parent								
	Notes	Share capital RMB'000	Special reserve RMB'000	General reserve RMB'000	Other reserves RMB'000	Other equity instrument RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016		11,683,125	21,090	65,504	25,576,278	–	7,433,077	44,779,074	497,549	45,276,623
Profit for the year		–	–	–	–	–	347,503	347,503	45,572	393,075
Other comprehensive loss for the year:										
Available-for-sale investments:										
Changes in fair value, net of tax		–	–	–	70,730	–	–	70,730	(4,405)	66,325
Reclassification adjustments for gains included in the consolidated statement of profit or loss		–	–	–	(33,019)	–	–	(33,019)	–	(33,019)
Cash flow hedges:										
Effective portion of changes in fair value of hedging instruments arising during the year		–	–	–	8,555	–	–	8,555	–	8,555
Exchange differences:										
Exchange differences on translation of foreign operations		–	–	–	(719,381)	–	–	(719,381)	(19,111)	(738,492)
Reclassification adjustments for foreign operations disposed of	40	–	–	–	37,937	–	–	37,937	–	37,937
Associates:										
Share of other comprehensive income of associates		–	–	–	47,135	–	–	47,135	–	47,135
Reclassification adjustments for disposal		–	–	–	(1,179)	–	–	(1,179)	–	(1,179)
Total comprehensive loss for the year		–	–	–	(589,222)	–	347,503	(241,719)	22,056	(219,663)
Acquisition of non-controlling interests		–	–	–	(21,590)	–	–	(21,590)	(17,494)	(39,084)
Consideration for acquisition of subsidiaries under common control		–	–	–	(24,435,902)	–	–	(24,435,902)	–	(24,435,902)
Consideration for acquisition of associates under common control		–	–	–	(6,398,877)	–	–	(6,398,877)	–	(6,398,877)
Disposal of subsidiaries	40	–	(22,548)	–	–	–	22,548	–	(66,854)	(66,854)
Dividends paid to former shareholders of acquired subsidiaries under common control		–	–	–	–	–	(232,434)	(232,434)	–	(232,434)
Dividends paid to a former shareholder of an acquired associate under common control		–	–	–	(137,558)	–	–	(137,558)	–	(137,558)
Dividends paid to non-controlling shareholders		–	–	–	–	–	–	–	(122,190)	(122,190)
Effect of dilution of investment in an associate		–	–	–	(60,353)	–	–	(60,353)	–	(60,353)
Transfer from retained profits		–	152,201	13,787	–	–	(165,988)	–	–	–
Utilisation of special reserve		–	(150,743)	–	–	–	150,743	–	–	–
Others		–	–	–	(594)	–	–	(594)	–	(594)
At 31 December 2016		11,683,125	–	79,291	(6,067,818)	–	7,555,449	13,250,047	313,067	13,563,114

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	41	**12,123,517**	7,840,628
Income tax paid		**(271,376)**	(183,312)
Net cash flows generated from operating activities		**11,852,141**	7,657,316
CASH FLOWS USED IN INVESTING ACTIVITIES			
Interest received		**77,396**	98,960
Dividends received from associates		**147,346**	165,048
Dividends received from joint ventures		**–**	15,539
Dividends received from available-for-sale investments		**33,922**	30,972
Dividends received from held-for-trading investments		**3,528**	191
Purchases of items of property, plant and equipment		**(2,098,976)**	(4,270,638)
Purchases of intangible assets		**(6,745)**	(31,303)
Proceeds from disposal of items of property, plant and equipment		**1,425,621**	243,845
Proceeds from disposal of prepaid land lease payments		**748**	–
Proceeds from disposal of intangible assets		**–**	7,536
Receipt of government grants for property, plant and equipment		**10,400**	–
Purchases of equity in associates		**(50,779)**	–
Prepayment for equity in associates		**(90,000)**	–
Purchase of equity in joint ventures		**(54,000)**	(125,000)
Purchases of available-for-sale investments		**(9,282,500)**	(6,540,089)
Prepayment for an available-for-sale investment		**–**	(75,000)
Refund of prepayment for an available-for-sale investment		**75,000**	–
Purchases of held-for-trading investments		**(939,198)**	(93,509)
Disposal of subsidiaries	40	**2,267**	(353,236)
Proceeds from disposal of associates		**7,083**	3,886,545
Proceeds from disposal of joint ventures		**–**	54,600
Proceeds from disposals of available-for-sale investments		**11,152,815**	1,856,978
Proceeds from disposals of held-for-trading investments		**469,133**	222,310
Increase in finance lease receivables		**(7,564,657)**	(9,559,658)
Increase in restricted cash		**(156,193)**	(18,200)
Increase in other long term payables		**185,300**	752,609
Net cash flows used in investing activities		**(6,652,489)**	(13,731,500)

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Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from non-controlling interests		**210,000**	–
Proceeds from issue of perpetual debt	*38*	**1,000,000**	–
Consideration paid for acquisition of subsidiaries under common control		**(76,254)**	(24,409,916)
Consideration paid for acquisition of an associate under common control		**(950,829)**	(5,448,049)
New bank and other borrowings		**44,062,964**	205,612,647
Repayment of bank and other borrowings		**(38,915,250)**	(167,817,429)
New corporate bonds		**3,395,000**	–
Repayment of corporate bonds		**(2,400,003)**	(317,206)
Acquisition of non-controlling interests		**–**	(39,084)
Refund of overpaid consideration for acquisition of non-controlling interests in prior period		**13,210**	–
Capital element of finance lease payments		**(55,359)**	(141)
Dividends paid to former shareholders of acquired subsidiaries under common control		**–**	(232,434)
Dividends paid to non-controlling shareholders		**–**	(137,342)
Interest paid		**(3,320,378)**	(1,860,163)
(Increase)/decrease in restricted cash		**(76,824)**	74,218
Net cash flows generated from financing activities		**2,886,277**	5,425,101
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**8,085,929**	(649,083)
Cash and cash equivalents at beginning of year		**15,527,254**	15,931,671
Effect of foreign exchange rate changes, net		**(419,883)**	244,666
CASH AND CASH EQUIVALENTS AT END OF YEAR	*28*	**23,193,300**	15,527,254

1. CORPORATE AND GROUP INFORMATION

COSCO SHIPPING Development Co., Ltd. (the "Company") is a joint stock company with limited liability incorporated in the People's Republic of China (the "PRC"). The address of the Company's registered office is Room A-538, International Trade Center, China (Shanghai) Pilot Free Trade Zone, Shanghai, the PRC.

During the year, the principal activities of the Group were as follows:

(a) Operating leasing and financial leasing;

(b) Manufacture and sale of containers;

(c) Provision of financial and insurance brokerage services;

(d) Equity investment; and

(e) Cargo and liner agency services.

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

1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES

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

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

1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
CSCL South China Sea Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Spring Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Summer Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Autumn Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Winter Shipping Co., Ltd	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Globe Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Pacific Ocean Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Indian Ocean Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Atlantic Ocean Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Arctic Ocean Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
COSCO SHIPPING Development (Asia) Co., Ltd (formerly known as China Shipping Container Lines (Asia) Co., Ltd.)	British Virgin Islands ("BVI")	US$514,465,000	–	100%	Vessel chartering and container leasing
Arisa Navigation Company Limited	Cyprus	CYP1,000	–	100%	Vessel chartering

1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Yangshan A Shipping Company Limited	BVI	US$50,000	–	100%	Vessel chartering
Yangshan B Shipping Company Limited	BVI	US$50,000	–	100%	Vessel chartering
Yangshan C Shipping Company Limited	BVI	US$50,000	–	100%	Vessel chartering
Yangshan D Shipping Company Limited	BVI	US$50,000	–	100%	Vessel chartering
Helen Insurance Brokers Limited	Hong Kong	HK$3,000	–	100%	Provision of insurance brokerage services
Oriental Fleet International Co., Ltd.	Hong Kong	HK$140,000	–	100%	Investment holding
Oriental Fleet LNG 01 Limited	BVI	US$1	–	100%	Financial leasing
Oriental Fleet HLCV 01 Limited	BVI	–	–	100%	Financial leasing
Oriental Fleet HLCV 02 Limited	BVI	–	–	100%	Financial leasing
Oriental Fleet Asset Management Limited	Hong Kong	HK$10,000	–	100%	Provision of management service
Florens (Tianjin) Finance Leasing Co., Ltd.	PRC	US$50,000,000	–	100%	Financial leasing
Dong Fang International Investment Limited	BVI	US$100,000	–	100%	Investment holding and container leasing

1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

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

1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Florens Container Corporation S.A.	Panama	US$10,000	–	100%	Container leasing
Florens Asset Management Company Limited	Hong Kong	HK$100	–	100%	Provision of container management services
Florens Container Services (Australia) Pty Limited	Australia	AUD100	–	100%	Provision of container management services
Florens Asset Management (Deutschland) GmbH (formerly known as Florens Container Services (Deutschland) GmbH)	Deutschland	EURO25,564.6	–	100%	Provision of container management services
Florens Asset Management (Italy) S.R.L. (formerly known as Florens Container Services (Italy) S.R.L.)	Italy	EURO10,400	–	100%	Provision of container management services
Florens Asset Management (USA), Ltd. (formerly known as Florens Container Services (USA), Ltd.)	United States	US$1	–	100%	Provision of container management services
Florens Container, Inc. (2002)	United States	US$1	–	100%	Sale of containers
Florens Shipping Corporation Limited	Bermuda	US$12,000	–	100%	Container leasing

1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Fairbreeze Shipping Company Limited	Hong Kong	HK$500,000	–	100%	Property investment
Long Honour Investments Limited	BVI	US$1	–	100%	Investment holding
COSCO Container Industry Co., Ltd.	BVI	US$1	–	100%	Investment holding
China Shipping (Africa) Holdings (PTY) Ltd.	South Africa	US$2,000,000	100%	–	Inactive
China Shipping (South Africa) Agency (PTY) Ltd.	South Africa	ZAR1,700,000	–	100%	Inactive
COSCO SHIPPING Leasing Co., Ltd. ("CS Leasing")	PRC	RMB1,500,000,000	100%	–	Financial leasing
Haihui Commercial Factoring (Tianjin) Co., Ltd.	PRC	RMB50,000,000	–	100%	Commercial factoring
China Shipping Investment Co., Ltd.	PRC	RMB2,713,000,000	100%	–	Investment holding
China COSCO SHIPPING Development (Tianjin) Leasing Company Limited	PRC	RMB1,000,000,000	100%	–	Finance lease
Shanghai Universal Logistics Equipment Co., Ltd.	PRC	RMB850,000,000	–	100%	Investment holding

1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

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

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

2.1 BASIS OF PREPARATION

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

The financial statements have been prepared under the going concern basis notwithstanding that the Group had net current liabilities of RMB12,624,170,000 as at 31 December 2017. The directors of the Company are of opinion that based on the available unutilised banking facilities as at 31 December 2017, the Group will have the necessary liquid funds to finance its working capital and to meet its capital expenditure requirements. Accordingly, the directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

2.1 BASIS OF PREPARATION (continued)

BASIS OF CONSOLIDATION (continued)

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements.

Disclosure has been made in note 41(b) to the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

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

(A) CLASSIFICATION AND MEASUREMENT

Currently, there are three categories of financial assets, including financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments. The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets at fair value through profit or loss and loans and receivables. The Group expects to apply the option to present all of the available-for-sale financial investments at fair value through profit or loss. For the available-for-sale financial investments stated at cost less any impairment losses, the Group does not expect any significant changes in the carrying amount as at 1 January 2018 even though the different measurement model will be introduced upon the initial adoption of the standard.

(B) IMPAIRMENT

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables, other receivables and finance lease receivables. Furthermore, the Group will apply the general approach for its loans and receivables. Under the general approach, the Group recognises a loss allowance based on either twelve-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. The Group does not expect any significant changes in the provision for impairment upon the initial adoption of the standard.

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group will adopt HKFRS 15 from 1 January 2018. Although, in accordance with a detailed assessment performed by management, the adoption of HKFRS 15 is not expected to have an immediate significant impact on the Group's results of operations and financial position, the Group maintains an ongoing basis mechanism to monitor the potential impacts of HKFRS 15, if any, on the new revenue streams or the changes in the current revenue streams in the future.

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

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 42(b) to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately RMB1,830,057,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short-term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (Continued)

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

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

FAIR VALUE MEASUREMENT

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RELATED PARTIES

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

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

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

(ii) has significant influence over the Group; or

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

or

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENT PROPERTIES

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

Depreciation is calculated on a straight-line basis to write off the cost of each item of investment properties. The principal annual rates used for this purpose range from 1.0% to 2.0%.

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

INTANGIBLE ASSETS

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

Computer software

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

Loans and receivables

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Subsequent measurement (continued)

Available-for-sale financial investments

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERECOGNITION OF FINANCIAL ASSETS

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

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (continued)

Financial assets carried at amortised cost

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

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

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

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

Assets carried at cost

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (continued)

Available-for-sale financial investments

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and borrowings

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

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

Perpetual debt

A perpetual debt will be classified as a liability if it includes contractual obligation:

- to deliver cash or another financial asset to another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

Otherwise, it will be classified as an equity instrument.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERECOGNITION OF FINANCIAL LIABILITIES

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

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

OFFSETTING OF FINANCIAL INSTRUMENTS

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

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Initial recognition and subsequent measurement

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (continued)

Initial recognition and subsequent measurement (continued)

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

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

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

- hedges of a net investment in a foreign operation.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (continued)

Initial recognition and subsequent measurement (continued)

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

Cash flow hedges

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

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

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

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

Current versus non-current classification

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVENTORIES

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

CASH AND CASH EQUIVALENTS

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

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

PROVISIONS

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX

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

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX (continued)

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

GOVERNMENT GRANTS

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

REVENUE RECOGNITION

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

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

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

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

(d) from the rendering of services, when the relevant service has been rendered;

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

EMPLOYEE BENEFITS

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

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

BORROWING COSTS

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

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

FOREIGN CURRENCIES

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FOREIGN CURRENCIES (continued)

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

JUDGEMENTS

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

Classification between finance leases and operating leases

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

JUDGEMENTS (continued)

Classification between finance leases and operating leases (continued)

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

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

ESTIMATION UNCERTAINTY

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

Impairment of non-financial assets

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

Useful lives and residual values of property, plant and equipment

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

4. OPERATING SEGMENT INFORMATION

During the year ended 31 December 2016, the Group is organised into business units based on their products and services and has seven reportable operating segments as follows:

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

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

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

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

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

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

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

4. OPERATING SEGMENT INFORMATION (continued)

For the year ended 31 December 2017, the container shipping segment is not applicable due to all of such businesses had been transformed to vessel chartering and container leasing businesses during 2016. In addition, the Group combined vessel chartering and container leasing segment and non-shipping related leasing segment into one segment, the shipping and industry-related leasing segment, and combined the financial services segment and the equity investment segment into another segment, the investment and service segment, for the following reasons:

- Such combinations of segments reflect the changes in the way that management review operating results and make decisions about resource allocation and performance assessment; and

- The Group has proposed to dispose of CS Finance, which is still subject to the approval of China Banking Regulatory Commission as of the date of approval of the financial statements and, therefore, is not presented as a discontinued operation. Without CS Finance, the rest of the businesses in the financial services segment would be not material to the Group.

With the changes in the composition of segments, the Group restated comparatives in this note.

The measure of profit or loss, assets and liabilities for operating segments remains unchanged as follows:

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

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

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

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

4. OPERATING SEGMENT INFORMATION (continued)

	2017					2016					
	Shipping and industry-related leasing RMB'000	Container manufacturing RMB'000	Investment and service RMB'000	Others RMB'000	Total RMB'000	Container shipping RMB'000	Shipping and industry-related leasing RMB'000 (Restated)	Container manufacturing RMB'000	Investment and service RMB'000 (Restated)	Others RMB'000	Total RMB'000
Segment revenue:											
Sales to external customers from continuing operations	10,380,425	5,466,730	401,009	12,436	16,260,600	3,649,468	10,040,568	1,484,413	328,577	24,861	15,527,887
Intersegment sales	–	472,955	74,529	–	547,484	10,979	–	1,580,213	67,903	–	1,659,095
Total revenue	10,380,425	5,939,685	475,538	12,436	16,808,084	3,660,447	10,040,568	3,064,626	396,480	24,861	17,186,982
Segment results	904,924	280,049	1,474,594	13,381	2,672,948	(1,043,562)	586,367	6,029	1,459,906	(3,884)	1,004,856
Elimination of intersegment results					(93,740)						(60,656)
Unallocated expenses					(619,180)						(427,200)
Profit before tax from continuing operations					1,960,028						517,000
Segment assets	94,093,293	4,696,088	50,555,243	6,942	149,351,566	116,006	86,730,726	2,439,050	43,482,849	6,391	132,775,022
Elimination of intersegment assets					(10,313,906)						(7,314,717)
Total assets					139,037,660						125,460,305
Segment liabilities	66,052,830	3,130,924	45,033,261	25	114,217,040	150,462	60,105,151	1,069,684	41,578,195	27	102,903,519
Unallocated liabilities					17,542,265						15,653,031
Elimination of intersegment liabilities					(9,595,432)						(6,659,359)
Total liabilities					122,163,873						111,897,191
Supplementary segment information:											
Depreciation and amortisation	3,239,184	48,771	2,347	–	3,290,302	318,452	2,875,930	52,709	2,355	282	3,249,728
Provision/(reversal) of impairment on receivables	162,487	(4,392)	15,154	–	173,249	(3,935)	347,074	9,036	(4,373)	–	347,802
Impairment on property, plant and equipment	–	–	–	–	–	–	126,645	–	–	–	126,645
(Reversal of write-down)/write-down of inventories to net realisable value	(43,646)	–	–	–	(43,646)	–	134,866	4,171	–	–	139,037
Impairment of investment in an associate	–	–	–	–	–	–	–	–	61,765	–	61,765
Dividend income	–	–	37,450	–	37,450	–	–	–	31,163	–	31,163
Share of profits of:											
Associates	–	–	2,057,169	–	2,057,169	–	–	–	1,538,043	–	1,538,043
Joint ventures	–	–	7,155	–	7,155	–	–	–	8,532	–	8,532
Investments in associates	–	–	20,256,221	–	20,256,221	–	–	–	18,244,380	–	18,244,380
Investments in joint ventures	–	–	198,526	–	198,526	–	–	–	137,349	–	137,349
Capital expenditure*	2,776,997	93,138	3,269	–	2,873,404	–	4,945,516	67,447	695	1,230	5,014,888

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

4. OPERATING SEGMENT INFORMATION (continued)

GEOGRAPHICAL INFORMATION

(a) Revenue from external customers

	2017 **RMB'000**	2016 RMB'000
Hong Kong	**7,143,231**	6,289,049
Mainland China	**4,492,301**	2,859,362
Asia (excluding Hong Kong and Mainland China)	**1,727,824**	2,456,882
United States	**2,273,220**	1,909,216
Europe	**615,156**	1,451,384
Others	**8,868**	561,994
	16,260,600	15,527,887

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

(b) Non-current assets

	2017 **RMB'000**	2016 RMB'000
Hong Kong	**47,558,406**	50,716,811
Mainland China	**27,063,560**	26,446,986
Others	**–**	1,515
	74,621,966	77,165,312

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

INFORMATION ABOUT A MAJOR CUSTOMER

Revenue from continuing operations of approximately RMB8,577,136,000 (2016: RMB6,653,779,000) was derived from sales by the shipping and industry-related leasing segment and container manufacturing segment to a single customer.

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

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

(A) REVENUE

	2017 RMB'000	2016 RMB'000
Vessel chartering and container leasing	8,934,848	9,225,373
Liner services	–	3,649,468
Sales of goods	5,466,730	1,484,413
Finance lease income	1,445,577	815,195
Interest income	357,222	289,742
Others	56,223	63,696
	16,260,600	15,527,887

(B) OTHER INCOME

	2017 RMB'000	2016 RMB'000
Interest income generated from operations other than financial services	84,752	80,930
Government grants related to income	39,038	309,822
Dividends from available-for-sale investments	33,922	30,972
Dividends from held-for-trading investments	3,528	191
Management fee income	29,995	–
Others	27,826	20,352
	219,061	442,267

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

(C) OTHER (LOSSES)/GAINS

	Note	2017 RMB'000	2016 RMB'000
Loss on disposal of subsidiaries	*40*	–	(3,589)
Gain on disposal of interests in associates		–	50,997
Gain on disposal of interests in joint ventures		–	17,569
Gain on disposal of items of property, plant and equipment		37,723	6,876
Gain on disposal of available-for-sale investments		128,073	77,000
Fair value gain on held-for-trading investments		2,780	893
Net foreign exchange loss		(179,543)	(31,566)
Others		662	(952)
		(10,305)	117,228

6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	Notes	2017 RMB'000	2016 RMB'000
Cost of goods sold		**4,457,673**	1,159,600
Cost of service provided		**2,059,901**	4,828,803
Depreciation of property, plant and equipment	*14*	**3,276,934**	3,216,193
Depreciation of investment properties	*15*	**305**	376
Amortisation of prepaid land lease payments	*16*	**3,722**	3,904
Amortisation of intangible assets	*17*	**9,341**	29,255
Auditor's remuneration		**7,250**	7,250
Employee benefit expenses (including directors' remuneration *(note 8)*):			
Wages and salaries		**1,689,524**	1,557,281
Pension scheme contributions (defined contribution scheme)		**100,896**	99,370
		1,790,420	1,656,651
Minimum lease payments under operating leases		**1,898,670**	3,292,964
Foreign exchange differences, net	*5*	**179,543**	31,566
Impairment of property, plant and equipment	*14*	**–**	126,645
Impairment of investments in associates		**–**	61,765
Impairment of finance lease receivables recognised	*21*	**147,019**	273,622
Impairment of loan and receivables recognised/(reversed)	*22*	**15,049**	(4,373)
Impairment of trade receivables recognised	*25*	**9,568**	82,144
Impairment of other receivables recognised/(reversed)	*26*	**1,613**	(3,591)
(Reversal of write-down)/write-down of inventories to net realisable value		**(43,646)**	139,037
Loss on disposal of subsidiaries	*5*	**–**	3,589
Gain on disposal of associates	*5*	**–**	(50,997)
Gain on disposal of joint ventures	*5*	**–**	(17,569)
Gain on disposal of items of property, plant and equipment	*5*	**(37,723)**	(6,876)
Gain on disposal of available-for-sale investments	*5*	**(128,073)**	(77,000)
Fair value gain on held-for-trading investments	*5*	**(2,780)**	(893)
Dividends from available-for-sale investments	*5*	**(33,922)**	(30,972)
Dividends from held-for-trading investments	*5*	**(3,528)**	(191)
Interest income generated from operations other than financial services	*5*	**(84,752)**	(80,930)

7. FINANCE COSTS

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

	2017 RMB'000	2016 RMB'000
Interest on borrowings and corporate bonds	2,557,294	1,704,489
Interest on finance leases	13,183	572
Total interest expense	2,570,477	1,705,061
Less: interest capitalised	(7,519)	(14,120)
	2,562,958	1,690,941

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

	2017 RMB'000	2016 RMB'000
Fees	1,075	1,076
Other emoluments:		
Salaries, allowances and benefits in kind	3,758	1,825
Performance related bonuses	2,650	2,667
Pension scheme contributions	397	372
	6,805	4,864
	7,880	5,940

During the year, no director (2016: Nil) was granted share options.

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

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2017					
Directors:					
Mr. Liu Chong	–	1,250	860	138	2,248
Mr. Xu Hui	–	1,258	725	136	2,119
Mr. Cai Hongping	300	–	–	–	300
Mr. Lu Jianzhong (appointed on 28 December 2017)	–	–	–	–	–
Ms. Hai Chi Yuet	300	–	–	–	300
Mr. Graeme Jack	300	–	–	–	300
Mr. Tsang Hing Lun (passed away on 4 June 2017)	175	–	–	–	175
	1,075	2,508	1,585	274	5,442
Chief executive:					
Mr. Wang Daxiong	–	1,250	1,065	123	2,438
	1,075	3,758	2,650	397	7,880

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

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

Save as disclosed above, none of the directors received any emoluments during 2017 and 2016.

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

During the year, no emoluments were paid by the Group to any of the directors or chief executive officer as an inducement to join or upon joining the Group or as compensation for loss of office (2016: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

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

	2017	2016
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,338**	1,360
Performance related bonuses	**1,341**	2,413
Pension scheme contributions	**285**	370
	3,964	4,143

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

	Number of employees	
	2017	2016
HK$1,500,001 to HK$2,000,000	**–**	3
HK$2,000,001 to HK$2,500,000	**2**	–
	2	3

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2016: Nil).

10. INCOME TAX

According to the Corporate Income Tax ("CIT") Law of the PRC, which was effective from 1 January 2008, the CIT rate applicable to the Company and its subsidiaries established in the PRC was 25% for the years ended 31 December 2017 and 2016.

Hong Kong profits tax was provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits of the Group's companies operating in Hong Kong during the year.

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

	2017 **RMB'000**	2016 RMB'000
Current income tax		
– PRC	**359,285**	193,516
– Hong Kong	**14,628**	10,923
– Elsewhere	**11,494**	2,892
Deferred income tax *(note 23)*	**40,289**	(6,080)
	425,696	201,251

10. INCOME TAX (continued)

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

	2017	2016
	RMB'000	RMB'000
Profit before tax from continuing operations	**1,960,028**	517,000
Tax at the statutory tax rate	**490,007**	129,250
Effect of different tax rates for specific provinces or enacted by local authority	**(33,868)**	(23,916)
Effect of withholding tax on the distributable profits of the PRC entities to overseas entities	**62,626**	8,141
Adjustments in respect of current tax of previous periods	**3,489**	1,795
Profits attributable to associates and joint ventures	**(516,081)**	(386,644)
Income not subject to tax	**(1,431,638)**	(1,457,213)
Expenses not deductible for tax	**1,652,873**	1,872,846
Tax losses not recognised	**160,146**	96,021
Tax losses utilised from previous periods	**(1,348)**	(1,537)
Temporary differences not recognised	**40,003**	3,354
Temporary differences utilised from previous periods	**(513)**	(40,846)
	425,696	201,251

The share of tax attributable to associates and joint ventures amounting to RMB590,035,000 (2016: RMB398,504,000) and RMB1,496,000 (2016: RMB918,000), respectively, is included in "Share of profits of associates and joint ventures" in the consolidated statement of profit or loss.

11. DISCONTINUED OPERATION

In February 2016, the Company disposed of a series of subsidiaries.

Among the subsidiaries disposed of, Shanghai Puhai Shipping Liners Co., Ltd., Universal Shipping (Asia) Co., Ltd., Golden Sea Shipping Pte. Ltd. and China Shipping (Singapore) Petroleum Pte. Ltd. constituted a major line of business of the provision of container marine transportation services and related businesses, which was classified as a discontinued operation.

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

	2016 RMB'000
Revenue	402,761
Cost	(379,842)
Selling and administrative expenses	(26,422)
Other income	75,524
Other gains, net	6,490
Finance costs	6
Profit before tax from the discontinued operation	78,517
Income tax expense	(1,191)
Profit for the year from the discontinued operation	77,326
Earnings per share (expressed in RMB per share):	
Basic and diluted, from the discontinued operation	0.0066

11. DISCONTINUED OPERATION (continued)

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

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

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

	2016 RMB'000
Operating activities	208,887
Financing activities	(38,072)
Effect of foreign exchange rate changes, net	3,030
Net cash flows	173,845

12. DIVIDENDS

The directors did not recommend the payment of any dividend for the year ended 31 December 2017 (2016: Nil).

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

	2017	2016
	RMB'000	RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation		
From continuing operations	**1,463,803**	270,961
From a discontinued operation	**–**	76,542
Profit attributable to ordinary equity holders of the parent	**1,463,803**	347,503

	2017	2016
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**11,683,125**	11,683,125

There was no dilutive effect for the year (2016: Nil).

14. PROPERTY, PLANT AND EQUIPMENT

	Vessels RMB'000	Containers RMB'000	Buildings RMB'000	Machinery, motor vehicles and office equipment RMB'000	Leasehold improvements RMB'000	Vessels under construction RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2017								
At 31 December 2016 and at 1 January 2017:								
Cost	46,375,805	30,855,378	444,889	949,849	81,750	1,252,118	38,248	79,998,037
Accumulated depreciation and impairment	(12,454,424)	(8,371,022)	(146,282)	(578,905)	(41,324)	(13,641)	–	(21,605,598)
Net carrying amount	33,921,381	22,484,356	298,607	370,944	40,426	1,238,477	38,248	58,392,439
At 1 January 2017, net of accumulated depreciation and impairment	33,921,381	22,484,356	298,607	370,944	40,426	1,238,477	38,248	58,392,439
Additions	71,057	2,590,067	–	37,838	492	87,168	80,037	2,866,659
Disposals	(27,432)	(329,561)	(65)	(9,256)	(532)	(1,293,562)	(2,698)	(1,663,106)
Depreciation provided during the year	(1,665,039)	(1,539,898)	(13,398)	(43,381)	(15,218)	–	–	(3,276,934)
Transfers	–	–	18,429	61,292	8,829	–	(88,550)	–
Exchange realignment	(1,059,990)	(1,381,302)	(5)	(1,348)	(143)	(32,083)	(3)	(2,474,874)
At 31 December 2017, net of accumulated depreciation and impairment	31,239,977	21,823,662	303,568	416,089	33,854	–	27,034	53,844,184
At 31 December 2017:								
Cost	45,080,203	30,923,334	445,140	841,739	89,319	–	27,034	77,406,769
Accumulated depreciation and impairment	(13,840,226)	(9,099,672)	(141,572)	(425,650)	(55,465)	–	–	(23,562,585)
Net carrying amount	31,239,977	21,823,662	303,568	416,089	33,854	–	27,034	53,844,184

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Vessels RMB'000	Containers RMB'000	Buildings RMB'000	Machinery, motor vehicles and office equipment RMB'000	Leasehold improvements RMB'000	Vessels under construction RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2016								
At 31 December 2015 and at 1 January 2016:								
Cost	44,519,049	27,169,358	498,466	1,074,163	198,498	1,547,321	20,545	75,027,400
Accumulated depreciation and impairment	(10,647,340)	(6,850,056)	(137,048)	(658,920)	(130,018)	(12,770)	–	(18,436,152)
Net carrying amount	33,871,709	20,319,302	361,418	415,243	68,480	1,534,551	20,545	56,591,248
At 1 January 2016, net of accumulated depreciation and impairment	33,871,709	20,319,302	361,418	415,243	68,480	1,534,551	20,545	56,591,248
Additions	12,462	4,711,578	–	23,605	7,589	154,543	73,808	4,983,585
Disposals	(61,610)	(2,145,099)	(414)	(18,744)	–	–	(210)	(2,226,077)
Disposal of subsidiaries *(note 40)*	(52,608)	–	(51,065)	(44,968)	(19,218)	–	–	(167,859)
Depreciation provided during the year	(1,654,557)	(1,471,426)	(14,322)	(59,430)	(16,458)	–	–	(3,216,193)
Impairment	–	(126,122)	–	(523)	–	–	–	(126,645)
Transfers	538,272	–	2,962	52,933	–	(538,272)	(55,895)	–
Exchange realignment	1,267,713	1,196,123	28	2,828	33	87,655	–	2,554,380
At 31 December 2016, net of accumulated depreciation and impairment	33,921,381	22,484,356	298,607	370,944	40,426	1,238,477	38,248	58,392,439
At 31 December 2016:								
Cost	46,375,805	30,855,378	444,889	949,849	81,750	1,252,118	38,248	79,998,037
Accumulated depreciation and impairment	(12,454,424)	(8,371,022)	(146,282)	(578,905)	(41,324)	(13,641)	–	(21,605,598)
Net carrying amount	33,921,381	22,484,356	298,607	370,944	40,426	1,238,477	38,248	58,392,439

14. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 December 2017, certain of the Group's container vessels and containers with a net carrying amount of approximately RMB25,031,111,000 (2016: RMB24,792,246,000) were pledged to secure general banking facilities granted to the Group (note 31) and corporate bonds (note 32).

During the year, the Group disposed of containers of RMB31,121,000 (2016: RMB1,937,407,000) with the commencement of finance lease arrangements in which the Group was a lessor.

15. INVESTMENT PROPERTIES

	2017 **RMB'000**	2016 RMB'000
At 1 January		
Cost	**21,024**	21,907
Accumulated depreciation	**(12,807)**	(11,820)
Net carrying amount	**8,217**	10,087
Carrying amount at 1 January	**8,217**	10,087
Disposal of subsidiaries *(note 40)*	**–**	(2,028)
Depreciation during the year	**(305)**	(376)
Transfer from prepaid land lease payments *(note 16)*	**95,728**	–
Exchange realignment	**(3,628)**	534
Carrying amount at 31 December	**100,012**	8,217
At 31 December		
Cost	**150,320**	21,024
Accumulated depreciation	**(50,308)**	(12,807)
Net carrying amount	**100,012**	8,217
Fair value at 31 December	**271,801**	43,121

15. INVESTMENT PROPERTIES (continued)

During the year, all items of property, plant and equipment transferred to investment properties were fully depreciated.

The Group's investment properties consist of nineteen (2016: nine) office properties in Hong Kong.

Management has determined that the investment properties consist of one classes of asset, office units based on the nature, characteristics and risks of each property.

The investment properties are leased under operating leases, further summary details of which are included in note 42(a) to the financial statements.

FAIR VALUE HIERARCHY

The investment properties were valued based on a valuation performed by an independent professionally qualified valuer, at RMB271,801,000 (2016: RMB43,121,000). Each year, the directors of the Group decide which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed.

The following tables illustrate the fair value measurement hierarchy of the Group's investment properties:

31 December 2017

	Fair value measurement categorised into			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Office units	**–**	**–**	**271,801**	**271,801**

31 December 2016

	Fair value measurement categorised into			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Office units	–	–	43,121	43,121

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2016: Nil).

15. INVESTMENT PROPERTIES (continued)

FAIR VALUE HIERARCHY (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Weighted average RMB'000
31 December 2017			
Office units	Market comparison method	Estimated value (per sq. ft.)	**13**
31 December 2016			
Office units	Market comparison method	Estimated value (per sq. ft.)	12

16. PREPAID LAND LEASE PAYMENTS

	2017 RMB'000	2016 RMB'000
Carrying amount at 1 January	**220,735**	218,293
Disposals	**(748)**	–
Recognised during the year	**(3,722)**	(3,904)
Transfer to investment properties *(note 15)*	**(95,728)**	–
Exchange realignment	**(2,568)**	6,346
Carrying amount at 31 December	**117,969**	220,735
Current portion	**(3,587)**	(3,918)
Non-current portion	**114,382**	216,817

17. INTANGIBLE ASSET

	Computer software RMB'000
31 December 2017	
At 1 January 2017, net of accumulated amortisation	**21,881**
Additions	**6,745**
Amortisation provided during the year	**(9,341)**
Exchange realignment	**(644)**
At 31 December 2017	**18,641**
At 31 December 2017:	
Cost	**173,014**
Accumulated amortisation	**(154,373)**
Net carrying amount	**18,641**
31 December 2016	
At 1 January 2016:	
Cost	170,691
Accumulated amortisation	(139,953)
Net carrying amount	30,738
At 1 January 2016, net of accumulated amortisation	30,738
Additions	31,303
Disposals	(7,536)
Disposal of subsidiaries *(note 40)*	(4,234)
Amortisation provided during the year	(29,255)
Exchange realignment	865
At 31 December 2016	21,881
At 31 December 2016 and at 1 January 2017:	
Cost	171,508
Accumulated amortisation	(149,627)
Net carrying amount	21,881

18. INVESTMENTS IN ASSOCIATES

	2017 RMB'000	2016 RMB'000
Share of net assets	**20,158,800**	18,146,959
Goodwill on acquisition	**159,186**	159,186
	20,317,986	18,306,145
Provision for impairment	**(61,765)**	(61,765)
	20,256,221	18,244,380

As of 31 December 2017, particulars of the material associates are as follows:

Name	Particulars of issued shares held	Place of registration	Percentage of ownership interest	Principal activities
China International Marine Containers (Group) Co., Ltd. ("CIMC")	Ordinary shares RMB1 each	PRC	22.73	Manufacture and sale of containers
China Bohai Bank Co., Ltd. ("CBB")	Ordinary shares RMB1 each	PRC	13.67	Banking
China Everbright Bank Co., Ltd. ("CEB")	Ordinary shares RMB1 each	PRC	1.379	Banking
Bank of Kunlun Co., Ltd. ("BOK")	Ordinary shares RMB1 each	PRC	3.74	Banking
Shanghai Life Insurance Co., Ltd. ("Shanghai Life")	Registered capital RMB1 each	PRC	16	Insurance

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

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

18. INVESTMENTS IN ASSOCIATES (continued)

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

	CIMC		CBB		CEB		BOK		Shanghai Life	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Current assets	**59,001,923**	53,352,031	**142,228,004**	118,263,717	**736,351,000**	845,678,000	**126,882,076**	109,119,907	**4,254,283**	11,479,702
Non-current assets	**74,455,111**	68,605,233	**860,339,045**	738,450,963	**3,351,166,817**	3,173,642,767	**190,642,799**	184,081,814	**34,848,481**	25,818,786
Total liabilities	**87,385,381**	79,409,429	**954,101,747**	814,656,311	**3,782,807,000**	3,768,974,000	**289,586,511**	267,092,004	**33,357,499**	31,632,561
Net assets attributable to owners of the parent	**33,262,103**	30,649,978	**48,465,302**	42,058,369	**274,087,817**	219,786,767	**27,865,061**	26,048,471	**5,745,265**	5,665,927
Other equity instrument -perpetual debt	**2,033,043**	2,049,035	**–**	–	**–**	–	**–**	–	**–**	–
Other equity instrument -preference share	**–**	–	**–**	–	**29,947,000**	29,947,000	**–**	–	**–**	–
Non-controlling interests	**10,776,507**	9,848,822	**–**	–	**676,000**	613,000	**73,303**	61,246	**–**	–
Net assets	**46,071,653**	42,547,835	**48,465,302**	42,058,369	**304,710,817**	250,346,767	**27,938,364**	26,109,717	**5,745,265**	5,665,927
Reconciliation to the Group's interests in the associates:										
Proportion of the Group's ownership	**22.73%**	22.76%	**13.67%**	13.67%	**1.379%**	1.551%	**3.74%**	3.74%	**16.00%**	16.00%
Group's share of net assets of the associates	**7,560,476**	6,975,935	**6,625,207**	5,749,379	**3,779,671**	3,408,893	**1,042,153**	974,213	**919,242**	906,548
Goodwill on acquisition	**–**	–	**–**	–	**–**	–	**159,186**	159,186	**–**	–
Provision for impairment	**–**	–	**–**	–	**–**	–	**(61,765)**	(61,765)	**–**	–
Carrying amounts of the investments	**7,560,476**	6,975,935	**6,625,207**	5,749,379	**3,779,671**	3,408,893	**1,139,574**	1,071,634	**919,242**	906,548
Revenue	**76,299,930**	51,111,652	**25,203,908**	21,865,161	**91,850,000**	94,037,000	**10,128,915**	9,264,156	**9,130,220**	13,410,032
Attributable to owners of parent:										
Profit for the year	**2,137,457**	194,468	**6,753,818**	6,473,428	**30,090,651**	29,114,068	**2,959,920**	2,539,607	**115,743**	68,913
Other comprehensive (loss)/income for the year	**(529,045)**	993,256	**(346,885)**	(567,057)	**(2,353,965)**	(3,420,000)	**(180,508)**	(298,442)	**(32,886)**	(197,423)
Total comprehensive income/(loss) for the year	**1,608,412**	1,187,724	**6,406,933**	5,906,371	**27,736,686**	25,694,068	**2,779,412**	2,241,165	**82,857**	(128,510)
Dividends declared	**177,668**	655,822	**–**	–	**4,574,597**	8,869,000	**962,822**	774,866	**–**	–

18. INVESTMENTS IN ASSOCIATES (continued)

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

	2017 **RMB'000**	2016 RMB'000
Share of the associates' profit for the year	**52,153**	45,329
Share of the associates' other comprehensive loss	**(844)**	(4,918)
Share of the associates' total comprehensive income	**51,309**	40,411

	2017 **RMB'000**	2016 RMB'000
Aggregate carrying amount of investments in the associates	**232,051**	131,991

19. INVESTMENTS IN JOINT VENTURES

	2017 RMB'000	2016 RMB'000
Share of net assets	**198,526**	137,349

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

	2017 RMB'000	2016 RMB'000
Share of the joint ventures' profit for the year	**7,155**	8,532
Share of the joint ventures' other comprehensive income	**21**	–
Share of the joint ventures' total comprehensive income	**7,176**	8,532

	2017 RMB'000	2016 RMB'000
Aggregate carrying amount of investments in the joint ventures	**198,526**	137,349

20. AVAILABLE-FOR-SALE INVESTMENTS

	2017 RMB'000	2016 RMB'000
Equity investments, at fair value	2,444,747	1,170,709
Equity investments, at cost	1,074,571	596,431
Debt investments, at fair value	494,381	4,196,942
Debt investments, at cost	–	150,000
	4,013,699	6,114,082

During the year ended 31 December 2017, a net loss of RMB69,332,000 in respect of the Group's available-for-sale investments were recognised in other comprehensive income (2016: a net gain of RMB66,325,000). In addition, the reclassification adjustments for gains included in the consolidated statement of profit or loss amounted to RMB102,869,000 for the year (2016: RMB33,019,000).

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

21. FINANCE LEASE RECEIVABLES

	2017			2016		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current portion	**3.21 – 16.0**	**2018**	**7,417,650**	3.21 – 16.0	2017	3,629,348
Non-current portion	**3.21 – 16.3**	**2019-2030**	**20,476,771**	3.21 – 16.0	2018-2028	15,311,914
			27,894,421			18,941,262
Impairment			**(473,300)**			(336,969)
			27,421,121			18,604,293

	Minimum lease receivables		Present value of minimum lease receivables	
	2017 RMB'000	2016 RMB'000	**2017 RMB'000**	2016 RMB'000
Amounts receivables:				
Within one year	**9,079,681**	4,731,683	**7,417,650**	3,629,348
In the second to fifth years, inclusive	**17,686,622**	14,738,899	**14,918,645**	12,709,125
After five years	**6,225,036**	2,972,939	**5,558,126**	2,602,789
Total minimum finance lease receivables	**32,991,339**	22,443,521	**27,894,421**	18,941,262
Less: unearned finance income	**(5,096,918)**	(3,502,259)		
	27,894,421	18,941,262		
Impairment	**(473,300)**	(336,969)		
Total net finance lease receivables	**27,421,121**	18,604,293		
Portion classified as current assets	**(7,333,145)**	(3,593,896)		
Non-current portion	**20,087,976**	15,010,397		

21. FINANCE LEASE RECEIVABLES (continued)

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

	2017 RMB'000	2016 RMB'000
At 1 January	336,969	54,901
Impairment losses recognised	147,019	273,622
Exchange realignment	(10,688)	8,446
At 31 December	473,300	336,969

Included in the above provision for impairment of finance lease receivables is provisions for individually impaired finance lease receivables of RMB141,311,000 (2016: RMB150,589,000) and provisions for collectively impaired finance lease receivables of RMB331,989,000 (2016: RMB186,380,000) with a carrying amount before provision of RMB308,605,000 (2016: RMB324,519,000) and RMB27,585,816,000 (2016: RMB18,616,743,000).

At 31 December 2017, certain of the Group's finance lease receivables with a net carrying amount of approximately RMB7,219,076,000 (2016: RMB1,379,841,000) were pledged to secure general banking facilities granted to the Group (note 31) and corporate bonds (note 32).

22. LOANS AND RECEIVABLES

	2017	2016
	RMB'000	RMB'000
Loans to related parties	**4,018,376**	3,416,437
Less: impairment	**(100,459)**	(85,410)
Carrying amount at 31 December	**3,917,917**	3,331,027
Current portion	**(3,763,801)**	(3,132,913)
Non-current portion	**154,116**	198,114

The tables below summarise the movements in impairment losses on loans and receivables:

	2017	2016
	RMB'000	RMB'000
At 1 January	**85,410**	89,783
Impairment losses recognised/(reversed)	**15,049**	(4,373)
At 31 December	**100,459**	85,410

As of 31 December 2017, loan and receivables with a carrying amount of RMB3,453,876,000 (2016: RMB2,936,437,000) were neither past due nor impaired.

23. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

DEFERRED TAX LIABILITIES

	Withholding taxes RMB'000	Accelerated tax depreciation and amortisation RMB'000	Changes in fair value RMB'000	Total RMB'000
At 1 January 2017	**256,706**	**6,378**	**26,986**	**290,070**
Deferred tax charged/(credited) to the profit or loss during the year *(note 10)*	**62,626**	**(3,037)**	**80**	**59,669**
Deferred tax charged to other comprehensive income during the year	**–**	**–**	**7,083**	**7,083**
Withholding tax paid in the year	**(8,638)**	**–**	**–**	**(8,638)**
Exchange realignment	**(17)**	**(271)**	**–**	**(288)**
At 31 December 2017	**310,677**	**3,070**	**34,149**	**347,896**
At 1 January 2016	263,481	8,295	35,221	306,997
Deferred tax charged/(credited) to the profit or loss during the year *(note 10)*	8,141	(1,917)	7	6,231
Deferred tax credited to other comprehensive income during the year	–	–	(8,242)	(8,242)
Withholding tax paid in the year	(14,916)	–	–	(14,916)
Disposal of subsidiaries *(note 40)*	–	(85)	–	(85)
Exchange realignment	–	85	–	85
At 31 December 2016	256,706	6,378	26,986	290,070

Pursuant to the PRC CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. For the Group, the applicable rate is 10%. Certain of the Group's overseas subsidiaries are therefore liable for withholding taxes on dividends distributed by certain associates established in Mainland China in respect of earnings generated from 1 January 2008.

23. DEFERRED TAX (continued)

DEFERRED TAX ASSETS

	Impairment losses on receivables RMB'000	Accelerated tax depreciation and amortisation RMB'000	Accruals RMB'000	Changes in fair value RMB'000	Total RMB'000
At 1 January 2017	**60,901**	**13,609**	**19,992**	**21,009**	**115,511**
Deferred tax credited/(charged) to the profit or loss during the year *(note 10)*	**40,277**	**(8,990)**	**(11,907)**	**–**	**19,380**
Deferred tax credited to other comprehensive income during the year	**–**	**–**	**–**	**5,020**	**5,020**
Exchange realignment	**(128)**	**(491)**	**(116)**	**–**	**(735)**
At 31 December 2017	**101,050**	**4,128**	**7,969**	**26,029**	**139,176**
At 1 January 2016	19,692	16,219	46,458	–	82,369
Deferred tax credited/(charged) to the profit or loss during the year *(note 10)*	41,097	(2,320)	(26,466)	–	12,311
Deferred tax credited to other comprehensive income during the year	–	–	–	21,009	21,009
Disposal of subsidiaries *(note 40)*	–	(1,044)	–	–	(1,044)
Exchange realignment	112	754	–	–	866
At 31 December 2016	60,901	13,609	19,992	21,009	115,511

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position.

23. DEFERRED TAX (continued)

DEFERRED TAX ASSETS (continued)

	2017 RMB'000	2016 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	113,147	89,482
Net deferred tax liabilities recognised in the consolidated statement of financial position	321,867	264,041

Deferred tax assets have not been recognised in respect of the following items:

	2017 RMB'000	2016 RMB'000
Tax losses	3,384,667	3,745,824
Deductible temporary differences	464,922	306,964
	3,849,589	4,052,788

Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences arisen in Mainland China and Hong Kong as it is not considered probable that taxable profits will be available against which the tax losses and deductible temporary differences can be utilised.

24. INVENTORIES

	2017 RMB'000	2016 RMB'000
Raw materials	311,808	242,464
Spare parts	314,944	358,734
Finished goods	528,916	258,217
	1,155,668	859,415

25. TRADE AND NOTES RECEIVABLES

	2017 RMB'000	2016 RMB'000
Trade receivables	1,533,898	1,811,570
Notes receivable	–	5,100
	1,533,898	1,816,670
Impairment	(144,922)	(161,014)
	1,388,976	1,655,656

Credit terms in a range within three months are granted to those customers with a good payment history. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, which are internationally dispersed.

An aging analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	2017 RMB'000	2016 RMB'000
Within 3 months	1,250,254	1,215,511
4 to 6 months	65,514	91,244
7 to 12 months	42,246	334,252
Over 1 year	30,962	14,649
	1,388,976	1,655,656

25. TRADE AND NOTES RECEIVABLES (continued)

The movements in provision for impairment of trade receivables are as follows:

	2017 RMB'000	2016 RMB'000
At beginning of year	161,014	97,375
Impairment losses recognised	9,568	82,144
Amount written off as uncollectable	(18,921)	(54)
Disposal of subsidiaries	–	(20,191)
Exchange realignment	(6,739)	1,740
At 31 December	144,922	161,014

Included in the above provision for impairment of trade receivables is provisions for individually impaired trade receivables of RMB144,922,000 (2016: RMB161,014,000) with a carrying amount before provision of RMB144,922,000 (2016: RMB161,014,000).

The individually impaired trade receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and the receivables are not expected to be recovered.

The aging analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	1,388,976	1,650,556

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

26. PREPAYMENTS AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Prepayments	643,933	599,823
Other receivables	256,399	303,639
Impairment	(4,089)	(3,529)
	896,243	899,933

The movements in the provision for impairment of other receivables are as follows:

	2017 RMB'000	2016 RMB'000
At beginning of year	3,529	19,942
Impairment losses recognised/(reversed)	1,613	(3,591)
Amount written off as uncollectable	(1,025)	–
Disposal of subsidiaries	–	(12,941)
Exchange realignment	(28)	119
At 31 December	4,089	3,529

27. HELD-FOR-TRADING INVESTMENTS

	2017 RMB'000	2016 RMB'000
Equity investments, at fair value	–	277
Debt investments, at fair value	547,428	72,189
	547,428	72,466

28. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2017	2016
	RMB'000	RMB'000
Cash and bank balances	**24,941,812**	16,656,679
Mandatory reserves with the central bank *(note a)*	**(1,325,386)**	(834,184)
Pledged time deposits for bank loans and corporate bonds	**(178,325)**	(107,848)
Pledged time deposits for bank acceptance bills	**(174,393)**	(18,200)
Time deposits with original maturity of more than three months	**–**	(104,055)
Pledged to customs as guarantees for import	**(100)**	(100)
Restricted insurance premium received	**(70,308)**	(65,038)
Restricted cash	**(1,748,512)**	(1,129,425)
Cash and cash equivalents	**23,193,300**	15,527,254

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB17,649,928,000 (2016: RMB10,247,330,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Note:

(a) CS Finance is required to place mandatory reserve deposits with the People's Bank of China, the PRC's central bank. Mandatory reserve deposits with the central bank are not available for use in CS Finance's daily operations.

29. TRADE PAYABLES

An aging analysis of the trade payables as at end of the reporting date, based on the invoice date, is as follows:

	2017	2016
	RMB'000	RMB'000
Within 3 months	**1,123,185**	1,026,115
4 to 6 months	**451,815**	24,359
7 to 12 months	**729,290**	684,191
1 to 2 years	**24,382**	4,077
	2,328,672	1,738,742

30. OTHER PAYABLES AND ACCRUALS

	2017	2016
	RMB'000	RMB'000
Other payables	**1,944,748**	2,071,688
Accruals	**136,753**	113,035
	2,081,501	2,184,723

31. BANK AND OTHER BORROWINGS

	2017		
	Effective interest rate (%)	**Maturity**	**RMB'000**
Current			
Bank loans – secured	**2.24 – 6.20**	**2018**	**7,899,729**
Bank loans – unsecured	**2.49 – 4.80**	**2018**	**20,352,127**
Borrowings from related parties-unsecured	**2.85 – 4.35**	**2018**	**3,320,000**
			31,571,856
Non-current			
Bank loans – secured	**2.31 – 6.20**	**2019-2027**	**14,010,054**
Bank loans – unsecured	**1.51 – 4.80**	**2019-2026**	**49,839,385**
			63,849,439
			95,421,295

	2016		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans – secured	2.55 – 4.90	2017	2,857,397
Bank loans – unsecured	1.86 – 5.35	2017	18,471,868
Commercial paper notes – unsecured	1.62	2017	375,986
Borrowings from related parties – unsecured	2.65 – 4.35	2017	8,220,000
			29,925,251
Non-current			
Bank loans – secured	2.55 – 4.90	2018-2027	10,963,999
Bank loans – unsecured	1.49 – 4.70	2018-2022	50,838,362
Borrowings from related parties – unsecured	2.65 – 3.325	2018-2019	2,300,000
			64,102,361
			94,027,612

31. BANK AND OTHER BORROWINGS (continued)

	2017 RMB'000	2016 RMB'000
Analysed into:		
Bank borrowings:		
Within one year or on demand	28,251,856	21,329,265
In the second year	25,732,719	14,860,321
In the third to fifth years, inclusive	28,047,098	35,227,889
Beyond five years	10,069,622	11,714,151
	92,101,295	83,131,626
Other borrowings:		
Within one year or on demand	3,320,000	8,595,986
In the second year	–	600,000
In the third to fifth years, inclusive	–	1,700,000
	3,320,000	10,895,986
	95,421,295	94,027,612

The Group's bank loans of RMB21,909,783,000 (2016: RMB13,821,396,000) are secured by:

	2017 RMB'000	2016 RMB'000
Property, plant and equipment	23,391,938	22,837,658
Finance lease receivables	7,219,076	1,379,841
Pledged deposits	109,406	35,981
	30,720,420	24,253,480

In addition to the assets pledged above, a bank loan of RMB600,000,000 as at 31 December 2017 (2016:Nil) were secured by the Company's 57.14% of equity interest in its subsidiary, CS leasing.

32. CORPORATE BONDS

	2017 RMB'000	2016 RMB'000
Current portion	**1,611,981**	2,075,822
Non-current portion	**2,803,325**	1,426,942
	4,415,306	3,502,764

On 12 June 2007, the Company issued corporate bonds in the PRC with a face value of RMB1,800,000,000 ("Bond A"), pursuant to the approval obtained from the National Development and Reform Commission of the PRC. The bonds are denominated in RMB and for a ten-year period fully repayable by 12 June 2017, and bear interest at a rate of 4.51% per annum. The bonds are guaranteed by Bank of China, Shanghai branch, and have been listed on the interbank bond market in the PRC. The bond has been repaid on its due date of 12 June 2017. As of 31 December 2017, the carrying amount of Bond A was nil (2016: RMB1,798,884,000).

On 25 September 2013, DFCF (SPV), a subsidiary of the Company, issued a note with an aggregate principal amount of US$200,000,000 ("Note 2013"). The note carried an interest yield of 3.96% per annum and was issued at a price of 99.1001049% of its principal amount. The note bears interest from 25 September 2013, payable monthly in arrears. Unless previously prepaid by DFCF (SPV), the note is repayable monthly in accordance with the repayment schedule in the note offering memorandum commencing from October 2013. The note is subject to repayment in whole or in part, at a price equal to 102% of the aggregate principal amount if the repayment is made from 25 October 2015 to 24 October 2018 or 100% of the aggregate principal amount if the repayment is made on or after 25 October 2018, together with accrued interest, at the discretion of DFCF (SPV) at any time after 25 October 2015. As of 31 December 2017, the carrying amount of Note 2013 was RMB691,160,000 (2016: RMB891,068,000).

On 4 December 2014, DFCF II (SPV), a subsidiary of the Company, issued notes with 2 classes (together refer to as "Note 2014"). The notes are set out as follows:

(a) principal amount of US$35,000,000 class A-1 notes (the "Class A-1 Notes"); and

(b) principal amount of US$124,000,000 class A-2 notes (the "Class A-2 Notes").

Class A-1 Notes carried an interest yield of 1.95% per annum and were issued at a price of 99.99017% of its principal amount.

Class A-2 Notes carried an interest yield of 3.55% per annum and were issued at a price of 99.89347% of its principal amount.

32. CORPORATE BONDS (continued)

The notes bear interest from 4 December 2014, payable monthly in arrears. Unless previously repaid by DFCF II (SPV), Class A-1 Notes and Class A- 2 Notes are repayable monthly in accordance with the repayment schedule in the note offering memorandum commencing from December 2014. The notes are subject to prepayment in whole or in part at their principal amount, together with accrued interest, at the discretion of DFCF II (SPV) at any time after 4 December 2016. As of 31 December 2017, the carrying amount of Note 2014 was RMB637,820,000 (2016: RMB812,812,000).

In May 2017, the Company's wholly-owned subsidiary, CS Leasing, issued a batch of leasing assets-backed notes ("ABS Note") with an aggregate principal amount of RMB1,200,000,000 to institutional investors through an asset management plan. ABS Note have three senior tranches and one subordinated tranche. The Group received proceeds of RMB1,000,000,000 from the senior tranches which have expected annualised yields ranging from 5.30% to 5.40% and maturity periods from six months to thirty months. The subordinated tranche amounting to RMB200,000,000 was purchased by CS Leasing itself and thus net proceeds were RMB1,000,000,000. As of 31 December 2017, the carrying amount of ABS Note was RMB691,326,000 (2016: Nil). The underlying assets of ABS note are finance lease receivables with a carrying amount of RMB1,045,338,000 as at 31 December 2017 (2016: Nil).

In December 2017, CS Leasing, issued a batch of leasing assets-backed notes ("ABN Note") with an aggregate principal amount of RMB2,985,000,000 to institutional investors through an asset management plan. The ABN Note have three senior tranches and one subordinated tranche. The Group received proceeds of RMB2,395,000,000 from the senior tranches which have expected annualised yields ranging from 5.60% to 6.50% and maturity periods from twelve months to forty-two months. The subordinated tranche amounting to RMB590,000,000 was purchased by CS Leasing itself and thus net proceeds were RMB2,395,000,000. As of 31 December 2017, the carrying amount of ABN Note was RMB2,395,000,000 (2016: Nil). The underlying assets of ABN note are finance lease receivables with a carrying amount of RMB2,663,772,000 as at 31 December 2017 (2016: Nil).

The Group's corporate bonds of RMB4,415,306,000 (2016: RMB3,502,764,000) are secured by:

	2017 **RMB'000**	2016 RMB'000
Property, plant and equipment	**1,639,173**	1,954,588
Pledged deposits	**68,919**	71,867
	1,708,092	2,026,455

33. DEPOSITS FROM CUSTOMERS

	2017 RMB'000	2016 RMB'000
Current		
Demand deposits	**11,919,257**	7,402,597
Time deposits	**2,838,556**	1,147,969
	14,757,813	8,550,566
Non-current		
Time deposits	**14,951**	951
	14,772,764	8,551,517

34. DERIVATIVE FINANCIAL INSTRUMENTS

	2017	
	Assets RMB'000	Liabilities RMB'000
Current portion of interest rate swaps	**2,736**	–
Non-current portion of interest rate swaps	**13,360**	–
	16,096	–

34. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	2016	
	Assets	Liabilities
	RMB'000	RMB'000
Current portion of interest rate swaps	1,340	–
Non-current portion of interest rate swaps	6,702	–
	8,042	–

At 31 December 2017, the Group had interest rate swap agreements in place with a total notional amount of US$380,755,200 whereby they receive interest at variable rates equal to the 3-month London Interbank Offered Rate ("LIBOR") on the notional amounts and pay interest at fixed rates of 1.37% to 1.58%. The swaps are used to hedge the exposure to changes in the cash flow of its secured loans with variable rates. The secured loans and the interest rate swap agreements have the same principal terms. The hedge of the interest rate swaps was assessed to be effective.

35. PROVISION

	Legal claim
	RMB'000
At 1 January 2016	25,000
Reversal of unutilised amounts	(25,000)
At 31 December 2016, 1 January 2017 and 31 December 2017	–

The provision for a legal claim of RMB25,000,000 is related to a legal claim brought against the Group by a customer of the Group. Based on the decision made by the superior court of Togo on 21 July 2016, the Group won the related lawsuit, and thus the legal claim will not give rise to any loss to the Group. As a result, the balance was reversed as at 31 December 2016.

36. FINANCE LEASE OBLIGATIONS

The Group leases certain of its containers for its container leasing business. These leases are classified as finance leases and have remaining lease terms ranging from four to five years.

At 31 December 2017, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payables:				
Within one year	**84,137**	45,229	**68,446**	36,104
In the second to fifth years, inclusive	**547,652**	337,000	**512,082**	311,344
Total minimum finance lease payments	**631,789**	382,229	**580,528**	347,448
Less: future finance charges	**(51,261)**	(34,781)		
	580,528	347,448		
Portion classified as current liabilities	**(68,446)**	(36,104)		
Non-current portion	**512,082**	311,344		

37. SHARE CAPITAL

	2017 RMB'000	2016 RMB'000
Authorised:		
11,683,125,000 (2016: 11,683,125,000) ordinary shares with par value of RMB1 each	**11,683,125**	11,683,125
Issued and fully paid:		
11,683,125,000 (2016: 11,683,125,000) ordinary shares with par value of RMB1 each	**11,683,125**	11,683,125

As at 31 December 2017, the shares included 7,932,125,000 A Shares and 3,751,000,000 H Shares (2016: 7,932,125,000 A Shares and 3,751,000,000 H Shares).

38. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 102 to 103 of the financial statements.

(A) SPECIAL RESERVE

According to "Circular on Printing and Distributing the Administrative Measures for the Withdrawal and Use of Expenses for Safety Production of Enterprises" issued by the Ministry of Finance and the Safety Production General Bureau on 14 February 2012, the Group is required to accrue a "Safety Fund" to improve the production safety. The Group should accrue the Safety Fund from 1 January 2012. The accrual standard rate is 1% of the revenue from vessel chartering of the Company and certain of its subsidiaries in the PRC. The fund is accrued monthly according to revenue and in a progressive way.

(B) GENERAL RESERVE

Pursuant to Caijin 2012 No. 20 Requirements on Impairment Allowance for Financial Institutions ("The Requirements"), issued by the Ministry of Finance, in addition to the impairment allowance, CS Finance establishes a general reserve within the equity holders' equity through the appropriation of the profit to address unidentified potential impairment losses. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the Requirements, and the minimum threshold can be accumulated over a period of no more than five years.

38. RESERVES (continued)

(C) OTHER RESERVES

The movements in each type of other reserves are as follows:

	Capital surplus RMB'000	Statutory reserve fund* RMB'000	Available-for-sale investment revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000
At 1 January 2017	(4,383,483)	1,355,763	139,300	(3,179,398)	(6,067,818)
Available-for-sale investments:					
Changes in fair value, net of tax	–	–	(78,036)	–	(78,036)
Reclassification adjustments for gains included in the consolidated statement of profit or loss	–	–	(98,194)	–	(98,194)
Cash flow hedges:					
Effective portion of changes in fair value of hedging instruments arising during the year	8,812	–	–	–	8,812
Exchange differences:					
Exchange differences on translation of foreign operations	–	–	–	659,280	659,280
Associates and joint ventures:					
Share of other comprehensive loss of associates and joint ventures	(217,017)	–	–	–	(217,017)
Share of capital reserves of associates	311,959	–	–	–	311,959
Effect of dilution of investment in an associate	(68,512)	–	–	–	(68,512)
Others	42,844	–	–	–	42,844
At 31 December 2017	(4,305,397)	1,355,763	(36,930)	(2,520,118)	(5,506,682)

38. RESERVES (continued)

(C) OTHER RESERVES (continued)

	Capital surplus RMB'000	Statutory reserve fund* RMB'000	Available-for-sale investment revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000
At 1 January 2016	26,616,880	1,355,763	101,589	(2,497,954)	25,576,278
Available-for-sale investments:					
Changes in fair value, net of tax	–	–	70,730	–	70,730
Reclassification adjustments for gains included in the consolidated statement of profit or loss	–	–	(33,019)	–	(33,019)
Cash flow hedges:					
Effective portion of changes in fair value of hedging instruments arising during the year	8,555	–	–	–	8,555
Exchange differences:					
Exchange differences on translation of foreign operations	–	–	–	(719,381)	(719,381)
Reclassification adjustments for foreign operations disposed of *(note 40)*	–	–	–	37,937	37,937
Associates:					
Share of other comprehensive income of associates	47,135	–	–	–	47,135
Reclassification adjustments for disposal	(1,179)	–	–	–	(1,179)
Acquisition of non-controlling interests	(21,590)	–	–	–	(21,590)
Consideration for acquisition of subsidiaries under common control	(24,435,902)	–	–	–	(24,435,902)
Consideration for acquisition of associates under common control	(6,398,877)	–	–	–	(6,398,877)
Dividends paid to a former shareholder of an acquired associate under common control	(137,558)	–	–	–	(137,558)
Effect of dilution of investment in an associate	(60,353)	–	–	–	(60,353)
Others	(594)	–	–	–	(594)
At 31 December 2016	(4,383,483)	1,355,763	139,300	(3,179,398)	(6,067,818)

* In accordance with the PRC regulations and the articles of association of the companies of the Group, before distributing the net profit of each year, companies of the Group registered in the PRC are required to set aside 10% of their statutory net profit for the year after offsetting any prior year's losses as determined under relevant PRC accounting standards to the statutory surplus reserve fund. When the balance of this reserve reaches 50% of each PRC entity's share capital, any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior years' losses or to issue bonus shares.

38. RESERVES (continued)

(D) OTHER EQUITY INSTRUMENT

On 21 December 2017, the Group issued a perpetual debt of RMB1,000,000,000 with no fixed maturity date. In addition, the payment of interest can be indefinitely deferred at the Group's option.

Therefore, the perpetual debt is classified as an equity instrument due to it does not include any contractual obligation:

- to deliver cash or another financial asset to another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

39. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2017 **RMB'000**	2016 RMB'000
Percentage of equity interest held by non-controlling interests:		
CS Finance	**35%**	35%
Profit for the year allocated to non-controlling interests:		
CS Finance	**70,529**	37,487
Dividends paid to non-controlling interests of:		
CS Finance	**–**	122,190
Accumulated balances of non-controlling interests at the reporting dates:		
CS Finance	**597,625**	313,067

39. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

The following tables illustrate the summarised financial information of CS Finance. The amounts disclosed are before any inter-company eliminations:

	2017 **RMB'000**	2016 RMB'000
Revenue	**426,792**	350,077
Total expenses	**225,282**	242,972
Profit for the year	**201,510**	107,105
Total comprehensive income for the year	**213,023**	94,518
Current assets	**20,229,864**	12,344,031
Non-current assets	**1,365,281**	1,957,564
Current liabilities	**19,869,135**	13,406,134
Non-current liabilities	**18,511**	984
Net cash flows from operating activities	**5,946,542**	1,726,978
Net cash flows (used in)/from investing activities	**(421,905)**	173,515
Net cash flows from/(used in) financing activities	**600,000**	(349,114)
Net increase in cash and cash equivalents	**6,124,637**	1,551,379

40. DISPOSAL OF SUBSIDIARIES

(A) During 2016, the Group disposed of a series of subsidiaries.

Details of the net assets disposed of and loss on disposal are as follows:

	2016 RMB'000
Net assets disposed of:	
Property, plant and equipment	167,392
Investment properties	2,028
Intangible asset	4,234
Deferred tax assets	1,044
Inventories	18,671
Trade and notes receivables	2,734,578
Prepayments and other receivables	670,800
Cash and cash equivalents	1,252,831
Trade and notes payables	(2,999,572)
Other payables and accruals	(852,124)
Tax payable	(20,253)
Deferred tax liabilities	(85)
Other long term payables	(334)
Non-controlling interests	(65,015)
	914,195
Reclassification adjustments for gains included in the consolidated statement of profit or loss upon disposal of subsidiaries:	
Exchange fluctuation reserve	37,937
Loss on disposal of subsidiaries	(5,440)
	946,692
Satisfied by:	
Cash	918,972
Other receivables	27,720
	946,692

40. DISPOSAL OF SUBSIDIARIES (continued)

(A) (continued)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2017 **RMB'000**	2016 RMB'000
Cash and cash equivalents disposed of	–	(1,252,831)
Cash received	**2,267**	918,972
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	**2,267**	(333,859)

40. DISPOSAL OF SUBSIDIARIES (continued)

(B) The Group had 25% equity interests in E-shipping Global Supply Chain Management Co., Ltd. ("E-shipping") and controlled E-shipping with dominant voting rights from a contractual arrangement with the other vote holders of E-shipping as at 31 December 2015. During 2016, such contractual arrangement ceased. Accordingly, the Group lost control over E-shipping, which was transferred from a subsidiary of the Group to an associate of the Group.

Details of the net assets disposed of and gain on disposal are as follows:

	2016 RMB'000
Net assets disposed of:	
Property, plant and equipment	467
Inventories	331
Trade and notes receivables	3,464
Prepayments and other receivables	911
Cash and cash equivalents	19,377
Trade and notes payables	(1,209)
Other payables and accruals	(16,569)
Non-controlling interests	(1,839)
	4,933
Gain on disposal of subsidiaries	1,851
	6,784
Satisfied by:	
Investment in an associate	6,784

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2016 RMB'000
Cash and cash equivalents disposed of and net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(19,377)

41. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(A) A reconciliation of the profit before tax to cash generated from operations is as follows:

	Notes	**2017 RMB'000**	2016 RMB'000
Profit before tax from continuing operations		**1,960,028**	517,000
Profit before tax from a discontinued operation	*11*	**–**	78,517
Adjustments for:			
Finance costs	*7*	**2,562,958**	1,690,935
Interest included in the cost of sales		**602,313**	456,827
Share of profits of associates and joint ventures		**(2,064,324)**	(1,546,575)
Interest income generated from operations other than financial services	*5*	**(84,752)**	(81,644)
Dividends from available-for-sale financial investments	*5*	**(33,922)**	(30,972)
Dividends from held-for-trading financial investments	*5*	**(3,528)**	(191)
Loss on disposal of subsidiaries	*40*	**–**	3,589
Gain on disposal of interests in associates	*5*	**–**	(50,997)
Gain on disposal of interests in joint ventures	*5*	**–**	(17,569)
Gain on disposal of property, plant and equipment	*5*	**(37,723)**	(6,876)
Gain on disposal of available-for-sale investments	*5*	**(128,073)**	(77,000)
Fair value gain on held-for-trading investments	*5*	**(2,780)**	(893)
Depreciation of property, plant and equipment	*14*	**3,276,934**	3,216,193
Depreciation of investment properties	*15*	**305**	376
Recognition of prepaid land lease payments	*16*	**3,722**	3,904
Amortisation of intangible assets	*17*	**9,341**	29,255
Impairment of items of property, plant and equipment	*14*	**–**	126,645
Impairment of investment in an associate		**–**	61,765
Provision of impairment on finance lease receivables	*21*	**147,019**	273,622
Provision/(reversal) of impairment on loans and receivables	*22*	**15,049**	(4,373)
(Reversal of write-down)/write-down of inventories to net realisable value	*6*	**(43,646)**	139,037
Provision of impairment on trade receivables	*25*	**9,568**	82,144
Provision/(reversal) of impairment on other receivables	*26*	**1,613**	(3,591)
Reversal of unutilised amounts of provision	*35*	**–**	(25,000)
		6,190,102	4,834,128
(Increase)/decrease in loans and receivables		**(601,939)**	174,868
(Increase)/decrease in inventories		**(491,491)**	221,314
Decrease/(increase) in trade and notes receivables		**257,112**	(1,549,479)
Increase in prepayments and other receivables		**(64,308)**	(232,622)
Increase in restricted cash		**(392,416)**	(281,375)
Increase in trade and notes payables		**589,930**	697,869
Increase/(decrease) in other payables and accruals		**415,280**	(84,034)
Increase in deposits from customers		**6,221,247**	4,059,959
Cash generated from operations		**12,123,517**	7,840,628

41. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(B) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank and other borrowings RMB'000	Corporate bonds RMB'000	Finance lease obligations RMB'000
At 1 January 2017	**94,027,612**	**3,502,764**	**347,448**
Changes from financing cash flows	**5,147,714**	**994,997**	**(55,359)**
New finance lease	**–**	**–**	**304,079**
Interest expense	**–**	**7,058**	**13,183**
Foreign exchange movement	**(3,754,031)**	**(89,513)**	**(28,823)**
At 31 December 2017	**95,421,295**	**4,415,306**	**580,528**

42. OPERATING LEASE ARRANGEMENTS

(A) AS LESSOR

The Group leases its certain items of property, plant and equipment and investment properties under operating lease arrangements.

At 31 December 2017, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2017 RMB'000	2016 RMB'000
Within 1 year	**7,496,866**	8,070,725
In the second to fifth years, inclusive	**15,411,340**	21,075,710
After five years	**943,315**	1,699,257
	23,851,521	30,845,692

42. OPERATING LEASE ARRANGEMENTS (continued)

(B) AS LESSEE

The Group leases certain of its office properties, vessels and containers under operating lease arrangements.

At 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 **RMB'000**	2016 RMB'000
Within 1 year	**838,187**	1,714,919
In the second to fifth years, inclusive	**979,335**	2,378,573
After five years	**12,535**	27,683
	1,830,057	4,121,175

43. COMMITMENTS

In addition to the operating lease commitments detailed in note 42(b) above, the Group had the following capital commitments at the end of the reporting period:

	2017 **RMB'000**	2016 RMB'000
Contracted, but not provided for:		
Equity investment	**1,910,500**	1,843,000
Property, plant and equipment	**1,475,393**	11,101,973
	3,385,893	12,944,973

44. SIGNIFICANT RELATED PARTY TRANSACTIONS

(A) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2017 RMB'000	2016 RMB'000
Interest income from:		
Immediate holding company*	**62,805**	35,415
Fellow subsidiaries*	**81,758**	72,491
Interest expenses to:		
Immediate holding company*	**95,574**	190,571
Fellow subsidiaries*	**404,812**	262,571
Sales of goods to:		
Fellow subsidiaries*	**1,545,914**	146,438
Purchases of goods from:		
Fellow subsidiaries*	**382,250**	680,853
Rendering of services to fellow subsidiaries:		
Vessel chartering and container leasing*	**7,026,457**	6,820,474
Liner services	**–**	68,465
Finance lease income *	**14,264**	1,610
Management fee income*	**29,995**	–
Others*	**15,677**	16,208
Receiving of services from:		
Fellow subsidiaries*	**1,083,251**	1,034,124
Sales of items of property, plant and equipment to:		
Fellow subsidiaries	**1,323,505**	–

The related party transactions above were made according to the published prices or interest rates and conditions similar to those offered to the respective major customers.

* Certain related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

44. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(B) COMMITMENTS WITH RELATED PARTIES

The tables below summarise the commitments with fellow subsidiaries:

As lessor

	2017 **RMB'000**	2016 RMB'000
Within 1 year	**6,228,971**	7,196,340
In the second to fifth years, inclusive	**13,763,308**	19,224,327
After five years	**674,359**	1,269,925
	20,666,638	27,690,592

As lessee

	2017 **RMB'000**	2016 RMB'000
Within 1 year	**30,046**	12,535
In the second to fifth years, inclusive	**50,161**	54,059
After five years	**12,535**	27,683
	92,742	94,277

44. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(C) OUTSTANDING BALANCES WITH RELATED PARTIES

	Notes	2017 RMB'000	2016 RMB'000
Amounts due from:			
Ultimate holding company		**4,095**	4,095
Immediate holding company		**1,088**	1,775
Fellow subsidiaries		**442,686**	670,822
Amounts due to:			
Immediate holding company		**2,935**	46,736
Fellow subsidiaries		**942,055**	1,707,797
Loans to:			
Immediate holding company	*(i)*	**1,000,000**	1,813,500
Fellow subsidiaries	*(ii)*	**2,917,917**	1,517,527
Loans from:			
Immediate holding company	*(iii)*	**600,000**	7,800,000
Fellow subsidiaries	*(iii)*	**2,720,000**	2,720,000

Notes:

(i) The loan to the immediate holding company is unsecured. The interest rate is 4.35% (2016: 4.35%) per annum in 2017.

(ii) The loans to fellow subsidiaries are unsecured. The interest rate is ranging from 3.0% to 4.9 % (2016: 3.0% to 4.9%) per annum and the loan is repayable in 2018 to 2025.

(iii) Details of the Group's loans from the immediate holding company and fellow subsidiaries as at the end of the reporting period are included in note 31 to the financial statements.

Save as disclosed above, the rest of the outstanding balances with related parties were unsecured, non-interest-bearing and had no fixed repayment terms.

44. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(D) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

	2017 RMB'000	2016 RMB'000
Salaries, allowances and benefits in kind	7,416	3,890
Performance related bonuses	5,043	7,148
Pension scheme contributions	904	971
	13,363	12,009

45. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

FINANCIAL ASSETS – HELD-FOR-TRADING FINANCIAL ASSETS

	2017 RMB'000	2016 RMB'000
Held-for-trading investments	547,428	72,466
Derivative financial instruments	16,096	8,042
	563,524	80,508

45. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

FINANCIAL ASSETS – LOANS AND RECEIVABLES

	2017 RMB'000	2016 RMB'000
Cash and cash equivalents	**23,193,300**	15,527,254
Restricted cash	**1,748,512**	1,129,425
Trade and notes receivables	**1,388,976**	1,655,656
Financial assets included in prepayments and other receivables	**252,310**	300,110
Finance lease receivables	**27,421,121**	18,604,293
Loans and receivables	**3,917,917**	3,331,027
	57,922,136	40,547,765

FINANCIAL ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 RMB'000	2016 RMB'000
Available-for-sale investments	**4,013,699**	6,114,082

FINANCIAL LIABILITIES – OTHER LIABILITIES AT AMORTISED COST

	2017 RMB'000	2016 RMB'000
Trade and notes payables	**2,328,672**	1,738,742
Financial liabilities included in other payables and accruals	**1,944,748**	2,071,688
Bank and other borrowings	**95,421,295**	94,027,612
Corporate bonds	**4,415,306**	3,502,764
Finance lease obligations	**580,528**	347,448
Deposits from customers	**14,772,764**	8,551,517
Other long term payables	**2,004,643**	1,157,078
	121,467,956	111,396,849

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank and other borrowings	**63,849,439**	64,102,361	**63,705,423**	64,064,806
Corporate bonds	**2,803,325**	1,426,942	**2,781,927**	1,417,571
Other long term payables	**2,004,643**	1,157,078	**1,941,108**	1,129,560
	68,657,407	66,686,381	**68,428,458**	66,611,937

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade and notes receivables, financial assets included in prepayments and other receivables, the current portion of finance lease receivables and loans and receivables, trade and notes payables, financial liabilities included in other payables and accruals, the current portion of bank and other borrowings, the current portion of corporate bonds, the current portion of finance lease obligations and the current portion of deposits from customers, respectively, approximate to their carrying amounts largely due to the short term maturities of these instruments.

Management has assessed that the fair values of the non-current portion of loans and receivables and the non-current portion of deposits from customers of the Group approximate to their fair values due to their floating interest rates.

The non-current portion of finance lease receivables and the non-current portion of finance lease obligations of the Group approximate to their fair values due to their carrying amounts are present value and internal rates of return are close to rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair value of the non-current portion of bank and other borrowings, corporate bonds and other long term payables has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The differences between the carrying amounts and fair values of those financial liabilities are not significant.

46. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

FAIR VALUE HIERARCHY

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Financial assets measured at fair value

31 December 2017

	Fair value measurement categorised into			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Held-for-trading investments	547,428	–	–	547,428
Available-for-sale investments	76,160	2,862,968	–	2,939,128
Derivative financial instruments	–	16,096	–	16,096
	623,588	2,879,064	–	3,502,652

31 December 2016

	Fair value measurement categorised into			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Held-for-trading investments	72,466	–	–	72,466
Available-for-sale investments	5,367,651	–	–	5,367,651
Derivative financial instruments	–	8,042	–	8,042
	5,440,117	8,042	–	5,448,159

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities (2016: Nil).

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank and other borrowings, corporate bonds, finance lease obligations, deposits from customers and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables, and trade and notes payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swaps. The purpose is to manage the interest rate arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the financial statements.

INTEREST RATE RISK

The Group's exposure to risk of changes in market interest rates relates primarily to the Group's bank borrowings with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts and using interest rate swaps contracts.

As at 31 December 2017, if interest rates had been 100 basis points higher/lower with all other variables held constant, profit before tax for the year would have been RMB567,663,000 lower/higher (2016: RMB699,293,000 lower/higher), mainly as a result of higher/lower interest expense on floating rate bank borrowings.

CREDIT RISK

The Group is exposed to credit risk primarily from finance lease receivables, loans and receivables and trade receivables in its operation.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all counterparties are subject to credit verification procedures. For certain loans and receivables, the Group holds adequate collateral. In addition, receivable balances are monitored on an ongoing basis.

(a) Maximum credit risk exposure

The credit risk of the Group's financial assets arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments without taking account of any collateral held or other credit enhancements.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CREDIT RISK (continued)

(b) Impairment assessment

The Group periodically reviews finance lease receivables, loans and receivables and trade receivables on individual basis. If there is objective evidence that impairment has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

The Group periodically performs impairment reviews on a collective basis as well. The receivables are grouped by homogeneous characteristics. The collective impairment is assessed taking account of historical and industry experience.

(c) Collateral

As of 31 December 2017, the Group held collateral with a total fair value of RMB1,659,660,000 (2016: RMB1,670,760,000) for loans and receivables of RMB665,668,000 (2016: RMB203,193,000). The Group might sell the collateral for repayment if necessary.

(d) Credit quality by class of financial assets

The Group manages the credit quality of financial assets by class of asset, classified as neither past due nor impaired, past due but not impaired and impaired. Receivables without any objective impairment evidence identified are classified as neither past due nor impaired.

(e) Concentration

Concentrations of credit risk are managed by counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the receivables are widely dispersed in different sectors and industries.

LIQUIDITY RISK

The Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations, bank and other borrowings, corporate bonds, finance lease obligations and deposits from customers.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

LIQUIDITY RISK (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

31 December 2017

	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and notes payables	2,328,672	–	–	–	2,328,672
Financial liabilities included in other payables and accruals	1,944,748	–	–	–	1,944,748
Bank and other borrowings	34,907,978	27,904,447	29,388,342	10,417,267	102,618,034
Corporate bonds	1,807,165	1,307,804	1,512,612	212,312	4,839,893
Finance lease obligations	84,137	84,137	463,515	–	631,789
Deposits from customers	14,787,741	15,613	–	–	14,803,354
Other long term payables	–	315,078	1,290,192	399,373	2,004,643
Total	55,860,441	29,627,079	32,654,661	11,028,952	129,171,133

31 December 2016

	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and notes payables	1,738,742	–	–	–	1,738,742
Financial liabilities included in other payables and accruals	2,071,688	–	–	–	2,071,688
Bank and other borrowings	33,162,254	18,097,502	38,880,499	12,223,052	102,363,307
Corporate bonds	2,126,182	279,395	721,571	517,360	3,644,508
Finance lease obligations	45,229	45,229	291,771	–	382,229
Deposits from customers	8,589,124	1,042	–	–	8,590,166
Other long term payables	–	324,005	636,388	196,685	1,157,078
Total	47,733,219	18,747,173	40,530,229	12,937,097	119,947,718

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

EQUITY PRICE RISK

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as available-for-sale investments (note 20) and held-for-trading investments (note 27) as at 31 December 2017, which are valued at quoted market prices.

As at 31 December 2017, if fair values of the equity investments had been 10% higher/lower with all other variables held constant, profit before tax for the year would have been RMB54,743,000 higher/lower (2016: RMB7,246,000 higher/lower) and equity would have been RMB261,492,000 higher/lower (2016: RMB408,008,000 higher/lower). For the purpose of this analysis, for the available-for-sale equity investments, the impact is deemed to be on the available-for-sale investment revaluation reserve and no account is given for factors such as impairment which might impact the statement of profit or loss.

CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2017 and 31 December 2016.

47. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CAPITAL MANAGEMENT (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. Net debt includes interest-bearing bank and other borrowings, corporate bonds, finance lease obligations and deposits from customers, less restricted cash and cash and cash equivalents. The gearing ratios as at the end of the reporting periods were as follows:

	2017 **RMB'000**	2016 RMB'000
Interest-bearing bank and other borrowings	**95,421,295**	94,027,612
Corporate bonds	**4,415,306**	3,502,764
Finance lease obligations	**580,528**	347,448
Deposits from customers	**14,772,764**	8,551,517
Less: restricted cash	**(1,748,512)**	(1,129,425)
Less: cash and cash equivalents	**(23,193,300)**	(15,527,254)
Net debt	**90,248,081**	89,772,662
Total equity	**16,873,787**	13,563,114
Gearing ratio	**535%**	662%

In addition to the capital management above, certain subsidiaries are subject to externally imposed capital requirements as follows:

- CS Finance is subject to capital adequacy ratio according to the regulations issued by the China Banking Regulatory Commission; and

- CS Leasing is subject to the ratio of assets at risk to equity according to the regulations issued by the Ministry of Commerce of the PRC.

Therefore, CS Finance and CS Leasing adjust the level of risk assets on an ongoing basis to comply with those externally imposed capital requirements. The Company closely monitors the compliance as well to inject capital to CS Finance or CS Leasing when necessary.

48. EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 31 December 2017.

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017 **RMB'000**	2016 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**13,425,775**	14,293,436
Intangible assets	**629**	926
Investments in associates	**6,784**	6,784
Investments in subsidiaries	**36,375,588**	34,985,588
Available-for-sale investments	**2,400,168**	1,071,057
Loans and receivables	**2,260,260**	3,081,100
Other long term prepayments	**90,000**	–
Total non-current assets	**54,559,204**	53,438,891
CURRENT ASSETS		
Inventories	**256,845**	291,015
Trade and notes receivables	**156,770**	2,115,510
Prepayments and other receivables	**720,031**	262,811
Loans and receivables	**3,700,000**	900,000
Restricted cash	**100**	200
Cash and cash equivalents	**3,516,406**	1,283,144
Total current assets	**8,350,152**	4,852,680
Total assets	**62,909,356**	58,291,571

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	2017 RMB'000	2016 RMB'000
CURRENT LIABILITIES		
Trade payables	281,325	277,697
Other payables and accruals	5,885,904	7,037,625
Bank and other borrowings	12,278,500	4,639,836
Corporate bonds	–	1,798,883
Total current liabilities	18,445,729	13,754,041
NET CURRENT LIABILITIES	(10,095,577)	(8,901,361)
TOTAL ASSETS LESS CURRENT LIABILITIES	44,463,627	44,537,530
NON-CURRENT LIABILITIES		
Bank and other borrowings	14,559,100	15,577,600
Total non-current liabilities	14,559,100	15,577,600
Net assets	29,904,527	28,959,930
EQUITY		
Share capital	11,683,125	11,683,125
Other reserves *(note)*	18,955,557	19,133,946
Other equity instrument *(note)*	1,000,000	–
Accumulated losses *(note)*	(1,734,155)	(1,857,141)
Total equity	29,904,527	28,959,930

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves and accumulated losses is as follows:

	Special reserve RMB'000	Other reserves RMB'000	Other equity instrument RMB'000	Accumulated losses RMB'000
At 1 January 2016	–	19,012,889	–	(3,025,718)
Profit for the year	–	–	–	1,168,577
Other comprehensive income:				
Available-for-sale investments:				
Changes in fair value, net of tax	–	121,057	–	–
Total comprehensive income for the year	–	121,057	–	1,168,577
Accrual of special reserve	139,935	–	–	139,935
Utilisation of special reserve	(139,935)	–	–	(139,935)
At 31 December 2016 and 1 January 2017	–	19,133,946	–	(1,857,141)
Profit for the year	–	–	–	122,986
Other comprehensive loss:				
Available-for-sale investments:				
Changes in fair value, net of tax	–	(178,389)	–	–
Total comprehensive loss for the year	–	(178,389)	–	122,986
Issue of perpetual debt	–	–	1,000,000	–
At 31 December 2017	**–**	**18,955,557**	**1,000,000**	**(1,734,155)**

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2018.

RESULTS

	Year ended 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CONTINUING OPERATIONS					
REVENUE	**16,260,600**	15,527,887	32,887,498	38,782,909	36,241,457
Costs of sales	**(12,852,154)**	(13,849,363)	(32,120,147)	(35,808,128)	(36,486,183)
Gross profit/(loss)	**3,408,446**	1,678,524	767,351	2,974,781	(244,726)
Selling and administrative expenses	**(1,158,540)**	(1,576,653)	(2,140,172)	(1,282,518)	(1,126,383)
Other income	**219,061**	442,267	724,349	793,961	433,657
Other (losses)/gains, net	**(10,305)**	117,228	(67,490)	1,960,743	135,484
Finance costs	**(2,562,958)**	(1,690,941)	(896,737)	(754,501)	(642,351)
Share of profits of:					
Associates	**2,057,169**	1,538,043	1,786,971	1,417,273	1,130,099
Joint ventures	**7,155**	8,532	3,841	6,209	5,541
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**1,960,028**	517,000	178,113	5,115,948	(308,679)
Income tax expenses	**(425,696)**	(201,251)	(200,750)	(772,181)	(165,573)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**1,534,332**	315,749	(22,637)	4,343,767	(474,252)
DISCONTINUED OPERATION					
Profit/(loss) for the year from a discontinued operation	**–**	77,326	(80,333)	69,951	323,725
PROFIT/(LOSS) FOR THE YEAR	**1,534,332**	393,075	(102,970)	4,413,718	(150,527)
Attributable to:					
Owners of the parent	**1,463,803**	347,503	(199,511)	4,304,084	(248,377)
Non-controlling interests	**70,529**	45,572	96,541	109,634	97,850
	1,534,332	393,075	(102,970)	4,413,718	(150,527)

Five Years Financial Summary

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2017	2016	2015	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**139,037,660**	125,460,305	112,237,165	101,277,379	90,937,850
TOTAL LIABILITIES	**(122,163,873)**	(111,897,191)	(66,960,542)	(56,464,971)	(51,311,591)
NON-CONTROLLING INTERESTS	**(597,625)**	(313,067)	(497,549)	(502,675)	(800,235)
	16,276,162	13,250,047	44,779,074	44,309,733	38,826,024