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

ANNUAL REPORT 2018

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 2018, the Company's container fleet had 90 container vessels, with a total capacity of 629,500 TEU; 4 bulk cargo vessels of 64,000 DWT each; there were over 80 bulk cargo vessels, LNG vessels and heavy crane vessels; and an inventory of containers of approximately 3.80 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 550,000 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.

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Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Mr. Feng Boming
Mr. Huang Jian
Mr. 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

EXECUTIVE COMMITTEE

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

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

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CHIEF ACCOUNTANT

Mr. Lin Feng

COMPANY SECRETARY

Mr. Yu Zhen

AUTHORISED REPRESENTATIVES

Mr. Wang Daxiong
Mr. Yu Zhen

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PRINCIPAL PLACE OF BUSINESS IN THE PRC

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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DOMESTIC AUDITOR

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

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

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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
China Everbright Bank
Shanghai Pudong Development Bank
ING Bank
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 2018 AND 2017 KEY FINANCIAL FIGURES

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

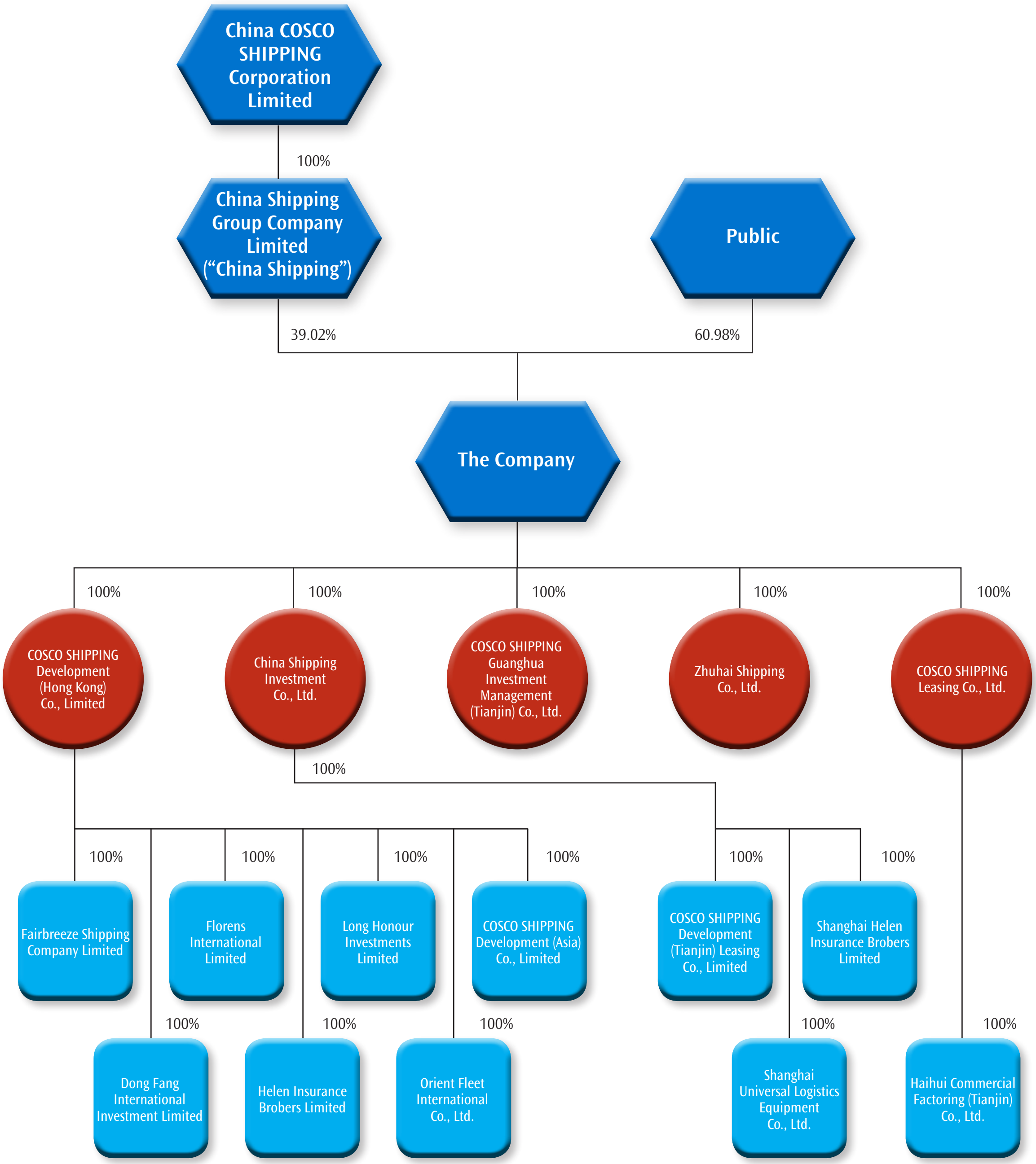
For the year ended 31 December (the "Period")	**2018** **RMB'000**	2017 RMB'000	Change (%)
Revenue	**16,242,002**	15,901,155	2%
Operating profit	**2,801,235**	2,359,090	19%
Profit before income tax from continuing operations	**1,715,605**	1,721,492	0%
Profit for the year from a discontinued operation	**76,878**	172,982	(56%)
Profit for the year attributable to owners of parent	**1,384,257**	1,463,803	(5%)
Basic earnings for the year per share	**RMB0.1185**	RMB0.1253	(5%)
Gross profit margin (continuing operations)	**24%**	20%	21%
Profit margin before income tax (continuing operations)	**8%**	9%	(2%)
Gearing ratio	**533%**	535%	0%

Consolidated Assets and Liabilities
(Under HKFRS)

As at 31 December	**2018** **RMB'000**	2017 RMB'000	Change (%)
Total assets	**137,837,422**	139,037,660	(1%)
Non-current assets	**107,595,913**	99,004,264	9%
Current assets	**30,241,509**	40,033,396	(24%)
Total liabilities	**119,797,287**	122,163,873	(2%)
Current liabilities	**54,905,600**	52,657,566	4%
Net current liabilities	**(24,664,091)**	(12,624,170)	95%
Net assets	**18,040,135**	16,873,787	7%

Corporate Structure

The following chart shows the simplified corporate and shareholding structure of the Company and its principal subsidiaries as at 31 December 2018:



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


新光華
XIN GUANG HUA


COSCO SHIPPING


中远海运集团
COSCO SHIPPING

Chairman's Statement

In 2018, the world economy continued to recover at a moderate pace but with slower momentum. The major economies manifested divergent economic performance. The growth of emerging market economies slowed down, while European and American economies saw gradual recovery. China's economy was generally functioning well with steady progress in optimizing the economic structure and improving development quality.

Driven by the overall sound macro-economy, the demand for shipping increased steadily, though the escalation of global trade frictions affected the performance of the global shipping market in 2018 to some extent.

Under the background of tightening financial policies and intensifying market competition, the Company focused on the overall tasks of "deepening reform, optimizing mechanisms, lean management, improving quality and efficiency" and carried forward the spirit of working hard in unity, being pioneering and enterprising, changing mindsets and innovating boldly to achieve good results in all aspects such as production and management. We continuously improved our operation and management capabilities on a forward-looking basis in an effort to make the Company better and stronger.

For the year 2018, the Company's revenue was RMB16.24 billion, representing an increase of 2% as compared with 2017. Net profit attributable to owners of the parent of the Company amounted to RMB1.38 billion, representing a decrease of 5% as compared with 2017. Basic earnings per share attributable to ordinary equity holders of the parent of the Company amounted to RMB0.1185.

REVIEW OF OPERATIONS

The year 2018 marked the third year of the Company's transformation. Over three years of exploration, COSCO SHIPPING Development has initially developed a one-stop shipping financial service platform with the theme of "integrating industry and finance and boosting industry development with finance".

In 2018, capital markets saw significant volatility amid tightening financial regulatory environment and intensifying global trade frictions. Facing the complex environment and numerous challenges, the Company was proactively forging ahead by improving its operation and management capabilities and overall competitiveness. Focusing on the shipping business, we scaled up the integration of industry and finance and endeavored to build an integrated supply chain financial service platform featuring shipping logistics.

While promoting the quality development of various business segments, the Company vigorously developed and innovated in the shipping finance business, and integrated the advantageous resources of the industry chain for greater synergy.

I. SHIPPING AND INDUSTRY-RELATED LEASING SEGMENTS

1. The vessel leasing segment focuses on operating lease and finance lease of vessels, and has achieved initial results in market development. The Company actively implemented the strategy of combining industry with finance and explored cooperation models with relevant professional shipping companies in an effort to promote industry development through finance. Meanwhile, the Company made every effort to improve its brand image and steadily pushed forward the development of third-party markets. In 2018, the Company made bold innovations and developed finance lease business in major transportation sectors such as expressways and terminals in an active effort to explore new leasing markets. As at 31 December 2018, the Company has a fleet of 90 container vessels with a total capacity of 629,500 TEU, 4 bulk cargo vessels of 64,000 DWT each, a total of over 80 LNG vessels, heavy crane vessels and various other vessels, and 45 projects regarding terminals, terminal equipment and major transportation.

2. The container leasing segment is committed to becoming a leader in the industry with strategy-driven growth. In 2018, the Company seized the opportunities from steady growth of international trade and adjustments to shipping capacity by liner companies to increase investment in and leasing of new containers, and implemented a strategy oriented to major quality customers. While optimizing customer structure and stepping up marketing efforts, we explored new business models, incubated a mobile container rental project, developed high value-added businesses, and constantly improved the Company's operational efficiency, management level and development advantages. As at 31 December 2018, the container fleet of Florens International Limited ("FIL"), an affiliate of the Company, boasted a total capacity of about 3.80 million TEU, ranking second in the world.

3. Other leasing businesses were progressing smoothly. On the basis of consolidating the existing advantageous business portfolios, the Company steadily developed new business areas and explored new development directions to seek new profit growth drivers. Meanwhile, the Company strengthened risk control and made every effort to improve asset management and operation capabilities.

II. CONTAINER MANUFACTURING SEGMENT

In 2018, Shanghai Universal Logistics Equipment Co., Ltd., a subsidiary of the Company, actively responded to the challenges and opportunities arising from the volatile shipping market, revised operational strategies and formulated corresponding operational strategies in a timely manner to improve plant capacity utilization and stabilize profitability. With a keen judgment on the market, the Company improved efficiency through synergy and obtained benefits from management to maintain satisfactory production and sales momentum. In addition, the Company further improved its service quality and increased efforts in the research and development of special container products to enhance comprehensive competitiveness on a continuous basis.

III. INVESTMENT AND SERVICES SEGMENT

The Company continuously optimized its investment portfolios, deepened the integration of industry and finance to boost the development of the shipping business and new businesses. As such, diversified investment business enhanced the overall financial returns of the Company and gradually became an important pillar to mitigate the fluctuations of the shipping market. In 2018, the Company continued to promote the "Yuan Hai"(遠 海) series of funds on the basis of pooling external capital, focusing on the shipping business and exploring the integration of industry and finance, and completed the launch of a number of projects. Meanwhile, the Company was energetically establishing presence in the shipping and logistics industry chains to provide supply chain financial services for upstream and downstream players, and made breakthroughs in developing insurance, microfinance, factoring, carbon emission rights and other related businesses.

While promoting the development of various segments in an all-round manner, the Company constantly improved the foundational risk management environment and system, refined risk limit management, strengthened risk identification and assessment and carried out risk screening to prevent all kinds of operational risks. In addition, the Company promoted its legal system construction by improving organizational structure, consolidating system foundation, and optimizing working mechanisms.

Moreover, COSCO SHIPPING Development endeavored to build a corporate culture based on its ambition of pursuing excellence and the spirit of seeking practical results. Upholding the philosophy of "excellence", the mission of "boosting industry development with finance to create value" and the core values of "integrity, efficiency, enterprise and win-win", the Company encouraged all employees to unite as one and work hard to pursue the vision of "developing into an excellent industry financial service provider" and strived to promote the rapid growth of the Company and employees in an all-round way.

FUTURE PROSPECTS

At present, in a complex and changing global economic environment, the development of the Sino-US trade negotiations, changes in the U.S. monetary policy and the relatively turbulent political landscape of the Eurozone make global economic development filled with uncertainties in 2019. The recovery of the shipping market is expected to remain slow under the uncertain macroeconomic environment.

Despite the great challenges from the macro environment and capital market fluctuations, with the advancement of a new round of state-owned enterprise reform and the shaping of China's new opening-up pattern, shipping and logistics companies will have more opportunities for global development and enjoy new reform benefits in the future. On 17 December 2018, China COSCO Shipping Corporation Limited ("COSCO SHIPPING") was selected as a pilot enterprise among state-owned capital investment companies, which will help COSCO SHIPPING Development to go further in the integration of industry and finance with more flexibility and more runway for growth.

In the guiding spirit of the state in "deepening the reform of state-owned enterprises", in 2019, COSCO SHIPPING Development will intensify the reform of its operational system with a focus on the integration of industry and finance, put more efforts in quality improvement on the basis of rapid growth, and promote innovative development based on existing businesses. The Company will strengthen market research and judgment and continue to work hard to advance key tasks at a faster pace.

In 2019, the Company will continue to strengthen its risk prevention and control and further implement system construction and standardized management. Specifically, we will reinforce the implementation of management measures and requirements for the control of liquidity risk, credit risk and operational risk, strengthen risk management in asset allocation and optimize asset portfolios, and enhance the ability to predict and identify major risks. Meanwhile, we will further promote our overall legal construction to improve our legal management throughout the Company.

In terms of shipping and industry-related leasing segments, the Company will keep up with the market developments and keep focusing on the shipping market to strengthen its main leasing business. We will fully implement the strategy oriented to major quality customers and deepen the integration of industry and finance in cooperation with shipping companies to create greater synergy, develop high value-added special container business and optimize the asset structure and business model to further improve profitability and risk resistance of the segments, and improve service efforts and standards to enhance internal synergy. In addition, the Company will actively explore diversified development paths and increase efforts in research and development of niche markets to improve overall profitability.

In terms of container manufacturing segment, the Company will further promote the marketing strategy of targeting key customers to consolidate its market share, and vigorously explore external markets while enhancing internal synergy. We will step up efforts in technological innovation, product R&D (especially innovative R&D of special containers), environmental transformation and production upgrade, with a view to finding new growth drivers. While improving our operational capabilities, we will put more emphasis on safety and environmental requirements and strengthen standardized management to lay a solid foundation for production and operation.

In terms of investment and services segment, the Company will practice the philosophy of "integrating industry and finance and boosting industry development with finance" to build a one-stop shipping financial service system. Focusing on the shipping industry chain, we will give equal weight to strategic value and financial returns and prioritize both strategic synergy and business drivers to promote business growth, risk control and strategy development in the fields such as industry funds, microfinance, insurance and factoring. We will explore and implement projects related to our principal business such as logistics, shipping environmental protection and fintech projects to provide financial support and coordination for our principal business.

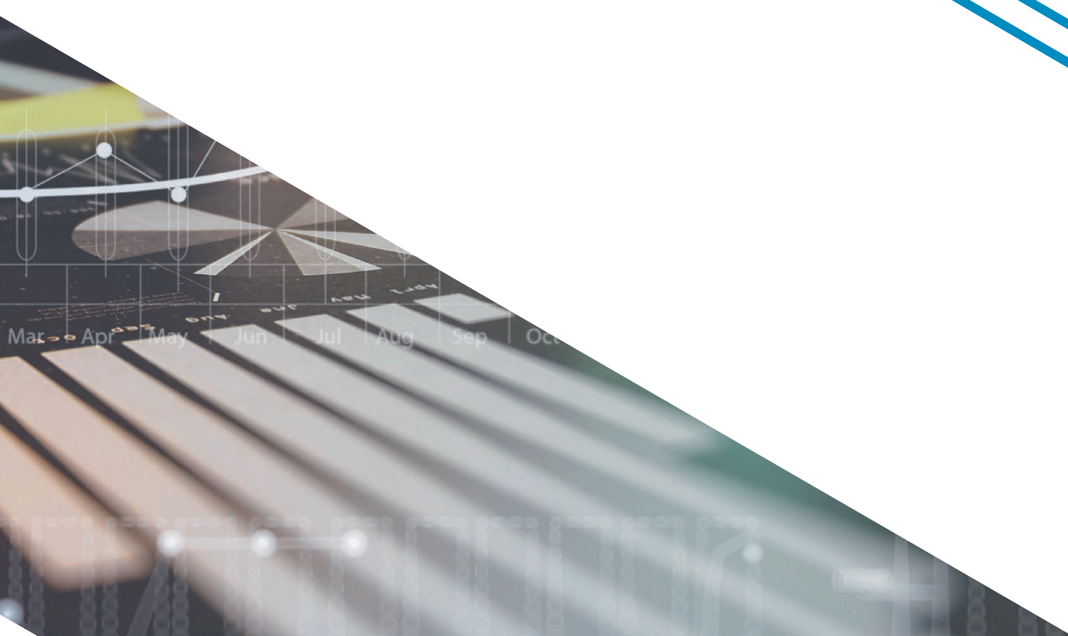
2019 will be a year full of challenges and opportunities and a crucial year to start an important journey forward. Under the slogan of unstopping innovation and opening new chapters in a practical way, COSCO SHIPPING Development will channel strong organic drivers for reform and development and draw a blueprint for the future development of the Company.

Chairman
Sun Yueying

Shanghai, the People's Republic of China
29 March 2019

Management Discussion and Analysis


+17,28
+13,28
-11,28
+17,28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ANALYSIS OF OPERATING ENVIRONMENT

1. MACROECONOMIC CONDITIONS

In 2018, the manufacturing industries of major economies in the world remained relatively robust, though the escalating trade frictions somewhat affected the global economic recovery. In the latest World Economic Outlook report, the International Monetary Fund forecasts that global economic growth will slow down in 2019, with the growth rate expected to decrease from 3.7% in 2018 to 3.5% in 2019. In 2020, the growth rate is expected to rebound slightly to 3.6%. With expected slower global growth in 2019, developed economies will see weaker recovery, while emerging market and developing economies will grow at lower paces.

Overall, China's economy kept growing steadily with improving quality of development. In 2018, China's GDP grew at a medium-to-high rate of 6.6%. The supply-side structural reform was further advanced to optimize the economic structure. In terms of foreign trade, the Sino-US trade war has become the biggest uncertainty affecting China's import and export trade since early 2018. According to China Customs statistics, China's total import and export value in 2018 was RMB30.51 trillion, up 9.7% from 2017, with the total import and export value with countries along the Belt and Road grew by 13.3%. In 2019, the challenges facing the global economic landscape will intensify. In this context, the Chinese government will actively cope with the changes in the external environment and play a stabilizing role in economic growth. As such, China's foreign trade is expected to improve in quality and efficiency.

2. SHIPPING MARKET

In 2018, the overall sound macro-economy drove the demand for shipping, though the escalating Sino-US trade frictions affected the performance of the global shipping market in 2018 to some extent. In the short term, the risk of slower cyclical recovery of the global economy is on the rise. In the long term, the economic recovery in Europe and the United States will boost global trade, and the rise in prices of commodities such as steel and coal is also expected to drive shipping demand. As such, the current industry uncertainties will not reverse the overall gradual recovery of the shipping market. Currently, new ship orders are at a historically low level. It is expected that the delivery of new ships will slow down in 2019, and the market demand is expected to grow faster than carrying capacity. As a result, imbalance between supply and demand in the shipping market is expected to gradually improve.

3. FINANCIAL MARKET

In 2018, global financial markets witnessed high volatility. In a complex and volatile global environment, domestic regulatory authorities adopted a series of policies and measures for steady growth, structural adjustment, and risk prevention. As a result, China's financial market remained stable overall. In 2018, China's primary market financing size declined and the secondary stock market tumbled. However, the continuous prudential regulation and deleveraging process improved the quality of the financial system on a continuous basis. Meanwhile, the financial supply-side reform has become a new organic growth driver of the financial market, enhancing the financial market's ability to serve the real economy. In 2019, the Chinese government and regulatory authorities once again clarified the importance of deepening financial reform and improving the financial market. With a sound monetary policy to ensure liquidity and the introduction of financial innovation policies, the financial market is expected to run and develop in an orderly manner.

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 domestic 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 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 involve 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 by 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 improvement 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 consolidation opportunity and optimize operation, so as to build a technology-leading and world-class container manufacturing enterprise with high capacity utilization and 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 is 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 will 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 factors such 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, etc.), counterparty characteristics, trading risk rating (e.g. 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 terms of rent, leasing terms, customer services and reliability. 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 RMB16,242,002,000 for 2018, representing an increase of 2% as compared with RMB15,901,155,000 of last year; total profit before income tax from continuing operations amounted to RMB1,715,605,000, almost unchanged as compared with RMB1,721,492,000 of last year; profit attributable to owners of the parent of the Company amounted to RMB1,384,257,000, representing a decrease of 5% as compared with RMB1,463,803,000 of last year, mainly attributable to a weak stock market. During the Period, fair value change loss of financial assets amounted to RMB565,703,000.

Analyses of segment results are as follows:

Unit: RMB'000

	Revenue			Cost		
Segment	**2018**	**2017** (Restated)	**Change** *(%)*	**2018**	**2017** (Restated)	**Change** *(%)*
Shipping and industry-related leasing business	**10,374,657**	10,380,425	0%	**6,903,133**	7,715,229	-11%
Container manufacturing business	**7,831,850**	5,939,685	32%	**7,295,222**	5,436,275	34%
Investment and service business	**46,804**	48,745	-4%	**497**	3,335	-85%
Other businesses	**–**	12,436	-100%	**17,449**	16,112	8%
Offset amount	**(2,011,309)**	(480,136)	319%	**(1,873,540)**	(425,399)	340%
Total	**16,242,002**	15,901,155	2%	**12,342,761**	12,745,552	-3%

1. ANALYSIS OF SHIPPING AND INDUSTRY-RELATED LEASING BUSINESS

1) *Operating Revenue*

The Group recorded a revenue from its leasing business of RMB10,374,657,000 for 2018, maintaining almost the same level as compared with RMB10,380,425,000 of last year, which accounted for 57% of the total revenue of the Group.

Revenue from vessel leasing business amounted to RMB5,122,696,000, representing a decrease of 11% as compared with RMB5,733,995,000 of last year. Of which, revenue from vessel operating leasing amounted to RMB4,848,890,000, revenue from vessel finance leasing amounted to approximately RMB273,806,000. 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 3 as compared with last year. In 2018, the Group leased out 94 vessels (2017: 97 vessels).

Revenue from container leasing business amounted to RMB3,201,872,000, almost unchanged as compared with RMB3,200,852,000 of last year. The container leasing business maintained steady growth this year.

Revenue from other industry-related finance leasing amounted to RMB2,050,089,000, representing an increase of 42% as compared with RMB1,445,578,000 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, and rents of the leased-in vessels and containers. Operating costs for leasing business for 2018 was RMB6,903,133,000, representing a decrease of 11% as compared with the costs of RMB7,715,229,000 of last year.

2. ANALYSIS OF CONTAINER MANUFACTURING BUSINESS

1) *Operating Revenue*

In 2018, the Group's container manufacturing business realized operating revenue of RMB7,831,850,000, representing an increase of 32% as compared with RMB5,939,685,000 of last year, which accounted for 43% of the total revenue of the Group. Such substantial increase was mainly due to an improvement in the container manufacturing market in 2018. The Company had the foresight to improve container painting technology, which significantly enhanced market competitiveness. The Company also stepped up marketing efforts and increased productivity through scientific production scheduling, resulting in a rise in both volume and price in the container manufacturing sector. The Group's container sales amounted to 613,700 TEU during the year, representing an increase of 28% as compared with 480,000 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 RMB7,295,222,000 in 2018, representing an increase of 34% as compared with RMB5,436,275,000 of last year. Such increase was mainly due to the surge in the sales volume of containers as the container manufacturing market improved and the Company stepped up its marketing efforts.

3. ANALYSIS OF INVESTMENT AND SERVICE BUSINESS

1) *Operating Revenue*

In 2018, the Group's financial services realized operating revenue of RMB46,804,000, representing a decrease of 4% as compared with RMB48,745,000 of last year and 0.3% of the Group's total revenue.

2) *Operating Costs*

The operating costs in 2018 were RMB497,000, representing a decrease of 85% as compared with RMB3,335,000 of last year.

3) *Investment Income*

In 2018, the income from investment business was RMB1,830,751,000, representing a decrease of 17% as compared with RMB2,192,957,000 of last year. Such decrease was mainly attributable to the decrease in fair value of investments at fair value through profit or loss for the Period held by the Group as a result of market conditions.

GROSS PROFIT

Due to the above reasons, the Group recorded gross profit of RMB3,899,241,000 for 2018 (2017: gross profit of RMB3,155,603,000).

SIGNIFICANT SECURITIES INVESTMENT

During the year ended 31 December 2018, the Company's equity investments in associates and joint ventures generated profit of RMB2,320,917,000, mainly attributable to the profits from China Everbright Bank Co., Ltd., 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 (RMB)	Gain during the reporting period (RMB)	Changes in other reserve during the reporting period (RMB)	Gain from disposal (RMB)	Dividends received during the reporting period (RMB)	Accounting ledger	Sources of the shareholding
000039/ 02039	China International Marine Containers (Group) Ltd.	6,338,818,000	22.73	22.71	8,184,482,000	667,941,000	23,373,000	–	183,064,000	Investment in associates	Purchase
601818	China Everbright Bank Co., Ltd.	3,398,255,000	1.379	1.379	4,010,350,000	444,187,000	38,267,000	–	131,044,000	Investment in associates	Purchase
600643	Shanghai AJ Group Co., Ltd.	25,452,000	0.33	0.22	30,012,000	(4,756,000)	–	8,921,000	–	Financial assets at fair value through profit or loss	Purchase
000617	CNPC Capital Company Limited	950,000,000	0.97	0.97	812,465,000	(202,567,000)	–	–	–	Financial assets at fair value through profit or loss	Purchase
600390	Minmetals Capital Co., Ltd.	1,500,000,000	3.94	3.94	894,857,000	(482,778,000)	–	–	–	Financial assets at fair value through profit or loss	Purchase
Total		12,212,525,000	/	/	13,932,166,000	422,027,000	61,640,000	8,921,000	314,108,000		

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 reporting period *(RMB)*	Changes in other reserve during the reporting period *(RMB)*	Gain from disposal *(RMB)*	Dividends received during the reporting period *(RMB)*	Accounting ledger	Sources of the shareholding
China Bohai Bank Co., Ltd.	5,749,379,000	13.67	13.67	7,636,055,000	968,994,000	102,253,000	–	10,225,000	Investment in associates	Purchase
Bank of Kunlun Co., Ltd.	838,959,000	3.74	3.74	1,234,099,000	122,432,000	17,896,000	–	45,768,000	Investment in associates	Purchase
Shanghai Life Insurance Co., Ltd.	320,000,000	16	16	883,132,000	3,793,000	(39,790,000)	–	–	Investment in associates	Purchase
CIB Fund Management Co., Ltd.	50,000,000	10	10	274,707,000	42,551,000	(721,000)	–	–	Investment in associates	Purchase
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd.	125,000,000	25	25	133,648,000	2,772,000	–	–	–	Investment in joint ventures	Purchase
Chinese Enterprise Elephant Financial Information Services Company Limited	20,000,000	–	12.5	18,148,000	(608,000)	–	–	–	Investment in associates	Purchase
Shanghai COSCO SHIPPING Micro-finance Company	90,000,000	–	45	90,027,000	27,000	–	–	–	Investment in associates	Purchase
COSCO SHIPPING Finance Company Limited	1,186,389,000	65	23.38	1,247,297,000	63,552,000	(2,715,000)	–	–	Investment in associates	Purchase
Total	8,379,727,000	/	/	11,517,113,000	1,203,513,000	76,923,000	–	55,993,000		

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

Name of Investee	Exchange	Principal businesses
China Bohai Bank Co., Ltd.	/	Bank business
Bank of Kunlun Co., Ltd.	/	Bank business
Shanghai Life Insurance Co., Ltd.	/	Insurance
CIB Fund Management Co., Ltd.	/	Fund management
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd.	/	Leasing
Chinese Enterprise Elephant Financial Information Services	/	Financial information service
Shanghai COSCO SHIPPING Micro-finance Company	/	Loan extending and other businesses
COSCO SHIPPING Finance Company Limited	/	Bank business
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	Financial services
CNPC Capital Company Limited	Shenzhen Stock Exchange	Integrated financial services

The stock market was volatile in 2018. The Company expects the investment portfolio of the Group (including the above major investments) will be subject to, among other things, the movement of interest rates, market factors and macroeconomic factors. 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 relevant companies. To mitigate relevant risks, the Group will take appropriate measures in due course and adjust its investment strategies in response to the market conditions.

INCOME TAX

From 1 January 2018 to 31 December 2018, 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 2018, the Group's selling, administrative and general expenses were RMB1,219,278,000, representing an increase of 27% as compared with 2017.

OTHER LOSSES, NET

For the year ended 31 December 2018, other losses of the Group were RMB272,695,000, representing an increase in losses of approximately RMB246,809,000 as compared with other losses of RMB25,886,000 for 2017, mainly attributable to the depreciation of fair value of the securities held by the parent.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The profit attributable to owners of the parent of the Company for 2018 was RMB1,384,257,000, representing a decrease of 5% as compared with RMB1,463,803,000 for 2017.

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 RMB6,417,977,000. As at 31 December 2018, the Group's cash and bank balances were RMB15,249,194,000.

As at 31 December 2018, the Group's total bank and other borrowings were RMB104,816,238,000, of which RMB47,469,440,000 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 2018, the Group's RMB-denominated bonds payable amounted to RMB6,013,700,000, and all proceeds raised from the bonds were used for the purchase of financial lease assets.

The Group's RMB borrowings at fixed interest rates amounted to RMB44,451,367,000. USD borrowings at fixed interest rates amounted to USD136,734,000 (equivalent to approximately RMB938,436,000), RMB borrowings at floating interest rates amounted to RMB1,300,686,000, and USD borrowings at floating interest rates amounted to USD8,469,191,000 (equivalent to approximately RMB58,125,749,000). 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 2018, the Group's net current liabilities amounted to RMB24,664,091,000. Current assets mainly include: the current portion of the finance lease receivables of RMB10,711,620,000, inventories of RMB1,017,748,000, trade and notes receivables of RMB1,034,872,000, prepayments and other receivables of RMB591,777,000, factoring receivables of RMB673,737,000, cash and cash equivalents of RMB15,249,194,000, and restricted cash of RMB951,665,000. Current liabilities mainly include: trade payable of RMB1,686,104,000, other payables and accruals of RMB2,697,590,000, finance lease obligations of RMB187,197,000, tax payable of RMB225,114,000, the current portion of bank and other borrowings of RMB47,469,440,000, the current portion of corporate bonds of RMB2,631,916,000 and current portion of finance lease obligations of RMB187,197,000.

CASH FLOWS

For the year of 2018, the Group's net cash inflow generated from operating activities was RMB6,417,977,000, denominated principally in RMB and USD, representing a decrease of RMB5,434,164,000 from the net cash inflow generated from operating activities of RMB11,852,141,000 in 2017. Cash and cash equivalents balances at the end of 2018 decreased by RMB7,944,106,000 year-on-year, the main reason of which is that the net cash inflow generated from operating activities and the net cash inflow generated from financing activities were less than the net cash outflow used in investing activities. The cash inflow generated from financing activities of the Group during the year 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 2018 and 31 December 2017:

Unit: RMB

	2018	2017
Net cash generated from operating activities	**6,417,977,000**	11,852,141,000
Net cash used in investing activities	**(17,788,636,000)**	(6,652,489,000)
Net cash generated from financing activities	**3,227,502,000**	2,886,277,000
Exchange movement on cash	**199,051,000**	(419,883,000)
Net (decrease)/increase in cash and cash equivalents	**(7,944,106,000)**	7,666,046,000

NET CASH GENERATED FROM OPERATING ACTIVITIES

For the year ended 31 December 2018, the net cash inflow generated from operating activities was RMB6,417,977,000, representing a decrease of RMB5,434,164,000 as compared with the net inflow of RMB11,852,141,000 for 2017. The decrease was mainly due to the fact that the Group can no longer generate operating cash flows from its deposit business following the merger by absorption of China Shipping Finance Company Limited ("CS Finance").

NET CASH USED IN INVESTING ACTIVITIES

For the year ended 31 December 2018, the net cash outflow used in investing activities was RMB17,788,636,000, increased by RMB11,136,147,000 as compared with the net outflow of RMB6,652,489,000 for 2017. The increase in net cash outflow used in investing activities was primarily attributable to the cash outflow resulted from the merger by absorption of CS Finance, and the further expansion of the financing lease investment and the procurement of fixed assets.

NET CASH GENERATED FROM FINANCING ACTIVITIES

For the year ended 31 December 2018, the net cash generated from financing activities was RMB3,227,502,000, representing an increase of RMB341,225,000 as compared with the net cash generated from financing activities of RMB2,886,277,000 for 2017. For the year of 2018, the Group's new bank and other borrowings, perpetual debts, corporate bonds and finance lease obligations under sale and lease back arrangements amounted to RMB58,243,061,000, and repayment of bank and other borrowings, corporate bonds and the capital element of finance lease amounted to RMB50,223,408,000.

AVERAGE TURNOVER DAYS OF TRADE AND NOTES RECEIVABLES

As at 31 December 2018, the net balance of trade and notes receivables by the Group amounted to RMB1,034,872,000, representing a year-on-year increase of RMB175,695,000. Of which note receivables increased by RMB7,180,000 and trade receivables increased by RMB168,515,000, which was mainly due to business development.

GEARING RATIO

As at 31 December 2018, the Company's net gearing ratio (i.e. net debts over shareholders' equity) was 533%, which was lower than 535% for last year. The net gearing ratio remained flat as compared to the previous year.

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 profit of RMB100,623,000 which was mainly due to fluctuations of the USD and Euro exchange rates in 2018; the decrease in exchange difference which was charged to equity attributable to shareholders of the parent amounted to RMB581,687,000. 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 2018, the Group's expenditures on the acquisition of container vessels, vessels under construction, containers and other expenditures amounted to RMB4,363,290,000, expenditures on the acquisition of finance lease assets amounted to RMB15,386,943,000.

CAPITAL COMMITMENTS

As at 31 December 2018, the Group had RMB1,313,775,000 in equity investment commitment which had been contracted but not provided for.

PLEDGE

As at 31 December 2018, certain container vessels and containers with net carrying value of approximately RMB22,735,030,000 (2017: RMB25,031,111,000), finance lease receivables of RMB18,018,213,000 (2017: RMB10,928,186,000) and pledged deposits of RMB597,465,000 (2017: RMB178,326,000) of the Group were pledged to banks for the grant of credit facilities and issuance of bonds.

SUBSEQUENT EVENTS

On 29 March 2019, the Board proposed the payment of a final dividend of RMB0.033 per share (inclusive of applicable tax), totaling approximately RMB384,035,000 calculated based on 11,637,425,063 shares, being the number of issued shares of the Company of 11,683,125,000 as at 29 March 2019 deducting 45,699,937 A shares repurchased by the Company, for the year ended 31 December 2018, which is subject to the approval of shareholders of the Company at the forthcoming annual general meeting of the Company (the "AGM").

CONTINGENT LIABILITIES

As at 31 December 2018, there were no significant contingent liabilities for the Group.

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Completion of the merger by absorption of COSCO Finance Co., Ltd. ("COSCO Finance") by CS Finance (the "Merger") took place on 23 October 2018. Upon the completion of the Merger, (i) CS Finance continued as the surviving company and was renamed COSCO SHIPPING Finance Company Limited ("COSCO SHIPPING Finance"); (ii) COSCO Finance ceased to exist as a legal entity and became a branch of COSCO SHIPPING Finance, and the assets, liabilities, businesses and employees of which were succeeded by COSCO SHIPPING Finance; and (iii) the Company, which was originally interested in 65% of the equity interest in CS Finance, became interested in approximately 23.38% of COSCO SHIPPING Finance. For further information, please refer to (i) the announcements of the Company dated 13 November 2017 and 4 December 2017; (ii) the circular of the Company dated 12 December 2017; and (iii) the overseas regulatory announcements of the Company dated 13 November 2017, 19 June 2018 and 24 October 2018, respectively.

Save as disclosed above, during the year ended 31 December 2018, the Group did not engage in any material acquisition or disposal of subsidiaries and affiliated companies.

EMPLOYEES, TRAINING AND BENEFITS

As at 31 December 2018, the Group had 8,082 employees, and the total staff costs for the Period (including staff remuneration, welfare and social insurance) amounted to approximately RMB1,908,084,000 (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.

To support human resources management reform, talent development and training, the Company has developed 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, and 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 60

Chairman and executive Director of the Company. 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, the 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 the 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 58

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, the 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 the 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 48

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 the 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 COSCO Shipping Leasing Co., Ltd. since August 2014. Mr. Liu served as the chief financial officer 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 senior accountant.

MR. XU HUI (徐輝), AGED 56

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 posts of chief engineer of Shanghai Maritime Bureau Oil Tanker Company, assistant to general manager and guidance chief director of Shanghai Maritime Bureau Oil Tanker Company, deputy director of the technical department of Shanghai Haixing Shipping Company, director of the technical department of COSCO SHIPPING (Shanghai) Co., Ltd., deputy general manager and 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 COSCO SHIPPING (Shanghai) Co., Ltd, and general manager and Party secretary of China Shipping & Sinopec Suppliers Co., Ltd. He served as the 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, and is a senior political engineer and chief engineer.

NON-EXECUTIVE DIRECTORS

MR. FENG BOMING (馮波鳴), AGED 49

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 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., and the manager of the commerce section of the trade protection department of COSCO Container Lines. He has served as the general manager of COSCO (Cayman) Mercury Co., Ltd, general manager of the operations 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 Lines (Hong Kong) Co., Limited since October 2005, the general manager of the Wuhan branch/COSCO Freight Wuhan (武漢中貨)/COSCO Logistics Wuhan (武漢中遠物流) of COSCO Container China since January 2012, and the director 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 The University of Hong Kong majoring in business administration. He holds a bachelor's degree and a master's degree.

MR. HUANG JIAN (黃堅), AGED 49

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 the Shanghai Stock Exchange under the stock code of 600999) since August 2012. He served as the chief financial officer of COSCO Americas Inc. from October 2010 to February 2012, the general manager of the finance department of COSCO Americas Inc. from September 2004 to October 2010, the head of the capital section of the finance department 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, and the deputy general manager of the finance department of China Ocean Shipping (Group) Company from February 2012 to January 2016. He has served as the general manager of the capital management department of China COSCO SHIPPING Corporation Limited since January 2016, and 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 53

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, the 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 DIRECTORS

MR. CAI HONGPING (蔡洪平), AGED 64

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, the chairman of the investment banking division of UBS AG in Asia from 2006 to 2010, and the executive chairman of Deutsche Bank in the Asia Pacific region from 2010 to 2015. From April 2015 to December 2015, Mr. Cai served as an independent director of Minmetals Development Co., Ltd. (listed on the Shanghai Stock Exchange under the stock code of 600058). Mr. Cai, a Hong Kong citizen, is a holder of a bachelor's degree and graduated from Fudan University in Shanghai majoring in journalism.

MS. HAI CHI YUET (奚治月), AGED 64

Independent non-executive Director of the Company. Ms. Hai has more than 30 years of working experience in the shipping logistics industry. She has served as the advisor to Hutchison Port Holdings Limited since 2016. Ms. Hai served as the managing director of COSCO-HIT Terminals (Hong Kong) Limited, the managing director of Yantian International Container Terminals Limited, 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 a member of the Election Committee for the Chief Executive of Hong Kong Special Administrative Region, Transport Subsector. She also served as a 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 68

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 in PricewaterhouseCoopers during his career and retired as a partner in 2006. He is currently an independent non-executive director of The Greenbrier Companies Inc., and an independent non-executive director of 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 64

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. From July 2012 to 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 has served as a certified accountant at Da Hua Certified Public Accountants LLP since October 2016. Mr. Lu is also an independent director of each of Hangzhou Hikvision Digital Technology Co., Ltd., Changshu Fengfan Power Equipment Co., Ltd. and 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. He is a member of Jiusan Society in the PRC.

MR. GU XU (顧旭), AGED 54

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, asset 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 57

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 the Shanghai Stock Exchange under the stock code of 600999) and the chairman of the supervisory committee of China Merchants Fund Management Co., Ltd. Ms. Zhang also served as the chief auditor, assistant to the president, general manager of the audit department of China Merchants Securities Co., Ltd. and the assistant to the general manager of the securities business department of the head office of China Merchants Bank successively. She is currently a senior adviser of China Merchants Securities Co., Ltd.

SUPERVISORY COMMITTEE MEMBERS

MR. YE HONGJUN (葉紅軍), AGED 56

Supervisor of the Company and the chief legal consultant of China COSCO SHIPPING Corporation Limited. Mr. Ye worked in Beijing Communications Management Institute for Executives and served in the MOC, holding the posts of a public servant without a fixed position, the deputy department head, the 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 legal 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 56

Head of the supervision and audit department of China COSCO Shipping Corporation Limited. Mr. Hao previously served as the director of the general supervision office of the supervision department under the CPC Central Commission for Discipline Inspection and served as 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. He is a senior political specialist.

MR. ZHU DONGLIN (朱冬林), AGED 59

Supervisor and chairman of the Labour Union of the Company. Mr. Zhu previously served as the deputy director of the general manager office, the deputy director and deputy director (in charge) of the general affairs office, the deputy director of the Party and Mass Organisation Division, the 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 served as the general manager of the Human Resources Division of the Company from March 2012 to May 2016 and the secretary of the Communist Party Committee of the Company from January 2014 to May 2016. He has served as 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. He is a deputy researcher.

COMPANY SECRETARY

MR. YU ZHEN (俞震), AGED 41

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

SENIOR MANAGEMENT

MR. MING DONG (明東), AGED 48

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

MR. LIN FENG (林鋒), AGED 43

Chief accountant of the Company and a supervisor of China International Marine Containers (Group) Co., Ltd. From July 1997 to December 2007, Mr. Lin served as a financial officer of the branch office of Shanghai Haixing Freight Co., Ltd., and the deputy chief financial officer and the chief financial officer of the finance department in Shanghai of China Shipping Bulk Carrier Co., Ltd. He served as the deputy director and the director of the planning section and the budget management office of China Shipping (Group) Company (currently known as China Shipping Group Company Limited) from January 2008 to January 2014. From January 2014 to August 2018, Mr. Lin served as the chief accountant and the deputy general manager of COSCO SHIPPING Financial Holdings Co., Ltd. (formerly known as China Shipping (Hong Kong) Holdings Co., Limited). Mr. Lin graduated from Shanghai School of Agriculture (currently known as Shanghai Jiao Tong University School of Agriculture and Biology) with a bachelor's degree in economics, majoring in currency banking. He holds the title of accountant.

The Board submits its report together with the audited consolidated financial statements for the year ended 31 December 2018 (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 91 of this Annual Report.

BUSINESS REVIEW

Business review of the Group for the year ended 31 December 2018, 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 28. 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 35 to 82.

DIVIDENDS

	2018 **RMB'000**	2017 RMB'000
Proposed final dividend of RMB0.033 per ordinary share (2017: Nil)	**384,035**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The Board proposed to distribute final dividend of RMB0.033 (including applicable tax) per share for the year ended 31 December 2018 (2017: Nil) with an aggregate of approximately RMB384,035,000 (2017: Nil) calculated based on 11,637,425,063 shares of the Company (being the number of shares after deducting 45,699,937 A shares repurchased by the Company from the 11,683,125,000 shares issued by the Company on 29 March 2019).

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 95 to 96 and 185 to 188 of this Annual Report, Note 35 and Note 47 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 34 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). In determining the appropriate amount of dividends, the Board takes into account, among other things, the distributable profits realized by the Company, the liquidity of the Company, the capital needs and cash flow requirements for the normal operation of the Company, the profitability and stage of development of the Company.

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 2018, the retained earnings of the Company, calculated based on the above principles, amounted to approximately RMB444 million, which was 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 2018.

THE BASIS OF DETERMINING THE EMOLUMENT OF DIRECTORS

The Company determines the remuneration of Directors with reference to the performance of Directors for the year ended 31 December 2018 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 three 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 29 to 34 of this Annual Report. Each of Sun Yueying, Feng Boming, Huang Jian, Ye Hongjun and Hao Wenyi was as at 31 December 2018, the chief accountant, the department general manager, department general manager, chief legal adviser and head of the department respectively of China COSCO SHIPPING. As at 31 December 2018, 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 Divisions 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 2018, 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 2018. 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 2018. As at 31 December 2018, 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 2018. 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 2018. As at 31 December 2018, 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 2018. 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 2018. As at 31 December 2018, 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 2018. 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 2018. As at 31 December 2018, 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 2018, 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 2018, to the knowledge of 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 2018, 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 directors or employees of China COSCO SHIPPING and/or China Shipping (details of which are set out on pages 29 to 34 of this Annual Report), and China COSCO SHIPPING and China Shipping have 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 2018, the Group sold in aggregate 68% of its goods and services to its five 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 five 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 five 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 five largest customers or the five 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 a charitable donation with a total amount of approximately RMB4,164,100 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

As green and low-carbon development has become a global pursuit, COSCO SHIPPING Development incorporates the concept of green development into its overall operation by taking active measures to deal with the potential environmental impact of its business operations, and leverages its advantages and influence to facilitate the sustainable development of the industry and the achievement of the goal of ecological civilization construction.

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 formulated "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 CO_2 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、國家税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 2018, the Company entered into the following connected transaction:

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"). The validity period of the resolutions regarding the Revised Proposed Non-public Insurance of A Shares and the validity period of the authorisation to the Board and any person authorised by the Board to handle all matters in connection with the Revised Proposed Non-public Insurance of A Shares have been extended for a period of 12 months up to 4 June 2019 at the annual general meeting of the Company, the class meeting of the holders of A Shares of the Company and the class meeting of the holders of H Shares of the Company held on 31 May 2018. 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 and the circular of the Company dated 10 May 2018.

CONTINUING CONNECTED TRANSACTIONS

As at 31 December 2018, 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 2018 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.

No.	Continuing connected transactions	Signing date of the transaction and effective period after renewal every three years	Parties and connected relationship	Nature of transaction	Pricing terms	Transaction amount Year ended 31 December 2016 *RMB'000*	 Year ended 31 December 2017 *RMB'000*	 **Year ended 31 December 2018** ***RMB'000***
A	Revenue from China COSCO SHIPPING							
1	Services provided by the Group under the Master Operating Lease Services Agreement	5 December 2016 31 December 2019	The Company and China COSCO SHIPPING[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 based on the 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	**1,268,993**
2	Products and services provided by the Group under the Master Containers Services Agreement	5 December 2016 31 December 2019	The Company and China COSCO SHIPPING[1]	Manufacture of containers	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	–	1,561,991	**3,799,172**

No.	Continuing connected transactions	Signing date of the transaction and effective period after renewal every three years	Parties and connected relationship	Nature of transaction	Pricing terms	Transaction amount Year ended 31 December 2016 RMB'000	Year ended 31 December 2017 RMB'000	**Year ended 31 December 2018** ***RMB'000***
3	Service provided by the Group under the Master Finance Lease Services Agreement	5 December 2016 31 December 2019	The Company and China COSCO SHIPPING[1]	Finance lease	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	1,610	11,146	**7,291**
4	Service provided by the Group under the Master Vessel Charter Agreement	5 December 2016 31 December 2019	The Company and China COSCO SHIPPING[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 based on the 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	**4,847,262**
5	Services provided by the Group under the Master Factoring Services Agreement	5 December 2016 31 December 2019	The Company and China COSCO SHIPPING[1]	Factoring services	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	–	73,652	**88,564**

No.	Continuing connected transactions	Signing date of the transaction and effective period after renewal every three years	Parties and connected relationship	Nature of transaction	Pricing terms	Transaction amount Year ended 31 December 2016 RMB'000	Year ended 31 December 2017 RMB'000	**Year ended 31 December 2018 RMB'000**
6	Services provided by the Group under the Master Insurance Brokerage Services Agreement	5 December 2016 31 December 2019	The Company and China COSCO SHIPPING[1]	Insurance brokerage services	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	13,763	15,698	**24,871**
7	Lease of properties by the Group under the Master Tenancy Agreement	5 December 2016 31 December 2019	The Company and China COSCO SHIPPING[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 based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	–	3,035	**2,918**
B	Revenue from CS Financial							
8	Management services provided by COSCO SHIPPING Development under the Management Services Agreement	28 April 2017 31 December 2019	The Company, China COSCO SHIPPING[1] and CS Financial[2]	Management services	(i) Fixed management fee[6] plus floating income fee[7]	–	29,995	**18,868**

No.	Continuing connected transactions	Signing date of the transaction and effective period after renewal every three years	Parties and connected relationship	Nature of transaction	Pricing terms	Transaction amount Year ended 31 December 2016 RMB'000	Year ended 31 December 2017 RMB'000	**Year ended 31 December 2018 RMB'000**
C	Expenditure to China COSCO SHIPPING							
9	Services provided to the Group under the Master Vessel Services Agreement	5 December 2016 31 December 2019	The Company and China COSCO SHIPPING[1]	Vessel services	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	1,402,749	1,060,544	**810,445**
10	Products and services provided to the Group under the Master Containers Services Agreement	5 December 2016 31 December 2019	The Company and China COSCO SHIPPING[1]	Container management services	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	206,748	322,749	**559,937**
11	Services provided to the Group under the Master General Services Agreement	5 December 2016 31 December 2019	The Company and China COSCO SHIPPING[1]	General Services	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	17,935	17,476	**27,167**

No.	Continuing connected transactions	Signing date of the transaction and effective period after renewal every three years	Parties and connected relationship	Nature of transaction	Pricing terms	Transaction amount Year ended 31 December 2016 RMB'000	Year ended 31 December 2017 RMB'000	**Year ended 31 December 2018 RMB'000**
12	Lease of properties to the Group under the Master Tenancy Agreement	5 December 2016 31 December 2019	The Company and China COSCO SHIPPING[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 based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	45,163	34,245	**21,776**
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 the same type of insurance services; or (ii) fee charged by any independent third party for the same type of insurance services.	–	30,488	**36,258**
E	Financial Transactions with China COSCO SHIPPING							
14	The maximum daily outstanding balance of loans (including accrued interest and handling fee) to be granted to China COSCO SHIPPING by CS Finance under the Master Financial Services Agreement	5 December 2016 31 December 2019	CS Finance and China COSCO SHIPPING[1]	Loan services	Interest rates not lower, and (if applicable) no more favourable, than: (i) the loan benchmark interest rate set by the PBOC from time to time for such types of loan; and (ii) the interest rate or fee rate offered by major independent commercial banks in the service place or adjacent areas in the normal course of business for such types of loan.	3,722,056	4,680,570	**4,928,026**

No.	Continuing connected transactions	Signing date of the transaction and effective period after renewal every three years	Parties and connected relationship	Nature of transaction	Pricing terms	Transaction amount Year ended 31 December 2016 *RMB'000*	Year ended 31 December 2017 *RMB'000*	**Year ended 31 December 2018** ***RMB'000***
F	Financial Transactions with CS Finance							
15	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 under the same deposit conditions; or (ii) the interest rate charged by major independent commercial banks in the service place or adjacent areas for the same type of deposit services	9,017,817	8,965,526	**11,131,949**
16	The maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the Florens Group at COSCO Finance under the Florens Finance Financial Services Framework 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 independent commercial banks in the service place or adjacent areas for the same type of deposit services			

1 China COSCO Shipping Corporation Limited (China COSCO SHIPPING), its subsidiaries and/or its associates are indirect controlling shareholders (as defined in the Listing Rules) of the Company, which constitute connected persons of the Company.

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

3 Representing the price for providing such products and services 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 services are provided from 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 the same or comparable type of products or services plus a profit margin ranging from 0% to 12.25% thereof.

6 The 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 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 41 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 41 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 conducted, in all material respects, in accordance with the pricing policies of the Company;

3. the transactions were not conducted, 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 2018 are set out in Note 2.4 to the consolidated financial statements.

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December 2018, 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 60 to 82.

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 2018 have been reviewed by the audit committee.

AUDITOR

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

2016, 2017 and 2018: Ernst & Young

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

By order of the Board

Sun Yueying
Chairman

Shanghai, the People's Republic of China
29 March 2019

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 2018.

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

The current members of the fifth session of the Board include:

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.

In 2018, 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 the 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, 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 general strategy and policies of the Group, and establishing corporate and management goals, major operational measures and risk management policies in accordance with the strategic objectives of the Group; supervising and monitoring the operational and financial performance; and approving 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 report to the Board on the day-to-day business 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 successively. 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 make 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 reference.

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 disclosures in the Corporate Governance Report.

In 2018, the Board performed its corporate governance duties through formulating the Board Diversity Policy, reviewing and monitoring the training and continuing professional development of the Directors and senior management and compliance with the relevant laws and regulations, and other practices. It also put great effort into improving the Group's corporate governance practices.

4. CHAIRMAN, CHIEF EXECUTIVE OFFICER AND GENERAL MANAGER

In 2018, 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 duties separately. The Chief Executive Officer is responsible for organizing the implementation of the decisions, resolutions, approaches, policies and development plans of the Board and the Supervisory Committee, and reporting 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 department establishment plans; devising the Company's basic management systems; drawing up the Company's basic rules and regulations; submitting annual work reports 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 determining their assessment and remuneration; proposing the convening of extraordinary meetings of the Board; and other duties as authorized by the Articles of Association and the Board. The General Manager is responsible for implementing the daily operations management of the Company; convening daily performance analysis meetings of the Company; coordinating the daily operations management of subsidiaries; assisting the Chief Executive Officer in coordinating the Company's internal and external relations; drafting annual development plans, operational policies and annual business plans of the Company; drafting the basic management systems of the Company; drafting specific rules and regulations of the Company; coordinating the operation of each department of the Company; reviewing and approving all budgeted expenses and costs of the Company; drawing up the salaries, benefits, rewards and punishments of the Company's employees and determining the engagement and dismissal of such employees; business development and staff training of the Company; and other duties as authorized by the Chief Executive Officer.

5. TRAINING AND CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS

(1) Newly appointed Directors

Each newly appointed Director will receive a set of training materials which cover the legal responsibilities of Directors, specific legal responsibilities, rules governing dealings in securities of a listed company, disclosure of price sensitive information, disclosable 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 regulatory requirements. In 2018, all newly appointed Directors attended such training.

(2) The Company provides relevant laws and regulations or their amended or updated versions for its Directors on an irregular basis for learning purposes. In compliance with the continuing professional development requirement under the Corporate Governance Code, the Directors 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 continuing professional development requirement under the Corporate Governance Code, the Directors received the following training in 2018:

Director	Reading materials regarding updates on the Board practices and development, corporate governance and regulations	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	✓	✓
Liang Yanfeng(2)	✓	✓
Independent non-executive Directors		
Hai Chi Yuet	✓	✓
Graeme Jack	✓	✓
Cai Hongping	✓	✓
Lu Jianzhong	✓	✓
Gu Xu(2)	✓	✓
Zhang Weihua(2)	✓	✓

Notes:

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 to fill the vacancy upon consideration and approval at the general meeting held on 15 March 2018. Mr. Gu Xu and Ms. Zhang Weihua were appointed as independent non-executive Directors to fill the vacancies upon consideration and approval at the general meeting held on 15 March 2018.

(3) The Company provides latest information about the operation of the Company for 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 Securities and Public Relations Department 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 in preparing 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 20 Board meetings during 2018. Attendance record of each Director is set out as follows:

Attendance of Directors at Board Meetings and General Meetings

Name of Director	Attendance at Board meetings						Attendance at general meetings[1]	
	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	20	20	0	18	100	No	1/1	0/2
Wang Daxiong	20	20	0	18	100	No	1/1	1/2
Liu Chong	20	20	0	18	100	No	1/1	1/2
Xu Hui	20	20	0	18	100	No	1/1	0/2
Non-executive Directors								
Chen Dong[3]	4	4	0	4	100	No	0/0	0/0
Huang Jian	20	20	0	18	100	No	0/1	0/2
Feng Boming	20	19	1	18	100	No	0/1	0/2
Liang Yanfeng[2]	16	16	0	14	100	No	0/1	0/1
Independent non-executive Directors								
Hai Chi Yuet	20	20	0	18	100	No	1/1	1/2
Graeme Jack	20	20	0	18	100	No	1/1	0/2
Cai Hongping	20	19	1	18	100	No	0/1	0/2
Lu Jianzhong	20	20	0	18	100	No	0/1	0/2
Gu Xu[2]	16	16	0	14	100	No	0/1	0/1
Zhang Weihua[2]	16	16	0	14	100	No	0/1	0/1

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. Liang Yanfeng was appointed as a non-executive Director to fill the vacancy upon consideration and approval at the general meeting held on 15 March 2018. Mr. Gu Xu and Ms. Zhang Weihua were appointed as independent non-executive Directors to fill the vacancies upon consideration and approval at the general meeting held on 15 March 2018.

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

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 2018 to review the appointment and resignation of the Directors and make recommendations thereon, and the attendance rate of the Directors was 100%. Attendance record of each Director is set out as follows:

Executive Directors

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

Non-executive Directors

Director	Number of meeting attended	Attendance rate
Feng Boming	1	100%
Huang Jian	1	100%
Chen Dong[2]	1	100%
Liang Yanfeng[1]	–	–

Independent non-executive Directors

Director	Number of meeting attended	Attendance rate
Hai Chi Yuet	1	100%
Graeme Jack	1	100%
Cai Hongping	1	100%
Lu Jianzhong	1	100%
Gu Xu[1]	–	–
Zhang Weihua[1]	–	–

Notes:

1. Mr. Liang Yanfeng was appointed as a non-executive Director to fill the vacancy upon consideration and approval at the general meeting held on 15 March 2018. Mr. Gu Xu and Ms. Zhang Weihua were appointed as independent non-executive Directors to fill the vacancies upon consideration and approval at the general meeting held on 15 March 2018.

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

9. BOARD COMMITTEES

(1) Audit Committee

The fifth session of the Audit Committee of the Board of the Company currently consists of Mr. Lu Jianzhong and Mr. Cai Hongping, who are independent non-executive Directors, and Mr. Huang Jian, who is a non-executive Director. Mr. Lu Jianzhong is the Chairman 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 convened ten meetings with the average attendance rate of 100%.

Four regular meetings were held as follows:

1. The twenty-second meeting of the fifth session of the Audit Committee of the Board was convened with physical presence on 28 March 2018, at which the following proposals were discussed and passed by a unanimous vote:

   (1) Proposal regarding the 2017-2018 internal audit of the Company;

   (2) Proposal regarding the implementation of the newly issued accounting standards;

(3) Proposal regarding the financial report for 2017 of the Company;

(4) Proposal regarding adjustments to three-year quotas on recurring connected transactions with CIMC;

(5) Proposal regarding the report on the performance of duties of the Audit Committee of the Board in 2017.

2. The twenty-fourth meeting of the fifth session of the Audit Committee of the Board was convened by telecommunication voting on 26 April 2018, at which the proposal regarding the first quarterly report for 2018 of the Company and the proposal regarding changes in accounting estimates for vessels and containers of the Company were passed by a unanimous vote.

3. The twenty-eighth meeting of the fifth session of the Audit Committee of the Board was convened by telecommunication voting on 29 August 2018, at which the following proposals were discussed and passed by a unanimous vote:

(1) Proposal regarding the financial report for the first half of 2018 of the Company;

(2) Proposal regarding changes in accounting policies.

4. The twenty-ninth meeting of the fifth session of the Audit Committee of the Board was convened by telecommunication voting on 29 October 2018, at which the proposal regarding the third quarterly report for 2018 of the Company was passed by a unanimous vote.

Six extraordinary meetings were held as follows:

1. The twentieth meeting of the fifth session of the Audit Committee of the Board was convened through written correspondence on 8 January 2018, at which the proposal regarding the investment in the establishment of Cinda Shipping Investment Fund was discussed and passed.

2. The twenty-first meeting of the fifth session of the Audit Committee of the Board was convened through written correspondence on 29 January 2018, at which the following proposals were discussed and passed:

(1) Proposal regarding the 2017 profit warning announcement of the Company;

(2) Proposal regarding the 2017 domestic audit plan of the Company;

(3) Proposal regarding the 2017 overseas audit plan of the Company.

3. The twenty-third meeting of the fifth session of the Audit Committee of the Board was convened through written correspondence on 12 April 2018, at which the proposal regarding the setting up of a guarantee quota for Shanghai COSCO SHIPPING Micro-finance Company Limited was discussed and passed.

4. The twenty-fifth meeting of the fifth session of the Audit Committee of the Board was convened through written correspondence on 9 May 2018, at which the proposal regarding the engagement of the overseas auditor for 2018 of the Company was discussed and passed.

5. The twenty-sixth meeting of the fifth session of the Audit Committee of the Board was convened through written correspondence on 23 July 2018, at which the proposal regarding the engagement of the domestic auditor for 2018 of the Company was discussed and passed.

6. The twenty-seventh meeting of the fifth session of the Audit Committee of the Board was convened with physical presence on 14 August 2018, at which the following proposals were discussed and passed:

   (1) Proposal regarding adjustments to annual quotas on recurring connected transactions between the Company and COSCO SHIPPING and its subsidiaries for 2018-2019;

   (2) Proposal regarding amendments to the administrative measures for connected transactions of COSCO SHIPPING Development Co., Ltd.

Attendance record of each member of the Audit Committee is set out as follows:

Director	**Number of meetings attended/number of meetings held**	**Attendance rate**
The fifth session of the Audit Committee of the Board		
Lu Jianzhong *(independent non-executive Director)* *(Chairman)*	10/10	100%
Cai Hongping *(independent non-executive Director)*	10/10	100%
Chen Dong *(non-executive Director)*[1]	2/2	100%
Huang Jian *(non-executive Director)*[1]	8/8	100%

Note:

1. Mr. Chen Dong resigned as a non-executive Director with effect from 26 March 2018 due to adjustment of work arrangements. Mr. Huang Jian was appointed as a member of the Audit Committee on 26 March 2018.

(2) Remuneration Committee

The fifth session of the Remuneration Committee of the Board of the Company currently consists of Ms. Hai Chi Yuet, Mr. Cai Hongping and Mr. Graeme Jack, who are independent non-executive Directors. Mr. Cai Hongping is the Chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's remuneration policy and structure for all Directors, Supervisors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration policy; to have the delegated responsibility by the Board to determine specific remuneration packages of Directors, 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 office or appointment), and make recommendations to the Board on 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 with reference to corporate goals and objectives passed by the Board from time to time; to review and approve the compensation payable to executive Directors, Supervisors and senior management in connection with any loss or termination of 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 does not impose an overly heavy burden on 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/her associates is involved in determining his/her own remuneration.

The Remuneration Committee held one meeting in 2018, and the average attendance rate was 100%. The proposal regarding remuneration of the Directors and Supervisors of the Company for 2018 was reviewed at the first meeting of the fifth session of the Remuneration Committee of the Board, and was recommended to the Board for approval.

Attendance record of each member of the Remuneration Committee is set out as follows:

Director	**Number of meeting attended/number of meeting held**	**Attendance rate**
The fifth session of the Remuneration Committee of the Board		
Cai Hongping *(independent non-executive Director) (Chairman)*	1/1	100%
Graeme Jack *(independent non-executive Director)*	1/1	100%
Hai Chi Yuet *(independent non-executive Director)*	1/1	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 currently consists of Ms. Sun Yueying, Mr. Wang Daxiong and Mr. Liu Chong, who are executive Directors, Mr. Feng Boming, Mr. Huang Jian and Mr. Liang Yanfeng, who are non-executive Directors, and Mr. Cai Hongping and Ms. Hai Chi Yuet, who are independent non-executive Directors. Ms. Sun Yueying, who is the Chairman of the Company, is the Chairman of the Investment Strategy Committee.

The primary duties of the Investment Strategy Committee are to consider and make recommendations on the strategic plan for the Group's long-term development and on material investment and financing proposals and material capital operation and asset operation projects which are subject to the Board's approval as required by the Articles of Association.

During the reporting period, the Investment Strategy Committee convened one meeting with the average attendance rate of 100%. The proposal regarding the 2018 investment plan and asset disposal plan of COSCO SHIPPING Development was reviewed and passed at the first meeting of the fifth session of the Investment Strategy Committee of the Board, and was recommended to the Board for approval.

Director	**Number of meeting attended/number of meeting 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%
Liang Yanfeng *(non-executive Director)*[1]	1/1	100%
Cai Hongping *(independent non-executive Director)*	1/1	100%
Hai Chi Yuet *(independent non-executive Director)*	1/1	100%

Note:

1. The Investment Strategy Committee appointed Mr. Liang Yanfeng as a member of the Investment Strategy Committee on 26 March 2018.

(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 currently consists of Ms. Hai Chi Yuet, Mr. Cai Hongping and Mr. Gu Xu, who are independent non-executive Directors, and Ms. Sun Yueying and Mr. Wang Daxiong, who are executive Directors. Ms. Hai Chi Yuet is the Chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to make recommendations to the Board on the headcount and composition of the Board and the composition of senior management in accordance with the Company's business activities, asset size and shareholding structure; to consider and make recommendations to the Board on the criteria and procedures for selecting Directors and members of senior management; to review and make recommendations on the qualifications of the candidates of Directors and members of senior management; and to assess the independence of independent non-executive Directors. The Nomination Committee's procedures and criteria for selecting and making recommendations for appointment of Board members are designed to satisfy high standards of corporate governance. In identifying suitable candidates, the Nomination Committee shall consider candidates on merit against objective criteria and with due regard to the benefits of the diversity of the Board. The factors considered by the Nomination Committee in assessing the suitability of a proposed candidate include: (i) reputation for integrity; (ii) accomplishments, professional knowledge and industry experience which may be relevant to the Group; (iii) commitment to the business of the Group in respect of time, interest and attention; (iv) perspectives, skills and experience that the individual can contribute to the Board; (v) diversity in a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; (vi) Board succession planning considerations and long-term objectives of the Group; and (vii) in the case of a candidate for independent non-executive Director, the independence of such candidate with reference to, among other things, the requirements as set out in Rule 3.13 of the Listing Rules. These processes meet or exceed the Stock Exchange's requirements to ensure that every Director has the requisite character, experience and integrity and is able to demonstrate a standard of competence commensurate with his position as a director of a listed issuer, and that where the nomination of independent non-executive Directors is under consideration, the requirements of Rule 3.13 of the Listing Rules are satisfied.

On 28 August 2013, the Board passed the Board Diversity Policy. The Nomination Committee has formulated the Board Diversity Policy, which is set out in the Working Rules for the Nomination Committee of the Board of the Company. The main contents include: when determining the composition of the Board, the Company will consider the Board diversity in terms of, among other things, gender, age, cultural and educational background, professional experience, skills, knowledge and term of service. The taking into account of these factors in determining the Board diversity contributes to the enhanced management standard of the Company, and results in a more comprehensive and balanced Board composition and decision-making process. 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 which 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 29 to 34 also set out the diverse skills, professional knowledge, experience and qualifications of the Directors.

During the reporting period, the Nomination Committee of the Board convened two meetings with the average attendance rate of 100%. The proposal regarding recommendations on non-executive Directors and independent Directors of the Company was reviewed at the third meeting of the fifth session of the Nomination Committee of the Board. The proposal regarding the engagement of the chief accountant of the Company was reviewed at the fourth meeting of the fifth session of the Nomination Committee of the Board, and was recommended to the Board for approval.

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

Director	Number of meetings attended/number of meetings held	Attendance rate
The fifth session of the Nomination Committee of the Board		
Hai Chi Yuet *(independent non-executive Director) (Chairman)*	2/2	100%
Lu Jianzhong *(independent non-executive Director)*(1)	1/1	100%
Cai Hongping *(independent non-executive Director)*	2/2	100%
Sun Yueying *(executive Director)*	2/2	100%
Wang Daxiong *(executive Director)*	2/2	100%
Gu Xu *(independent non-executive Director)*(1)	1/1	100%

Note:

1. Members of the Nomination Committee were re-elected, Mr. Lu Jianzhong resigned as a member of the Nomination Committee due to work reallocation and Mr. Gu Xu was appointed as a member of the Nomination Committee on 26 March 2018.

(5) Risk Control Committee

To enhance internal control and risk management capabilities and levels of the Company, the Risk Control Committee of 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 of the Company currently consists of Mr. Wang Daxiong, who is an executive Director, and Mr. Cai Hongping, Mr. Lu Jianzhong and Ms. Zhang Weihua, who are independent non-executive Directors. Mr. Wang Daxiong is the Chairman of the Risk Control Committee.

The primary duties of the Risk Control Committee are to consider the Group's work plans for internal control and risk management and review the Group's risk management and internal control systems; to consider the establishment of risk management departments and proposals for their responsibilities and 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 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 communicate with external auditors with regard to matters concerning internal control and audit; to review major investigation findings on risk management and internal control matters and the management's response to these findings on its own initiative or as appointed by the Board; and to perform other duties as delegated by laws and regulations, the Listing Rules and the Board.

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

No.	Date of meeting	Name of meeting	Voting method	Proposal
1	28 March 2018	The sixth meeting of the fifth session of the Risk Control Committee of the Board	Physical presence	1. To review the proposal regarding the 2017 internal control construction report of the Company 2. To review the proposal regarding the 2017 comprehensive risk management report of the Company 3. To review the proposal regarding the 2017 self-evaluation report on internal control of the Company
2	29 August 2018	The seventh meeting of the fifth session of the Risk Control Committee of the Board	Physical presence	1. To review the proposal regarding the 2018 interim internal control construction report of the Company 2. To review the proposal regarding the 2018 interim comprehensive risk management report of the Company

All proposals mentioned above were approved and some of them were submitted to the Board for further review. Attendance rate of each member of the Risk Control Committee is set out as follows:

Director	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)*	2/2	100%
Cai Hongping *(independent non-executive Director)*	2/2	100%
Lu Jianzhong *(independent non-executive Director)*	2/2	100%
Zhang Weihua *(independent non-executive Director)*[1]	2/2	100%

Note:

1. Ms. Zhang Weihua was appointed as a member of the Risk Control Committee on 26 March 2018.

(6) *Executive Committee*

To improve the Company's decision-making and control of important matters, refine the decision-making process of the Company and enhance the objectivity of the decision-making process, the Executive Committee of 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 of 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 primary duties of the Executive Committee are to consider and decide matters relating to operations management of the Company which involve a certain amount of expenses on behalf of the Board between sessions of the Board meeting; to coordinate and implement the decisions approved by the Board; to exercise the special disposal power over the affairs of the Company in the event of force majeure and report to the Board and the general meeting thereafter; and to perform other duties as provided by the Articles of Association or delegated by the Board.

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

No.	Date of meeting	Name of meeting	Voting method	Proposal
1	25 April 2018	The fourth meeting of the fifth session of the Executive Committee of the Board	Written correspondence	1. Proposal regarding the application for loans from ING Bank by Florens International Limited

Director	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)*	1/1	100%
Wang Daxiong *(executive Director)*	1/1	100%
Liu Chong *(executive Director)*	1/1	100%
Xu Hui *(executive Director)*	1/1	100%

10. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted a code of conduct on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules as the standards for securities transactions by Directors, Supervisors and relevant employees. The Company confirms, having made specific enquiries with all Directors and Supervisors, that for the year ended 31 December 2018, its Directors and Supervisors have complied with the requirements relating to securities transactions by Directors and Supervisors as set out in the Model Code. The Company is not aware of any non-compliance with these guidelines by relevant employees.

11. ANNUAL REMUNERATION OF DIRECTORS AND KEY MANAGEMENT

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

For the year ended 31 December 2018, the remuneration of key management personnel is divided into the following grades:

Basic annual salary grade	No. of people
HKD1,000,000 and below (approximately RMB845,500 and below)	5
HKD1,000,001 to HKD1,500,000 (approximately RMB845,501 to RMB1,268,250)	1
HKD1,500,001 to HKD2,000,000 (approximately RMB1,268,251 to RMB1,691,000)	2
HKD2,000,001 to HKD2,500,000 (approximately RMB1,691,001 to RMB2,113,750)	1

Details of the annual remuneration of Directors for the year ended 31 December 2018 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 Director	Term of office commencement 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

Notes:

(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

Ernst & Young was reappointed as the overseas auditor of the Company at the 2017 annual general meeting by the shareholders until the conclusion of the next annual general meeting.

In view of the relevant requirements of the State-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China and the Ministry of Finance of the People's Republic of China, Baker Tilly China was not reappointed upon expiration of its term of office, while ShineWing Certified Public Accountants was appointed as the domestic auditor of the Company at the extraordinary general meeting held on 19 September 2018 by the shareholders until the conclusion of the next annual general meeting.

The Company has paid Ernst & Young RMB7,650,000 as remuneration for its auditing service and related service provided for the year 2018. The Company has paid ShineWing Certified Public Accountants RMB4,900,000 as remuneration for its auditing service and related service provided for the year 2018. The Company has paid ShineWing Certified Public Accountants RMB860,000 as remuneration for its internal control and auditing service provided for the year 2018.

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 2018. Ernst & Young, the auditor of the Company, has confirmed its reporting responsibilities as set out in the auditor's report in the financial statements for the year ended 31 December 2018.

C. INTERNAL CONTROL AND RISK CONTROL

PROCESS OF IDENTIFYING, ASSESSING AND MANAGING SIGNIFICANT RISKS

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

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

The Group has strengthened the 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 risk identification, assessment, response and appraisal among different departments horizontally.

The risk management department shall be responsible for entire organization, coordination, guidance and supervision, while the audit department shall be responsible for regular audit and supervision. Meanwhile, the Group shall carry out an assessment of the effectiveness of internal control on a regular basis and prepare an annual internal control assessment report so that it can identify and address the deficiencies in a timely manner.

PROCEDURES AND INTERNAL CONTROL MEASURES FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group has established a stringent process to handle and disseminate inside information in accordance with relevant requirements under the Listing Rules and the SFO. To step up the Groups' efforts for confidentiality of inside information, the Company has formulated the Registration and Filing System for 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 agreements with the persons who possess inside information.

REVIEW OF THE 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 but not absolute assurance against any 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, the 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 2018, 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 shall demand the convening of an extraordinary general meeting according to the following procedures:

(1) Shareholders individually or collectively holding more than 10% 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 is 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 more than 10% 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 within the specified period shall be deemed failure of the Supervisory Committee to convene and preside over a general meeting, and shareholders individually or collectively holding more than 10% of the Company's shares for 90 consecutive days or more may convene and preside over the meeting on a unilateral basis. The procedures for convening the meeting should be similar to those for convening a general meeting by the Board as far as possible. The venue 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 report to the dispatched office of the CSRC and the stock exchange at the place where the Company is located. The convening shareholder(s) shall submit relevant evidence to the dispatched office of the CSRC and the stock exchange at the place where the Company is located 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 the shareholder(s) at its/their own discretion. The Board shall provide the register of members as of the share registration date.

(6) Necessary expenses on 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 PROPOSING MOTIONS AT GENERAL MEETINGS

At general meetings of the Company, shareholders severally or jointly holding more than 3% of the Company's shares may propose motions to the Company. Shareholders severally or jointly holding 3% or more of the Company's shares may submit extraordinary motions in writing to the convener 10 days before the 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 A 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) The 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 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 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 a 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 for Directors shall be resolved by cumulative voting at the general meeting.

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

5/F, 5299 Binjiang Dadao, Shanghai, the PRC

Postal code: 200127

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 puts 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 meeting and each extraordinary general meeting, which should serve as valuable communication forums with the management and for each other.

The Company actively promotes and enhances investor relations and communication with investors. The Company has set up a dedicated 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 communication 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 the latest information about the Group on the Company's website.

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

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the year ended 31 December 2018, there were no amendments to the Articles of Association.

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 2018, Mr. Yu Zhen attended more than 15 hours of relevant professional training.

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

I. WORKING STATUS OF THE SUPERVISORY COMMITTEE

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

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

Name of meeting	Convening time	Convening method	Attendance of Supervisors	Subject
Thirteenth meeting of the fifth session of the Supervisory Committee	29 March 2018	Physical presence	All	1. Proposal regarding the management work report for 2017 of the Company 2. Proposal regarding the implementation of new accounting standards 3. Proposal regarding the financial report for 2017 of the Company 4. Proposal regarding the profit distribution for 2017 of the Company 5. Proposal regarding the full text, highlights and the results presentation of the Company's 2017 annual report 6. Proposal regarding the internal control assessment report for 2017 of the Company 7. Proposal regarding the report of the supervisory committee for 2017 of the Company

Name of meeting	Convening time	Convening method	Attendance of Supervisors	Subject	
Fourteenth meeting of the fifth session of the Supervisory Committee	27 April 2018	Written correspondence	All	Proposal 1	Proposal regarding the first quarterly report for 2018 of the Company
				Proposal 2	Proposal regarding the changes in accounting estimates on the Company's vessels and containers
Fifteenth meeting of the fifth session of the Supervisory Committee	30 August 2018	Written correspondence	All	1.	Proposal regarding the management work report for the first half of 2018 of the Company
				2.	Proposal regarding the financial report for the first half of 2018 of the Company
				3.	Proposal regarding the half-yearly financial report and the interim results report for 2018 of the Company
				4.	Proposal regarding the changes in accounting estimates
Sixteenth meeting of the fifth session of the Supervisory Committee	30 October 2018	Written correspondence	All	1.	Proposal regarding the third quarterly report for 2018 of the Company

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 of the Company 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 of the Company 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 2018 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 of the Company shall strictly adhere to the Company Law, the Securities Law, Articles of Association of the Company 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 2019

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

安永會計師事務所
香港中環添美道1號
中信大廈22樓

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Independent auditor's report

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 91 to 210, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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, the 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 39 to the financial statements.	Our audit procedures included, among others: • testing the design and operation of internal control over the Group's determination of lease classification; • 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.
Expected credit losses ("ECLs") for finance lease receivables	
In accordance with HKFRS 9 *Financial Instruments*, applicable from 1 January 2018, the Group calculates ECLs of finance lease receivables within the next twelve months and will extend to their remaining lives if any significant increase in credit risk tracked. The carrying amount of finance lease receivables is material and the estimation for ECLs involves significant management's judgements, estimates and assumptions. The Group's accounting policy and the related disclosures regarding ECLs for finance lease receivables are detailed in note 2.4, note 21 and note 44 to the financial statements.	Our audit procedures included, among others: • testing the design and operation of internal control over the Group's processes of credit assessment; • reviewing the credit grading of the selected samples and assessing management's judgements applied when determining the significant increase in credit risk; and • evaluating management's assumptions and estimates used in the calculation, mainly including probability of default and loss given default, against internal historical credit loss experience and external information.

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 2019

Consolidated Statement of Profit or Loss

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	5	**16,242,002**	15,901,155
Cost of sales		**(12,342,761)**	(12,745,552)
Gross profit		**3,899,241**	3,155,603
Selling and administrative expenses		**(1,219,278)**	(961,876)
Other income	5	**393,967**	191,249
Other losses, net	5	**(272,695)**	(25,886)
Finance costs	7	**(3,406,547)**	(2,701,922)
Share of profits of:			
Associates		**2,314,450**	2,057,169
Joint ventures		**6,467**	7,155
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	**1,715,605**	1,721,492
Income tax expense	10	**(356,208)**	(360,142)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**1,359,397**	1,361,350
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	11	**76,878**	172,982
PROFIT FOR THE YEAR		**1,436,275**	1,534,332
Attributable to:			
Owners of the parent		**1,384,257**	1,463,803
Non-controlling interests		**52,018**	70,529
		1,436,275	1,534,332
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		**0.1185**	0.1253
– For profit from continuing operations		**0.1164**	0.1165

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
PROFIT FOR THE YEAR	**1,436,275**	1,534,332
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value, net of tax	**–**	(69,332)
Reclassification adjustments for gains included in the consolidated statement of profit or loss	**–**	(102,869)
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	**2,775**	8,812
Exchange differences:		
Exchange differences on translation of foreign operations	**(581,687)**	660,456
Associates and joint ventures:		
Share of other comprehensive income/(loss) of associates and joint ventures	**177,446**	(217,017)
Net comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	**(401,466)**	280,050
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Associates and joint ventures:		
Share of other comprehensive loss of associates and joint ventures	**(39,256)**	–
Net comprehensive loss not to be reclassified to profit or loss in subsequent periods	**(39,256)**	–
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(440,722)**	280,050
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**995,553**	1,814,382
Attributable to:		
Owners of the parent	**943,535**	1,739,824
Non-controlling interests	**52,018**	74,558
	995,553	1,814,382

Consolidated Statement of Financial Position

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	**56,483,496**	53,844,184
Investment properties	*15*	**104,443**	100,012
Prepaid land lease payments	*16*	**110,795**	114,382
Intangible asset	*17*	**18,388**	18,641
Investments in associates	*18*	**23,629,294**	20,256,221
Investments in joint ventures	*19*	**193,308**	198,526
Available-for-sale investments	*20*	**–**	4,013,699
Financial assets at fair value through profit or loss	*20*	**3,446,701**	–
Finance lease receivables	*21*	**23,220,091**	20,087,976
Loans and receivables		**–**	154,116
Factoring receivables	*22*	**150,937**	–
Derivative financial instruments	*32*	**16,283**	13,360
Deferred tax assets	*23*	**197,740**	113,147
Other long term prepayments		**24,437**	90,000
Total non-current assets		**107,595,913**	99,004,264
CURRENT ASSETS			
Inventories	*24*	**1,017,748**	1,155,668
Trade and notes receivables	*25*	**1,034,872**	859,177
Prepayments and other receivables	*26*	**591,777**	896,243
Prepaid land lease payments	*16*	**3,587**	3,587
Finance lease receivables	*21*	**10,711,620**	7,333,145
Loans and receivables		**–**	3,763,801
Factoring receivables	*22*	**673,737**	529,799
Held-for-trading investments	*20*	**–**	547,428
Derivative financial instruments	*32*	**7,309**	2,736
Restricted cash	*27*	**951,665**	1,748,512
Cash and cash equivalents	*27*	**15,249,194**	23,193,300
Total current assets		**30,241,509**	40,033,396
Total assets		**137,837,422**	139,037,660

continued /...

Consolidated Statement of Financial Position (continued)

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
CURRENT LIABILITIES			
Trade and notes payables	28	**1,686,104**	1,619,509
Other payables and accruals	29	**2,697,590**	2,790,664
Contract liabilities		**7,356**	–
Bank and other borrowings	30	**47,469,440**	31,571,856
Corporate bonds	31	**2,631,916**	1,611,981
Finance lease obligations	33	**187,197**	68,446
Deposits from customers		**–**	14,757,813
Derivative financial instruments	32	**883**	–
Tax payable		**225,114**	237,297
Total current liabilities		**54,905,600**	52,657,566
NET CURRENT LIABILITIES		**(24,664,091)**	(12,624,170)
TOTAL ASSETS LESS CURRENT LIABILITIES		**82,931,822**	86,380,094
NON-CURRENT LIABILITIES			
Bank and other borrowings	30	**57,346,798**	63,849,439
Corporate bonds	31	**3,381,784**	2,803,325
Finance lease obligations	33	**1,359,478**	512,082
Deposits from customers		**–**	14,951
Derivative financial instruments	32	**3,071**	–
Deferred tax liabilities	23	**371,812**	321,867
Other long term payables		**2,428,744**	2,004,643
Total non-current liabilities		**64,891,687**	69,506,307
Net assets		**18,040,135**	16,873,787
EQUITY			
Equity attributable to owners of the parent			
Share capital	34	**11,683,125**	11,683,125
Special reserve	35	**–**	1,912
General reserve	35	**–**	142,932
Other reserves	35	**(5,731,446)**	(5,505,506)
Other equity instrument	35	**2,000,000**	1,000,000
Retained profits		**10,088,456**	8,953,699
		18,040,135	16,276,162
Non-controlling interests		**–**	597,625
Total equity		**18,040,135**	16,873,787

Sun Yueying
Director

Wang Daxiong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Note	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
		Attributable to owners of the parent								
At 1 January 2018 as previously reported		11,683,125	1,912	142,932	(5,505,506)	1,000,000	8,953,699	16,276,162	597,625	16,873,787
Effect of adopting HKFRS 9	2.2	–	–	–	151,191	–	(279,660)	(128,469)	–	(128,469)
At 1 January 2018 (restated)		11,683,125	1,912	142,932	(5,354,315)	1,000,000	8,674,039	16,147,693	597,625	16,745,318
Profit for the year		–	–	–	–	–	1,384,257	1,384,257	52,018	1,436,275
Other comprehensive loss for the year:										
Cash flow hedges:										
Effective portion of changes in fair value of hedging instruments arising during the year		–	–	–	2,775	–	–	2,775	–	2,775
Exchange differences:										
Exchange differences on translation of foreign operations		–	–	–	(581,687)	–	–	(581,687)	–	(581,687)
Associates and joint ventures:										
Share of other comprehensive income of associates and joint ventures		–	–	–	138,190	–	–	138,190	–	138,190
Total comprehensive income for the year		–	–	–	(440,722)	–	1,384,257	943,535	52,018	995,553
Share of capital reserves of associates		–	–	–	7,713	–	–	7,713	–	7,713
Disposal of subsidiaries	37	–	–	(142,932)	–	–	142,932	–	(649,643)	(649,643)
Issue of perpetual debt	35	–	–	–	–	1,000,000	–	1,000,000	–	1,000,000
Dividends for perpetual debt		–	–	–	–	–	(58,806)	(58,806)	–	(58,806)
Transfer from retained profits		–	35,621	–	55,878	–	(91,499)	–	–	–
Utilisation of special reserve		–	(37,533)	–	–	–	37,533	–	–	–
At 31 December 2018		11,683,125	–	–	(5,731,446)	2,000,000	10,088,456	18,040,135	–	18,040,135

continued /...

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2018

		Attributable to owners of the parent								
	Note	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 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	35	–	–	–	–	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

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	38	**6,822,394**	12,123,517
Income tax paid		**(404,417)**	(271,376)
Net cash flows generated from operating activities		**6,417,977**	11,852,141
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**131,227**	77,396
Dividends received from associates		**371,660**	147,346
Dividends received from joint ventures		**11,736**	–
Dividends received from available-for-sale investments		**–**	33,922
Dividends received from financial assets at fair value through profit or loss		**92,429**	–
Dividends received from held-for-trading investments		**–**	3,528
Purchases of items of property, plant and equipment		**(4,363,290)**	(2,098,976)
Receipt of government grants for property, plant and equipment		**–**	10,400
Purchases of intangible assets		**(9,923)**	(6,745)
Proceeds from disposal of items of property, plant and equipment		**497,271**	1,425,621
Proceeds from disposal of prepaid land lease payments		**–**	748
Purchases of equity in associates		**(72,341)**	(50,779)
Purchase of equity in joint ventures		**–**	(54,000)
Purchase of equity in a joint venture		**–**	(90,000)
Purchases of available-for-sale investments		**–**	(9,282,500)
Refund of prepayment for an available-for-sale investment		**–**	75,000
Purchases of financial assets at fair value through profit or loss		**(8,081,916)**	–
Purchases of held-for-trading investments		**–**	(939,198)
Disposal of subsidiaries	37	**(7,909,415)**	2,267
Proceeds from disposal of associates		**–**	7,083
Proceeds from disposals of available-for-sale investments		**–**	11,152,815
Proceeds from disposals of financial assets at fair value through profit or loss		**7,618,355**	–
Proceeds from disposals of held-for-trading investments		**–**	469,133
Increase in finance lease receivables		**(5,893,658)**	(7,376,654)
Increase in factoring receivables		**(296,717)**	(188,003)
Increase in restricted cash		**(85,132)**	(156,193)
Increase in other long term payables		**201,078**	185,300
Net cash flows used in investing activities		**(17,788,636)**	(6,652,489)

continued /...

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from non-controlling interests		–	210,000
Proceeds from issue of perpetual debt	35	1,000,000	1,000,000
Consideration paid for acquisition of subsidiaries under common control		–	(76,254)
Consideration paid for acquisition of an associate under common control		–	(950,829)
New bank and other borrowings		51,333,147	43,758,885
Repayment of bank and other borrowings		(46,753,889)	(38,915,250)
New corporate bonds		4,916,000	3,395,000
Repayment of corporate bonds		(3,340,754)	(2,400,003)
Refund of overpaid consideration for acquisition of non-controlling interests in prior periods		–	13,210
New finance lease obligations under sale and leaseback arrangements		993,914	304,079
Capital element of finance lease payments		(128,765)	(55,359)
Dividends paid for perpetual debt		(58,806)	–
Interest paid		(4,314,206)	(3,320,378)
Increase in restricted cash		(419,139)	(76,824)
Net cash flows generated from financing activities		3,227,502	2,886,277
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(8,143,157)	8,085,929
Cash and cash equivalents at beginning of year		23,193,300	15,527,254
Effect of foreign exchange rate changes, net		199,051	(419,883)
CASH AND CASH EQUIVALENTS AT END OF YEAR	27	15,249,194	23,193,300

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 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.	Hong Kong	HK$1,000,000 and US$1,777,558,800 RMB1,900,000,000	100%	–	Vessel chartering and container leasing
CSCL Star Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Venus Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Jupiter Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Mercury Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Mars Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Saturn Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Uranus Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Neptune Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Bohai Sea Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Yellow Sea Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL East China Sea Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL South China Sea Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Spring Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Summer Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering

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 Direct	Indirect	Principal activities
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
Helen Insurance Brokers Limited	Hong Kong	HK$3,000	–	100%	Provision of insurance brokerage services
COSCO SHIPPING Development (Asia) Co., Ltd	British Virgin Islands ("BVI")	US$514,465,000	–	100%	Vessel chartering and container leasing
Arisa Navigation Company Limited	Cyprus	CYP1,000	–	100%	Vessel chartering
YangshanA Shipping Company Limited	BVI	US$50,000	–	100%	Vessel chartering
YangshanB Shipping Company Limited	BVI	US$50,000	–	100%	Vessel chartering
YangshanC Shipping Company Limited	BVI	US$50,000	–	100%	Vessel chartering
YangshanD Shipping Company Limited	BVI	US$50,000	–	100%	Vessel chartering
Oriental Fleet International Co., Ltd.	Hong Kong	HK$140,000	–	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	
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 HLCV03 Limited	BVI	US$1	–	100%	Financial leasing
Oriental Fleet HLCV04 Limited	BVI	US$1	–	100%	Financial leasing
Oriental Fleet HLCV05 Limited	BVI	US$1	–	100%	Financial leasing
Oriental Fleet HLCV06 Limited	BVI	US$1	–	100%	Financial leasing
Oriental Fleet Bulk01 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Bulk02 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Bulk03 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Bulk04 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Chemical01 Limited	BVI	US$1	–	100%	Financial leasing
Oriental Fleet Cruise01 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Tanker07 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Tanker08 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Tanker09 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Tanker10 Limited	Marshall	US$1	–	100%	Financial 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 Direct	Indirect	Principal activities
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
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$1,374,000,000	–	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

1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Florens Management Services (Macao Commercial Offshore) Limited	Macao	MOP100,000	–	100%	Provision of container management services
Florens Container Corporation S.A.	Panama	US$10,000	–	100%	Container leasing
Florens Asset Management Company Limited	Hong Kong	HK$100	–	100%	Provision of container management services
Florens Asset Management (Deutschland) GmbH	Deutschland	EURO25,564.6	–	100%	Provision of container management services
Florens Asset Management (Italy) S.R.L.	Italy	EURO10,400	–	100%	Provision of container management services
Florens Asset Management (USA), Ltd.	United States	US$1	–	100%	Provision of container management services
Florens Container, Inc. (2002)	United States	US$1	–	100%	Sale of containers
Florens Shipping Corporation Limited	Bermuda	US$12,000	–	100%	Container leasing
Fairbreeze Shipping Company Limited	Hong Kong	HK$500,000	–	100%	Property investment
Long Honour Investments Limited	BVI	US$1	–	100%	Investment holding
COSCO Container Industry Co., Ltd.	BVI	US$1	–	100%	Investment holding
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

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	
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
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
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 RMB24,664,091,000 as at 31 December 2018. The directors of the Company are of opinion that based on the available unutilised banking facilities as at 31 December 2018, 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 2018. 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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 15 *REVENUE FROM CONTRACTS WITH CUSTOMERS*

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a 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 standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method. There was no substantive effect of adopting HKFRS 15 except for the followings:

- The comparative information for each of the primary financial statements would be presented based on the requirements of HKAS 11, HKAS 18 and related Interpretations; and

- The Group has disclosed additional information regarding performance obligations, disaggregation of revenue and contract balances for the year ended 31 December 2018 without any comparative information, which would follow the requirements of HKAS 11, HKAS 18 and related Interpretations.

HKFRS 9 *FINANCIAL INSTRUMENTS*

HKFRS 9 Financial Instruments replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has not restated comparative information for financial instruments in the scope of HKFRS 9. Therefore, the comparative information is reported under HKAS 39 and is not comparable to the information presented for the year ended 31 December 2018. Differences arising from the adoption of HKFRS 9 have been recognised directly in reserves as of 1 January 2018.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 9 *FINANCIAL INSTRUMENTS (continued)*

Changes to classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position.

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement		Re-	Fair value	HKFRS 9 measurement	
	Note	Category	Amount	classification	remeasurement	Amount	Category
			RMB'000	RMB'000	RMB'000	RMB'000	
Financial assets							
Available-for-sale investments		AFS[1]	4,013,699	(4,013,699)	–		N/A
To: Financial assets at fair value through profit or loss	*(i)*			(4,013,699)	–		
Financial assets at fair value through profit or loss		FVTPL[2]	547,428	4,013,699	(41,517)	4,519,610	FVTPL
From: Available-for-sale investments	*(i)*			4,013,699	–		
Derivatives financial instruments		FVTPL	16,096	–	–	16,096	FVTPL
Trade and notes receivables		L&R[3]	859,177	–	–	859,177	AC[4]
Financial assets included in prepayments and other receivables		L&R	252,310	–	–	252,310	AC
Finance lease receivables		L&R	27,421,121	–	–	27,421,121	AC
Loans and receivables		L&R	3,917,917	–	–	3,917,917	AC
Factoring receivables		L&R	529,799	–	–	529,799	AC
Restricted and time deposits		L&R	1,748,512	–	–	1,748,512	AC
Cash and cash equivalents		L&R	23,193,300	–	–	23,193,300	AC
			62,499,359	–	(41,517)	62,457,842	
Other assets							
Deferred tax assets	*(i)*		139,176	–	10,381	149,557	
Total assets			62,638,535	–	(31,136)	62,607,399	
Financial liabilities							
Trade and notes payables		AC	1,619,509	–	–	1,619,509	AC
Financial liabilities included in other payables and accruals		AC	2,643,511	–	–	2,643,511	AC
Bank and other borrowings		AC	95,421,295	–	–	95,421,295	AC
Corporate bonds		AC	4,415,306	–	–	4,415,306	AC
Finance lease obligations		AC	580,528	–	–	580,528	AC
Deposits from customers		AC	14,772,764	–	–	14,772,764	AC
Other long term payables		AC	2,004,643	–	–	2,004,643	AC
Total liabilities			121,457,556	–	–	121,457,556	

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 9 *FINANCIAL INSTRUMENTS (continued)*

Changes to classification and measurement (continued)

1 AFS: Available-for-sale investments

2 FVTPL: Financial assets at fair value through profit or loss

3 L&R: Loans and receivables

4 AC: Financial assets or financial liabilities at amortised cost

Note:

(i) The Group has classified its investments previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss. Upon the reclassification, a fair value remeasurement deficit of RMB41,517,000 was recorded as financial assets at fair value through profit or loss and the related tax impact of RMB10,381,000 was recorded as deferred tax assets.

Changes to the impairment calculation

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 impact of adopting expected credit loss model under HKFRS 9 was not significant and, therefore, the Group made no adjustment to equity as of 1 January 2018 for the changes in impairment.

Changes to hedging accounting

The Group has applied hedge accounting under HKFRS 9 prospectively. At the date of initial application of HKFRS 9, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Before the adoption of HKFRS 9, the Group designated the change in fair value of the entire interest rate swap contracts in its cash flow hedge relationships. Upon adoption of HKFRS 9, the Group continues to designate the entire interest rate swap contracts in the cash flow hedge relationships. The adoption of the hedge accounting requirements of HKFRS 9 has had no impact on the Group's financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

HKFRS 9 *FINANCIAL INSTRUMENTS (continued)*

Changes to hedging accounting (continued)

The quantitative post-tax impact of adopting HKFRS 9 adjusted to the opening equity is as follows:

	Other reserves RMB'000	Retained profits RMB'000
Transition for the former available-for-sale investments at fair value through other comprehensive income	36,930	(36,930)
Transition for the former available-for-sale investments carried at cost	–	(31,136)
Share of the impact of adopting HKFRS 9 of associates	114,261	(211,594)
	151,191	(279,660)

All of other new and revised HKFRSs above have no significant financial effect on these financial statements.

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 3	*Definition of Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

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

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 following:

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two 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 plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. The Group has estimated that the quantitative impact on the balance of assets, liabilities and equity as at 1 January 2019 is insignificant.

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.

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*.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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); and

(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	3.4%-3.6%
Leasehold improvements	Over the shorter of the lease terms and 5 years
Buildings	1.8%-5.0%
Containers	3.3%-5.1%
Machinery, motor vehicles and office equipment	4.8%-22.3%

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

With effect from 1 January 2018, the Group made a change in depreciation estimates as follows:

- Estimated residual value of vessels changed from US$280 to US$330 per ton; and

- Estimated residual value of certain containers changed from US$560 – US$896 to US$780 – US$900 per container.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (continued)

The change has been applied prospectively and has resulted in a decrease in depreciation of approximately RMB217,282,000 for the year.

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

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

INVESTMENT PROPERTIES

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

Depreciation is calculated on a straight-line basis to write off the cost of each item of investment properties. The principal annual rates used for this purpose range from 1.0% 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 life 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 (POLICIES UNDER HKFRS 9 APPLICABLE FROM 1 JANUARY 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (POLICIES UNDER HKFRS 9 APPLICABLE FROM 1 JANUARY 2018) (continued)

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

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 designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

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 recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (POLICIES UNDER HKAS 39 APPLICABLE BEFORE 1 JANUARY 2018)

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 (applicable before 1 January 2018)" 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 and administrative expenses for loans and receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (POLICIES UNDER HKAS 39 APPLICABLE BEFORE 1 JANUARY 2018) (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 (applicable before 1 January 2018)" 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 (POLICIES UNDER HKFRS 9 APPLICABLE FROM 1 JANUARY 2018 AND POLICIES UNDER HKAS 39 APPLICABLE BEFORE 1 JANUARY 2018)

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (POLICIES UNDER HKFRS 9 APPLICABLE FROM 1 JANUARY 2018)

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The calculation of ECLs is based on probability of default ("PD") approach with key elements as follows:

- PD: an estimate of the likelihood of default over a given time horizon;
- Loss Given Default ("LGD"): an estimate of the loss arising in the case where a default occurs at a given time; and
- Exposure at Default ("EAD"): an estimate of the exposure at a future default date.

Forward looking information has been incorporated into the determination of expected credit losses, including the use of macroeconomic information, such as GDP growth.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (POLICIES UNDER HKFRS 9 APPLICABLE FROM 1 JANUARY 2018) (continued)

General approach (continued)

For lease receivables, the Group chooses as its accounting policy to adopt the general approach. Therefore, all financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

ECLs in Stage 1 and Stage 2 are measured on a collective basis. Meanwhile, in Stage 3, ECLs are measured on an individual basis.

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. For trade receivables related to customers that are in financial difficulties or in default, ECLs are measured on an individual basis. In addition, the Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, to measure ECLs on a collective basis as follows:

Aging based on the invoice date	Provision rates
Within 1 year	3%
1-2 years	10%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (POLICIES UNDER HKAS 39 APPLICABLE BEFORE 1 JANUARY 2018)

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.

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, and administrative expenses in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF FINANCIAL ASSETS (POLICIES UNDER HKAS 39 APPLICABLE BEFORE 1 JANUARY 2018) (continued)

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.

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 (POLICIES UNDER HKFRS 9 APPLICABLE FROM 1 JANUARY 2018 AND POLICIES UNDER HKAS 39 APPLICABLE BEFORE 1 JANUARY 2018)

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, 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 (POLICIES UNDER HKFRS 9 APPLICABLE FROM 1 JANUARY 2018 AND POLICIES UNDER HKAS 39 APPLICABLE BEFORE 1 JANUARY 2018)

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 (POLICIES UNDER HKFRS 9 APPLICABLE FROM 1 JANUARY 2018 AND POLICIES UNDER HKAS 39 APPLICABLE BEFORE 1 JANUARY 2018)

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 (POLICIES UNDER HKFRS 9 APPLICABLE FROM 1 JANUARY 2018 AND POLICIES UNDER HKAS 39 APPLICABLE BEFORE 1 JANUARY 2018)

Initial recognition and subsequent measurement

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (POLICIES UNDER HKFRS 9 APPLICABLE FROM 1 JANUARY 2018 AND POLICIES UNDER HKAS 39 APPLICABLE BEFORE 1 JANUARY 2018) (continued)

Initial recognition and subsequent measurement (continued)

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.

Before 1 January 2018, the documentation included identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group assessed 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 were expected to be highly effective in achieving offsetting changes in fair value or cash flows and were assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Starting from 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (POLICIES UNDER HKFRS 9 APPLICABLE FROM 1 JANUARY 2018 AND POLICIES UNDER HKAS 39 APPLICABLE BEFORE 1 JANUARY 2018) (continued)

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (POLICIES UNDER HKFRS 9 APPLICABLE FROM 1 JANUARY 2018 AND POLICIES UNDER HKAS 39 APPLICABLE BEFORE 1 JANUARY 2018) (continued)

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.

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.

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 (APPLICABLE FROM 1 JANUARY 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION (APPLICABLE FROM 1 JANUARY 2018) (continued)

Revenue from contracts with customers (continued)

(a) Sale of containers

Revenue from the sale of containers is recognised on a bill-and-hold basis. A bill-and-hold arrangement is a contract under which the Group bills a customer for a product but the Group retains physical possessions of the product until it is transferred to the customer at a point in time in the future. The Group assesses when all of the following criteria are met:

- Upon completion of manufacturing, the Group demonstrates that the container meets the agreed-upon specifications in the contract to the customer;
- The customer has requested the bill-and-hold arrangement;
- The container has been identified separately as belonging to the customer;
- The container is ready for physical transfer to the customer; and
- The Group cannot have the ability to use the container or to direct it to another customer.

When all of the criteria above are met, the performance obligation is satisfied and revenue is recognised accordingly. Under such arrangement, payment in advance is normally required and the normal credit term for the residual consideration is 45 to 60 days upon satisfaction of performance obligation.

(b) Sale of shipping related spare parts

The performance obligation is satisfied at the point in time when control of the asset is transferred to the customer, generally on delivery, and revenue is recognised accordingly. Payment is generally due within 45 to 60 days from delivery.

(c) Rendering of services

The Group provides shipping related services and insurance brokerage services. The performance obligation is satisfied over time as services are rendered. Payment is generally due within 30 to 45 days upon completion of service and acceptance by the customer.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION (APPLICABLE FROM 1 JANUARY 2018) (continued)

Revenue from other sources

Operating lease income is recognised on a time proportion basis over the lease terms.

Finance lease income is recognised 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.

Other income

Interest income is recognised 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.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

REVENUE RECOGNITION (APPLICABLE BEFORE 1 JANUARY 2018)

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)

CONTRACT LIABILITIES (APPLICABLE FROM 1 JANUARY 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

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 weighted average exchange rates for the year 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.

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

JUDGEMENTS (continued)

Determination of significant increases in credit risk

The calculation of ECLs under general approach are required to be categorised into different stages according to the changes in credit risk to apply respective calculation mechanics.

The Group considers whether the credit risk of a financial asset has increased significantly since initial recognition with the following non-exhaustive factors:

- past due over 90 days;
- an actual or expected significant change in the operating results of the borrower; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations.

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.

Estimation of ECLs

The Group uses PD approach under general approach and a provision matrix under simplified approach, respectively, in calculation of ECLs. The Group estimates PD, LGD and provision rate, respectively, by reference to the internal historical credit loss experience and external information.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

ESTIMATION UNCERTAINTY (continued)

Fair value of unlisted equity investments

The Group assesses certain of unlisted equity investments using market approach with reference to price multiple of comparable public companies (peers). The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity. Further details are contained in note 43 to the financial statements.

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 2018, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) The shipping and industry-related leasing segment, which renders vessel chartering, container leasing and finance lease services;

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

(c) The investment and services segment, which focuses on equity or debt investment and insurance brokerage services; and

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

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

	2018					2017				
	Shipping and industry-related leasing RMB'000	**Container manufacturing RMB'000**	**Investment and financial services RMB'000**	**Others RMB'000**	**Total RMB'000**	Shipping and industry-related leasing RMB'000 (Restated)	Container manufacturing RMB'000 (Restated)	Investment and financial services RMB'000 (Restated)	Others RMB'000 (Restated)	Total RMB'000 (Restated)
Segment revenue:										
Sales of containers	–	5,827,452	–	–	5,827,452					
Sales of shipping related spare parts	202,643	–	–	–	202,643					
Shipping related services	1,206,918	–	–	–	1,206,918					
Others	–	–	39,893	–	39,893					
Total revenue from contracts with customers to external customers from continuing operations	1,409,561	5,827,452	39,893	–	7,276,906					
Leasing revenue to external customers from continuing operations	8,965,096	–	–	–	8,965,096					
Total revenue to external customers from continuing operations	10,374,657	5,827,452	39,893	–	16,242,002	10,380,425	5,466,730	41,564	12,436	15,901,155
Intersegment revenue from contracts with customers	–	2,004,398	6,911	–	2,011,309	–	472,955	7,181	–	480,136
Total revenue	10,374,657	7,831,850	46,804	–	18,253,311	10,380,425	5,939,685	48,745	12,436	16,381,291
Segment results	1,472,789	408,018	748,664	(5,609)	2,623,862	904,922	280,049	1,236,059	13,381	2,434,411
Elimination of intersegment results					(163,928)					(93,739)
Unallocated selling and administrative expenses					(106,649)					(135,068)
Unallocated finance costs					(637,680)					(484,112)
Profit before tax from continuing operations					1,715,605					1,721,492
Segment assets	103,332,551	4,960,331	34,825,780	–	143,118,662	94,093,293	4,696,088	50,555,243	6,942	149,351,566
Elimination of intersegment assets					(5,281,240)					(10,313,906)
Total assets					137,837,422					139,037,660
Segment liabilities	77,196,349	3,641,406	25,929,640	–	106,767,395	66,052,830	3,130,924	45,033,261	25	114,217,040
Unallocated liabilities					17,463,394					17,542,265
Elimination of intersegment liabilities					(4,433,502)					(9,595,432)
Total liabilities					119,797,287					122,163,873
Supplementary segment information:										
Depreciation and amortization	3,167,295	53,793	243	–	3,221,331	3,237,461	48,771	624	–	3,286,856
Provision/(reversal) of impairment on receivables	286,250	2,874	33	–	289,157	162,487	(4,392)	105	–	158,200
Write-down/(reversal of write-down) of inventories to net realisable value	–	30,058	–	–	30,058	(43,646)	–	–	–	(43,646)
Dividend income	–	–	75,537	–	75,537	–	–	16,178	–	16,178
Share of profits of:										
Associates	–	–	2,314,450	–	2,314,450	–	–	2,057,169	–	2,057,169
Joint ventures	–	–	6,467	–	6,467	–	–	7,155	–	7,155
Investments in associates	–	–	23,629,294	–	23,629,294	–	–	20,256,221	–	20,256,221
Investments in joint ventures	–	–	193,308	–	193,308	–	–	198,526	–	198,526
Capital expenditure*	4,109,087	119,826	193	–	4,229,106	2,773,729	93,138	–	–	2,866,867

* 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

	2018 RMB'000	2017 RMB'000 (Restated)
Hong Kong	6,730,039	7,143,231
Mainland China	4,707,073	4,132,856
Asia (excluding Hong Kong and Mainland China)	1,633,010	1,727,824
United States	2,532,669	2,273,220
Europe	630,127	615,156
Others	9,084	8,868
	16,242,002	15,901,155

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

(b) Non-current assets

	2018 RMB'000	2017 RMB'000
Hong Kong	51,459,448	47,558,406
Mainland China	29,104,713	27,063,560
	80,564,161	74,621,966

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 RMB8,420,430,000 (2017: RMB8,542,690,000) 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

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

(A) REVENUE

	2018 RMB'000
Revenue from contracts with customers	
Sales of containers	5,827,452
Sales of shipping related spare parts	202,643
Shipping related services	1,206,918
Others	39,893
Total revenue from contracts with customers	7,276,906
Other revenue	
Vessel chartering and container leasing	6,915,007
Finance lease income	2,050,089
Others	–
Total other revenue	8,965,096
Total revenue	16,242,002

	2017 RMB'000 (Restated)
Vessel chartering and container leasing	8,934,848
Sales of goods	5,466,730
Finance lease income	1,445,577
Others	54,000
	15,901,155

5. REVENUE, OTHER INCOME AND LOSSES (continued)

(A) REVENUE (continued)

With the adoption of HKFRS 15 from 1 January 2018, the disaggregation of the Group's revenue from contracts with customers, including sales of goods and rendering of services above, for the year ended 31 December 2018 is as follows:

	2018 RMB'000
Geographical markets for revenue from contracts with customers	
Hong Kong	1,790,840
Mainland China	2,496,761
Asia (excluding Hong Kong and Mainland China)	521,288
United States	2,415,495
Europe	52,500
Others	22
Total revenue from contracts with customers	7,276,906

	2018 RMB'000
Timing of revenue recognition	
Goods transferred at a point in time	6,030,095
Services transferred over time	1,246,811
Total revenue from contracts with customers	7,276,906

The carrying amount of trade and notes receivables in relation to revenue from contracts with customers under HKFRS 15 as at 31 December 2018 was RMB343,552,000 (1 January 2018: RMB444,755,000).

Contract liabilities of RMB7,356,000 as at 31 December 2018 (1 January 2018: RMB87,650,000) are short-term advances from customers. During the year ended 31 December 2018, contract liabilities of RMB87,650,000 at the beginning of the year was recognised as revenue. The decrease was in line with the decrease in sales of containers in the fourth quarter of the year.

5. REVENUE, OTHER INCOME AND LOSSES (continued)

(B) OTHER INCOME

	2018 RMB'000	2017 RMB'000 (Restated)
Interest income	123,713	84,752
Government grants related to income	169,226	43,724
Dividends from available-for-sale investments	–	16,178
Dividends from financial assets at fair value through profit or loss	75,537	–
Management fee income	18,868	29,995
Others	6,623	16,600
	393,967	191,249

(C) OTHER LOSSES

	2018 RMB'000	2017 RMB'000 (Restated)
Gain on disposal of items of property, plant and equipment	100,913	37,657
Gain on disposal of available-for-sale investments	–	110,262
Fair value loss on financial assets at fair value through profit or loss	(565,703)	–
Fair value gain on held-for-trading investments	–	2,193
Net foreign exchange gain/(loss)	100,623	(176,660)
Others*	91,472	662
	(272,695)	(25,886)

* During 2016, Hanjin Shipping Co., Ltd. ("Hanjin"), one of the Group's former customers in the shipping and industry-related leasing segment filed for bankruptcy protection. As a result, certain containers were not probable to be recovered from Hanjin based on management' best estimate at that time and an impairment of RMB126,122,000 was recognised. During the year, the Korean Court has made the judgement and the Group received a compensation gain of RMB96,071,000 from Hanjin for the unrecovered containers.

6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	Notes	**2018** RMB'000	2017 RMB'000 (Restated)
Cost of goods sold		**4,884,395**	4,457,650
Cost of service provided		**1,576,967**	1,974,787
Depreciation of property, plant and equipment		**3,210,150**	3,276,188
Depreciation of investment properties	*15*	**584**	305
Amortisation of prepaid land lease payments	*16*	**3,587**	3,722
Amortisation of intangible assets		**7,010**	8,364
Auditor's remuneration		**7,650**	7,250
Employee benefit expenses (including directors' remuneration *(note 8)*):			
Wages and salaries		**1,786,641**	1,687,750
Pension scheme contributions (defined contribution scheme)		**121,443**	100,897
		1,908,084	1,788,647
Minimum lease payments under operating leases		**996,679**	1,898,670
Foreign exchange differences, net	*5*	**(102,407)**	176,660
Impairment of finance lease receivables recognised	*44*	**310,831**	147,019
Impairment of factoring receivables recognised	*44*	**1,842**	11,212
Impairment of trade receivables reversed	*44*	**(23,475)**	(1,644)
Impairment of other receivables (reversed)/recognised		**(41)**	1,613
Write-down/(reversal of write-down) of inventories to net realisable value		**30,058**	(43,646)
Gain on disposal of items of property, plant and equipment	*5*	**(100,913)**	(37,657)
Gain on disposal of available-for-sale investments	*5*	**–**	(110,262)
Fair value loss on financial assets at fair value through profit or loss	*5*	**565,703**	–
Fair value gain on held-for-trading investments	*5*	**–**	(2,193)
Dividends from available-for-sale investments	*5*	**–**	(16,178)
Dividends from financial assets at fair value through profit or loss	*5*	**(75,537)**	–
Interest income	*5*	**(123,713)**	(84,752)

7. FINANCE COSTS

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

	2018 RMB'000	2017 RMB'000
Interest on borrowings and corporate bonds	3,217,043	2,557,294
Charged on standby letter of credit	150,103	138,964
Interest on finance leases	39,401	13,183
Total interest expense	3,406,547	2,709,441
Less: interest capitalised	–	(7,519)
	3,406,547	2,701,922

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:

	2018 RMB'000	2017 RMB'000
Fees	1,338	1,075
Other emoluments:		
Salaries, allowances and benefits in kind	3,950	3,758
Performance related bonuses	3,194	2,650
Pension scheme contributions	392	397
	7,536	6,805
	8,874	7,880

During the year, no director (2017: Nil) was granted share options.

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

The directors' 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
2018					
Executive directors:					
Mr. Wang Daxiong (chief executive)	–	1,297	1,201	128	2,626
Mr. Liu Chong	–	1,297	1,020	130	2,447
Mr. Xu Hui	–	1,356	973	134	2,463
	–	3,950	3,194	392	7,536
Independent non-executive directors:					
Mr. Cai Hongping	300	–	–	–	300
Ms. Hai Chi Yuet	300	–	–	–	300
Mr. Graeme Jack	300	–	–	–	300
Mr. Lu Jianzhong	138	–	–	–	138
Mr. Gu Xu (appointed on 15 March 2018)	150	–	–	–	150
Ms. Zhang Weihua (appointed on 15 March 2018)	150	–	–	–	150
	1,338	–	–	–	1,338
	1,338	3,950	3,194	392	8,874

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
2017					
Executive directors:					
Mr. Wang Daxiong (chief executive)	–	1,250	1,065	123	2,438
Mr. Liu Chong	–	1,250	860	138	2,248
Mr. Xu Hui	–	1,258	725	136	2,119
	–	3,758	2,650	397	6,805
Independent non-executive directors:					
Mr. Cai Hongping	300	–	–	–	300
Ms. Hai Chi Yuet	300	–	–	–	300
Mr. Graeme Jack	300	–	–	–	300
Mr. Lu Jianzhong (appointed on 28 December 2017)	–	–	–	–	–
Mr. Tsang Hing Lun (passed away on 4 June 2017)	175	–	–	–	175
	1,075	–	–	–	1,075
	1,075	3,758	2,650	397	7,880

Save as disclosed above, none of the directors received any emoluments during 2018 and 2017.

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 (2017: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors and the chief executive (2017: two 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 (2017: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2018	2017
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**2,430**	2,338
Performance related bonuses	**1,321**	1,341
Pension scheme contributions	**291**	285
	4,042	3,964

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

	Number of employees	
	2018	2017
HK$2,000,001 to HK$2,500,000	**2**	2

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 (2017: 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 2018 and 2017.

Hong Kong profits tax was provided at the rate of 16.5% (2017: 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.

	2018	2017
	RMB'000	RMB'000
		(Restated)
Current income tax		
– PRC	**357,938**	292,677
– Hong Kong	**7,024**	14,628
– Elsewhere	**9,346**	11,495
Deferred income tax	**(18,100)**	41,342
	356,208	360,142

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:

10. INCOME TAX (continued)

	2018 RMB'000	2017 RMB'000 (Restated)
Profit before tax from continuing operations	**1,715,605**	1,721,492
Tax at the statutory tax rate	**428,901**	430,373
Effect of different tax rates for specific provinces or enacted by local authority	**(29,416)**	(33,868)
Effect of withholding tax on the distributable profits of the PRC entities to overseas entities	**81,159**	62,626
Adjustments in respect of current tax of previous periods	**511**	3,489
Profits attributable to associates and joint ventures	**(580,229)**	(516,081)
Income not subject to tax	**(1,068,557)**	(1,430,345)
Expenses not deductible for tax	**1,324,546**	1,652,858
Tax losses not recognised	**181,698**	160,146
Tax losses utilised from previous periods	**(182)**	(1,348)
Temporary differences not recognised	**17,787**	32,805
Temporary differences utilised from previous periods	**(10)**	(513)
	356,208	360,142

11. DISCONTINUED OPERATION

During the year ended 31 December 2017, the board of directors and the shareholders' meeting approved the merger of China Shipping Finance Company Limited ("CS Finance"), a subsidiary of the Company, and COSCO Finance Company Limited, a fellow subsidiary of the Company (the "Merger"). During 2018, China Banking and Insurance Regulatory Commission, as the regulatory authority, approved the Merger. The Merger was completed on 1 July 2018. After the Merger was completed, CS Finance continued as the surviving company and was renamed as COSCO SHIPPING Finance Company Limited ("COSCO SHIPPING Finance"). The Company was entitled to 23.38% equity interests of COSCO SHIPPING Finance as the consideration for its 65% equity interests of CS Finance. In the opinion of the directors, the Merger includes the deemed disposal of CS Finance and an acquisition of an associate. CS Finance represents a separate major operation, provision of banking services. As a result, CS Finance was classified as a discontinued operation.

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

	Note	**2018** **RMB'000**	2017 RMB'000 (Restated)
Revenue		**305,983**	359,445
Cost		**(111,851)**	(106,602)
Selling and administrative expenses		**(42,404)**	(57,699)
Other income		**24,262**	27,812
Other gains, net		**15,250**	15,581
Loss on disposal of CS Finance	*37*	**(70,090)**	–
Profit before tax from the discontinued operation		**121,150**	238,537
Income tax expense		**(44,272)**	(65,555)
Profit for the year from the discontinued operation		**76,878**	172,982
Earnings per share (expressed in RMB per share):			
Basic and diluted, from the discontinued operation		**0.0021**	0.0088

11. DISCONTINUED OPERATION (continued)

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

	2018 **RMB'000**	2017 RMB'000 (Restated)
Profit attributable to ordinary equity holders of the parent from the discontinued operation	**24,860**	102,453
Weighted average number of ordinary shares (in thousand) in issue during the year used in the basic and diluted earnings per share calculations *(note 13)*	**11,683,125**	11,683,125

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

	2018 **RMB'000**	2017 RMB'000 (Restated)
Operating activities	**(1,231,499)**	5,946,542
Investing activities	**61,867**	(421,905)
Financing activities	**–**	600,000
Effect of foreign exchange rate changes, net	**1,768**	–
Net cash flows	**(1,167,864)**	6,124,637

12. DIVIDENDS

	2018	2017
	RMB'000	RMB'000
Proposed final – RMB0.033 (2017: Nil) per ordinary share	**384,035**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The Board proposed the payment of a final dividend of RMB0.033 per share (inclusive of applicable tax) (2017: Nil), totaling approximately RMB384,035,000 (2017: Nil) calculated based on 11,637,425,063 shares, being the number of issued shares of the Company of 11,683,125,000 as at 29 March 2019 deducting 45,699,937 A shares repurchased by the Company, for the year ended 31 December 2018.

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.

	2018	2017
	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	**1,359,397**	1,361,350
From a discontinued operation	**24,860**	102,453
Profit attributable to ordinary equity holders of the parent	**1,384,257**	1,463,803

	2018	2017
	'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 (2017: 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	Construction in progress RMB'000	Total RMB'000
31 December 2018							
At 31 December 2017 and at 1 January 2018:							
Cost	45,080,203	30,923,334	445,140	841,739	83,969	27,034	77,401,419
Accumulated depreciation and impairment	(13,840,226)	(9,099,672)	(141,572)	(425,650)	(50,115)	–	(23,557,235)
Net carrying amount	31,239,977	21,823,662	303,568	416,089	33,854	27,034	53,844,184
At 1 January 2018, net of accumulated depreciation and impairment	31,239,977	21,823,662	303,568	416,089	33,854	27,034	53,844,184
Additions	161	4,081,857	5,139	14,061	12,507	108,121	4,221,846
Disposals	–	(390,112)	(104)	(7,690)	(1,375)	–	(399,281)
Disposal of subsidiaries *(note 37)*	–	–	–	(4,259)	–	(5,544)	(9,803)
Depreciation provided during the year	(1,620,664)	(1,510,977)	(14,039)	(45,532)	(19,751)	–	(3,210,963)
Transfers	–	–	22,254	76,547	3,494	(102,295)	–
Exchange realignment	869,792	1,165,892	–	1,472	357	–	2,037,513
At 31 December 2018, net of accumulated depreciation and impairment	30,489,266	25,170,322	316,818	450,688	29,086	27,316	56,483,496
At 31 December 2018:							
Cost	46,219,310	35,684,086	471,247	863,451	96,495	27,316	83,361,905
Accumulated depreciation and impairment	(15,730,044)	(10,513,764)	(154,429)	(412,763)	(67,409)	–	(26,878,409)
Net carrying amount	30,489,266	25,170,322	316,818	450,688	29,086	27,316	56,483,496

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 2017								
At 31 December 2016 and at 1 January 2017:								
Cost	46,375,805	30,855,378	444,889	949,849	69,996	1,252,118	38,248	79,986,283
Accumulated depreciation and impairment	(12,454,424)	(8,371,022)	(146,282)	(578,905)	(29,570)	(13,641)	–	(21,593,844)
Net carrying amount	33,921,381	22,484,356	298,607	370,944	40,426	1,238,477	38,248	58,392,439
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	83,969	–	27,034	77,401,419
Accumulated depreciation and impairment	(13,840,226)	(9,099,672)	(141,572)	(425,650)	(50,115)	–	–	(23,557,235)
Net carrying amount	31,239,977	21,823,662	303,568	416,089	33,854	–	27,034	53,844,184

At 31 December 2018, certain of the Group's container vessels and containers with a net carrying amount of approximately RMB22,735,030,000 (2017: RMB25,031,111,000) were pledged to secure general banking facilities granted to the Group (note 30) and corporate bonds (note 31).

15. INVESTMENT PROPERTIES

	2018 **RMB'000**	2017 RMB'000
At 1 January		
Cost	**150,320**	21,024
Accumulated depreciation	**(50,308)**	(12,807)
Net carrying amount	**100,012**	8,217
Carrying amount at 1 January	**100,012**	8,217
Depreciation during the year	**(584)**	(305)
Transfer from prepaid land lease payments *(note 16)*	**–**	95,728
Exchange realignment	**5,015**	(3,628)
Carrying amount at 31 December	**104,443**	100,012
At 31 December		
Cost	**157,903**	150,320
Accumulated depreciation	**(53,460)**	(50,308)
Net carrying amount	**104,443**	100,012
Fair value at 31 December	**301,614**	271,801

The Group's investment properties consist of nineteen (2017: nineteen) office properties in Hong Kong.

Management has determined that the investment properties consist of one class of asset, i.e., 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 39(a) to the financial statements.

15. INVESTMENT PROPERTIES (continued)

FAIR VALUE HIERARCHY

The investment properties were valued based on a valuation performed by an independent professionally qualified valuer, at RMB301,614,000 (2017: RMB271,801,000). 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 2018

	Fair value measurement categorised into			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Office units	**–**	**–**	**301,614**	**301,614**

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

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 (2017: 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 2018			
Office units	Market comparison method	Estimated value (per sq. ft.)	**14**
31 December 2017			
Office units	Market comparison method	Estimated value (per sq. ft.)	13

16. PREPAID LAND LEASE PAYMENTS

	2018 RMB'000	2017 RMB'000
Carrying amount at 1 January	**117,969**	220,735
Disposals	**–**	(748)
Recognised during the year	**(3,587)**	(3,722)
Transfer to investment properties *(note 15)*	**–**	(95,728)
Exchange realignment	**–**	(2,568)
Carrying amount at 31 December	**114,382**	117,969
Current portion	**(3,587)**	(3,587)
Non-current portion	**110,795**	114,382

17. INTANGIBLE ASSET

	Computer software RMB'000
31 December 2018	
At 1 January 2018, net of accumulated amortisation	**18,641**
Additions	**9,923**
Disposal of subsidiaries *(note 37)*	**(2,995)**
Amortisation provided during the year	**(7,492)**
Exchange realignment	**311**
At 31 December 2018	**18,388**
At 31 December 2018:	
Cost	**181,549**
Accumulated amortisation	**(163,161)**
Net carrying amount	**18,388**
31 December 2017	
At 1 January 2017:	
Cost	166,130
Accumulated amortisation	(144,249)
Net carrying amount	21,881
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 and at 1 January 2018:	
Cost	172,231
Accumulated amortisation	(153,590)
Net carrying amount	18,641

18. INVESTMENTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000
Share of net assets	**23,531,873**	20,158,800
Goodwill on acquisition	**159,186**	159,186
	23,691,059	20,317,986
Provision for impairment	**(61,765)**	(61,765)
	23,629,294	20,256,221

As of 31 December 2018, 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	22.71	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
COSCO SHIPPING Finance	Registered capital RMB1 each	PRC	23.38	Banking

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.

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		COSCO SHIPPING Finance	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Current assets	81,913,889	59,001,923	190,975,464	142,228,004	803,615,000	736,351,000	175,309,684	126,882,076	3,340,507	4,254,283	45,129,805	–
Non-current assets	79,722,143	74,455,111	843,845,591	860,339,045	3,558,152,809	3,356,327,817	175,828,109	190,642,799	44,882,461	34,848,481	27,510,003	–
Total liabilities	106,491,905	87,385,381	978,961,106	954,101,747	4,034,859,000	3,782,807,000	320,652,839	289,586,511	42,703,390	33,357,499	67,304,918	–
Net assets attributable to owners of the parent	36,039,109	33,262,103	55,859,949	48,465,302	290,815,809	274,087,817	30,392,461	27,865,061	5,519,578	5,745,265	5,334,890	–
Other equity instrument -perpetual debt	4,007,545	2,033,043	–	–	–	–	–	–	–	–	–	–
Other equity instrument -preference share	–	–	–	–	35,108,000	35,108,000	–	–	–	–	–	–
Non-controlling interests	15,097,473	10,776,507	–	–	985,000	676,000	92,493	73,303	–	–	–	–
Net assets	55,144,127	46,071,653	55,859,949	48,465,302	326,908,809	309,871,817	30,484,954	27,938,364	5,519,578	5,745,265	5,334,890	–
Reconciliation to the Group's interests in the associates:												
Proportion of the Group's ownership	22.71%	22.73%	13.67%	13.67%	1.379%	1.379%	3.74%	3.74%	16.00%	16.00%	23.38%	–
Group's share of net assets of the associates	8,184,482	7,560,476	7,636,055	6,625,207	4,010,350	3,779,671	1,136,678	1,042,153	883,132	919,242	1,247,297	–
Goodwill on acquisition	–	–	–	–	–	–	159,186	159,186	–	–	–	–
Provision for impairment	–	–	–	–	–	–	(61,765)	(61,765)	–	–	–	–
Carrying amounts of the investments	8,184,482	7,560,476	7,636,055	6,625,207	4,010,350	3,779,671	1,234,099	1,139,574	883,132	919,242	1,247,297	–
Revenue	93,497,622	76,299,930	23,175,925	25,203,908	110,244,000	91,850,000	12,061,392	10,128,915	9,572,552	9,130,220	750,229	–
Attributable to owners of parent:												
Profit for the year	2,941,176	2,137,457	7,088,471	6,753,818	32,210,805	30,090,651	3,273,583	2,959,920	23,706	115,743	271,822	–
Other comprehensive income/(loss) for the year	102,921	(529,045)	748,011	(346,885)	2,775,013	(2,353,965)	478,503	(180,508)	(248,689)	(32,886)	(11,612)	–
Total comprehensive income/(loss) for the year	3,044,097	1,608,412	7,836,482	6,406,933	34,985,818	27,736,686	3,752,086	2,779,412	(224,983)	82,857	260,210	–
Dividends declared	806,093	177,668	74,800	–	9,502,826	4,574,597	1,223,742	962,822	–	–	–	–

18. INVESTMENTS IN ASSOCIATES (continued)

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

	2018 RMB'000	2017 RMB'000
Share of the associates' profit for the year	**43,551**	52,153
Share of the associates' other comprehensive loss	**(1,146)**	(844)
Share of the associates' total comprehensive income	**42,405**	51,309

	2018 RMB'000	2017 RMB'000
Aggregate carrying amount of investments in the associates	**433,879**	232,051

19. INVESTMENTS IN JOINT VENTURES

	2018 RMB'000	2017 RMB'000
Share of net assets	**193,308**	198,526

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

	2018 RMB'000	2017 RMB'000
Share of the joint ventures' profit for the year	**6,467**	7,155
Share of the joint ventures' other comprehensive income	**51**	21
Share of the joint ventures' total comprehensive income	**6,518**	7,176

	2018 RMB'000	2017 RMB'000
Aggregate carrying amount of investments in the joint ventures	**193,308**	198,526

20. FINANCIAL INVESTMENTS

	2018 RMB'000	2017 RMB'000
Available-for-sale investments		
Listed equity investments, at fair value	–	2,444,747
Unlisted equity investments, at cost	–	1,074,571
Debt investments, at fair value	–	494,381
	–	4,013,699

	2018 RMB'000	2017 RMB'000
Financial assets at fair value through profit or loss		
Listed equity investments, at fair value	1,737,334	–
Unlisted equity investments, at fair value	1,709,367	–
	3,446,701	–

	2018 RMB'000	2017 RMB'000
Held-for-trading investments		
Debt investments, at fair value	–	547,428

As of 1 January 2018, held-for-trading investments and available-for-sale investments under HKAS 39 were transferred to financial assets at fair value through profit or loss under HKFRS 9 (note 2.2).

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. In addition, the reclassification adjustments for gains included in the consolidated statement of profit or loss amounted to RMB102,869,000 for the year ended 31 December 2017.

As at 31 December 2017, 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

	2018			2017		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current portion	**4.6-16.3**	**2019**	**10,965,365**	3.2-16.0	2018	7,417,650
Non-current portion	**4.6-16.3**	**2020-2031**	**23,753,247**	3.2-16.3	2019-2030	20,476,771
			34,718,612			27,894,421
Impairment			**(786,901)**			(473,300)
			33,931,711			27,421,121

	Minimum lease receivables		Present value of minimum lease receivables	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
Amounts receivables:				
Within one year	**12,906,752**	9,079,681	**10,965,365**	7,417,650
In the second to fifth years, inclusive	**22,566,370**	17,686,622	**19,203,714**	14,918,645
After five years	**5,234,585**	6,225,036	**4,549,533**	5,558,126
Total minimum finance lease receivables	**40,707,707**	32,991,339	**34,718,612**	27,894,421
Less: unearned finance income	**(5,989,095)**	(5,096,918)		
	34,718,612	27,894,421		
Impairment	**(786,901)**	(473,300)		
Total net finance lease receivables	**33,931,711**	27,421,121		
Portion classified as current assets	**(10,711,620)**	(7,333,145)		
Non-current portion	**23,220,091**	20,087,976		

21. FINANCE LEASE RECEIVABLES (continued)

At 31 December 2018, certain of the Group's finance lease receivables with a net carrying amount of approximately RMB12,752,131,000 (2017: RMB7,219,076,000) were pledged to secure general banking facilities granted to the Group (note 30) and corporate bonds (note 31).

Further qualitative and quantitative information regarding credit risk and ECLs of finance lease receivables is disclosed in note 44 to the financial statements.

22. FACTORING RECEIVABLES

	2018 **RMB'000**	2017 RMB'000
Factoring receivables	**840,755**	544,038
Less: impairment	**(16,081)**	(14,239)
Carrying amount at 31 December	**824,674**	529,799
Current portion	**(673,737)**	(529,799)
Non-current portion	**150,937**	–

Further qualitative and quantitative information regarding credit risk and ECLs of factoring receivables is disclosed in note 44 to the financial statements.

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 2018 as previously reported	**310,677**	**3,070**	**34,149**	**347,896**
Effect of adopting HKFRS 9 *(note 2.2)*	**(3,340)**	**–**	**–**	**(3,340)**
At 1 January 2018	**307,337**	**3,070**	**34,149**	**344,556**
Deferred tax charged/(credited) to the profit or loss during the year	**81,159**	**(412)**	**(28,310)**	**52,437**
Transfer to tax payable	**(20,408)**	**–**	**–**	**(20,408)**
Disposal of subsidiaries *(note 37)*	**–**	**–**	**(4,913)**	**(4,913)**
Exchange realignment	**–**	**140**	**–**	**140**
At 31 December 2018	**368,088**	**2,798**	**926**	**371,812**
At 1 January 2017	256,706	6,378	26,986	290,070
Deferred tax charged/(credited) to the profit or loss during the year	62,626	(3,037)	80	59,669
Deferred tax charged to other comprehensive income during the year	–	–	7,083	7,083
Transfer to tax payable	(8,638)	–	–	(8,638)
Exchange realignment	(17)	(271)	–	(288)
At 31 December 2017	310,677	3,070	34,149	347,896

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 2018 as previously reported	**101,050**	**4,128**	**7,969**	**26,029**	**139,176**
Effect of adopting HKFRS 9 *(note 2.2)*	**–**	**–**	**–**	**10,381**	**10,381**
At 1 January 2018	**101,050**	**4,128**	**7,969**	**36,410**	**149,557**
Deferred tax credited/(charged) to the profit or loss during the year	**111,653**	**374**	**(1,917)**	**(36,410)**	**73,700**
Disposal of subsidiaries *(note 37)*	**(25,960)**	**–**	**–**	**–**	**(25,960)**
Exchange realignment	**24**	**221**	**198**	**–**	**443**
At 31 December 2018	**186,767**	**4,723**	**6,250**	**–**	**197,740**
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	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

23. DEFERRED TAX (continued)

DEFERRED TAX ASSETS (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position.

	2018 **RMB'000**	2017 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**197,740**	113,147
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(371,812)**	321,867

Deferred tax assets have not been recognised in respect of the following items:

	2018 **RMB'000**	2017 RMB'000
Tax losses	**1,786,438**	3,066,479
Deductible temporary differences	**840,339**	769,175
	2,626,777	3,835,654

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

	2018 RMB'000	2017 RMB'000
Raw materials	499,414	311,808
Spare parts	460,822	314,944
Finished goods	96,883	538,229
	1,057,119	1,164,981
Less: provision	(39,371)	(9,313)
	1,017,748	1,155,668

25. TRADE AND NOTES RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables	1,142,482	989,860
Notes receivable	7,180	–
	1,149,662	989,860
Impairment	(114,790)	(130,683)
	1,034,872	859,177

Credit terms in a range within two 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.

25. TRADE AND NOTES RECEIVABLES (continued)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2018 RMB'000	2017 RMB'000
Within 3 months	898,319	740,338
4 to 6 months	84,953	69,761
7 to 12 months	37,781	31,098
Over 1 year	13,819	17,980
	1,034,872	859,177

Further qualitative and quantitative information regarding credit risk and ECLs of trade receivables is disclosed in note 44 to the financial statements.

26. PREPAYMENTS AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Prepayments	394,188	643,933
Other receivables	201,682	256,399
Impairment	(4,093)	(4,089)
	591,777	896,243

27. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2018 RMB'000	2017 RMB'000
Cash and bank balances	**16,200,859**	24,941,812
Mandatory reserves with the central bank *(note a)*	**–**	(1,325,385)
Pledged time deposits for bank loans and corporate bonds	**(214,126)**	(84,107)
Pledged time deposits at trust account	**(383,339)**	(94,219)
Pledged time deposits for bank acceptance bills	**(259,525)**	(174,393)
Pledged to customs as guarantees for import	**(100)**	(100)
Restricted insurance premium received	**(94,575)**	(70,308)
Restricted cash	**(951,665)**	(1,748,512)
Cash and cash equivalents	**15,249,194**	23,193,300

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB11,833,043,000 (2017: RMB17,649,928,000). 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. With the disposal of CS Finance (notes 11 and 37) during the year, it is unnecessary for the Group to further place mandatory reserves with the central bank.

28. TRADE PAYABLES

An aging analysis of the trade payables as at end of the reporting date, based on the invoice date, is as follows:

	2018	2017
	RMB'000	RMB'000
Within 3 months	**1,235,434**	1,014,022
4 to 6 months	**243,238**	351,815
7 to 12 months	**190,298**	229,290
1 to 2 years	**17,134**	24,382
	1,686,104	1,619,509

29. OTHER PAYABLES AND ACCRUALS

	2018	2017
	RMB'000	RMB'000
Other payables	**2,291,616**	2,643,511
Accruals	**392,938**	136,753
Government grants related to income	**13,036**	10,400
	2,697,590	2,790,664

30. BANK AND OTHER BORROWINGS

	2018		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans – secured	**2.31 – 6.20**	**2019**	**5,421,078**
Bank loans – unsecured	**2.09 – 5.23**	**2019**	**36,348,362**
Borrowings from related parties-unsecured	**3.33 – 4.35**	**2019**	**5,700,000**
			47,469,440
Non-current			
Bank loans – secured	**2.31 – 6.20**	**2020-2028**	**13,984,254**
Bank loans – unsecured	**2.49 – 5.23**	**2020-2026**	**42,762,544**
Borrowings from related parties-unsecured	**3.60**	**2021**	**600,000**
			57,346,798
			104,816,238

	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	2.55 – 6.20	2019-2027	14,010,054
Bank loans – unsecured	2.61 – 4.80	2019-2026	49,839,385
			63,849,439
			95,421,295

30. BANK AND OTHER BORROWINGS (continued)

	2018 RMB'000	2017 RMB'000
Analysed into:		
Bank borrowings:		
Within one year or on demand	**41,769,440**	28,251,856
In the second year	**23,082,971**	25,732,719
In the third to fifth years, inclusive	**30,589,013**	28,047,098
Beyond five years	**3,074,814**	10,069,622
	98,516,238	92,101,295
Other borrowings:		
Within one year or on demand	**5,700,000**	3,320,000
In the third to fifth years, inclusive	**600,000**	–
	6,300,000	3,320,000
	104,816,238	95,421,295

The Group's bank loans of RMB19,405,332,000 (2017: RMB21,909,783,000) are secured by:

	2018 RMB'000	2017 RMB'000
Property, plant and equipment	**22,735,030**	23,391,938
Finance lease receivables	**12,752,131**	7,219,076
Pledged deposits	**214,126**	84,107
	35,701,287	30,695,121

In addition to the assets pledged above, a bank loan of RMB530,000,000 as at 31 December 2018 (2017: RMB600,000,000) was secured by the Company's 57.14% equity interest in its subsidiary, CS leasing.

31. CORPORATE BONDS

	2018 RMB'000	2017 RMB'000
Current portion	2,631,916	1,611,981
Non-current portion	3,381,784	2,803,325
	6,013,700	4,415,306

	2018		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Assets-backed notes	4.90 – 5.80	2019	1,619,718
Assets-backed securities	5.21 – 6.05	2019	1,012,198
			2,631,916
Non-current			
Assets-backed notes	5.50 – 6.50	2020 – 2021	1,304,783
Assets-backed securities	6.05 – 6.70	2020 – 2021	577,001
Medium term note	4.15	2021	1,500,000
			3,381,784
			6,013,700

31. CORPORATE BONDS (continued)

	2017		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Corporate bond	3.80 – 4.53	2018	257,603
Assets-backed notes	5.60 – 5.80	2018	1,001,948
Assets-backed securities	5.30 – 5.40	2018	352,430
			1,611,981
Non-current			
Corporate bond	3.80 – 4.53	2019 – 2024	1,071,377
Assets-backed notes	5.80 – 6.50	2019 – 2021	1,393,052
Assets-backed securities	5.30 – 5.40	2019	338,896
			2,803,325
			4,415,306

The Group's corporate bonds of RMB4,513,700,000 (2017: RMB4,415,306,000) are secured by:

	2018 **RMB'000**	2017 RMB'000
Property, plant and equipment	**–**	1,639,173
Finance lease receivables	**5,266,082**	3,709,110
	5,266,082	5,348,283

32. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments represent interest rate swap agreements designated as hedging instruments as follows:

	2018	
	Assets	Liabilities
	RMB'000	RMB'000
Foreign currency forward contracts	3,974	–
Interest rate swaps	19,618	3,954
Less: current portion	(7,309)	(883)
	16,283	3,071

	2017	
	Assets	Liabilities
	RMB'000	RMB'000
Interest rate swaps	16,096	–
Less: current portion	(2,736)	–
	13,360	–

CASH FLOW HEDGE UNDER HKFRS 9

Foreign currency forward contracts are designated as hedging instruments in cash flow hedges of forecast sales in USD. The foreign exchange forward contract balances vary with the level of expected foreign currency sales and changes in foreign exchange forward rates.

At 31 December 2018, the Group had interest rate swap agreements in place with a total notional amount of US$213,101,000 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 2.93%. The swaps are used to hedge the exposure to changes in the cash flow of its secured loans with variable rates.

There is an economic relationship between the hedged items and the hedging instruments. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the hedging instruments are identical to the hedged risk components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

32. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

CASH FLOW HEDGE UNDER HKFRS 9 (continued)

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments

The Group holds the following hedging instruments:

	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
As at 31 December 2018					
Foreign exchange forward contracts (highly probable forecast sales)					
Notional amount (in RMB'000)	274,528	–	–	–	274,528
Average forward rate (US$/RMB)	6.982	–	–	–	–
Interest rate swaps (in RMB'000)	432,885	432,885	528,696	68,088	1,462,554

The movements of cash flow hedge reserve are as follows:

	Foreign currency forward contracts RMB'000	Interest rate swaps RMB'000	Total RMB'000
As at 1 January 2018	–	16,400	16,400
Hedging gain recognised in other comprehensive income	3,974	5,438	9,412
Amount reclassified to finance costs of the consolidated statement of profit or loss	–	(6,637)	(6,637)
As at 31 December 2018	3,974	15,201	19,175

There is no hedge ineffectiveness recognised in profit or loss. Consequently, the change in fair value used for measuring ineffectiveness for the year ended 31 December 2018 of the hedging instruments is the same with that of the hedged items, equaling the amount of hedging gain recognised in other comprehensive income above.

33. 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 2018, 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	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts payables:				
Within one year	**237,774**	84,137	**187,197**	68,446
In the second to fifth years, inclusive	**1,467,033**	547,652	**1,359,478**	512,082
Total minimum finance lease payments	**1,704,807**	631,789	**1,546,675**	580,528
Less: future finance charges	**(158,132)**	(51,261)		
	1,546,675	580,528		
Portion classified as current liabilities	**(187,197)**	(68,446)		
Non-current portion	**1,359,478**	512,082		

34. SHARE CAPITAL

	2018 **RMB'000**	2017 RMB'000
Authorised:		
11,683,125,000 (2017: 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 (2017: 11,683,125,000) ordinary shares with par value of RMB1 each	**11,683,125**	11,683,125

As at 31 December 2018, the shares included 7,932,125,000 A Shares and 3,751,000,000 H Shares (2017: 7,932,125,000 A Shares and 3,751,000,000 H Shares).

35. 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 95 to 96 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. With the disposal of CS Finance (notes 11 and 37) during the year, general reserve has been transferred back to retained profits.

35. 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	Financial investments revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Total RMB'000
At 1 January 2018 as previously reported	(4,305,397)	1,355,763	(36,930)	(2,518,942)	(5,505,506)
Effect of adopting HKFRS 9 *(note 2.2)*	114,261	–	36,930	–	151,191
At 1 January 2018	(4,191,136)	1,355,763	–	(2,518,942)	(5,354,315)
Cash flow hedges:					
Effective portion of changes in fair value of hedging instruments arising during the year	2,775	–	–	–	2,775
Exchange differences:					
Exchange differences on translation of foreign operations	–	–	–	(581,687)	(581,687)
Associates and joint ventures:					
Share of other comprehensive income of associates and joint ventures	138,190	–	–	–	138,190
Share of capital reserves of associates	7,713	–	–	–	7,713
Transfer from retained profits	–	55,878	–	–	55,878
At 31 December 2018	(4,042,458)	1,411,641	–	(3,100,629)	(5,731,446)

35. RESERVES (continued)

(C) OTHER RESERVES (Continued)

	Capital surplus RMB'000	Statutory reserve fund* RMB'000	Financial investments 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	–	–	–	660,456	660,456
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)	(2,518,942)	(5,505,506)

Note:

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.

35. RESERVES (continued)

(D) OTHER EQUITY INSTRUMENT

On 21 December 2017, the Group issued a perpetual debt (the "2017 renewable corporate bonds") 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.

On 26 November 2018, the Group issued a perpetual debt (the "2018 renewable corporate bonds") 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 2017 renewable corporate bonds and 2018 renewable corporate bonds 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.

36. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	2018	2017
	RMB'000	RMB'000
Percentage of equity interest held by non-controlling interests:		
CS Finance	**–**	35%
Profit for the year allocated to non-controlling interests:		
CS Finance	**52,018**	70,529
Accumulated balances of non-controlling interests at the reporting dates:		
CS Finance	**–**	597,625

36. 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:

	2018 **RMB'000**	2017 RMB'000
Revenue	**336,517**	426,792
Total expenses	**187,895**	225,282
Profit for the year	**148,622**	201,510
Total comprehensive income for the year	**148,622**	213,023
Current assets	**–**	20,229,864
Non-current assets	**–**	1,365,281
Current liabilities	**–**	19,869,135
Non-current liabilities	**–**	18,511
Net cash flows (used in)/from operating activities	**(1,231,499)**	5,946,542
Net cash flows from/(used in) investing activities	**61,867**	(421,905)
Net cash flows from financing activities	**–**	600,000
Effect of foreign exchange rate changes, net	**1,768**	–
Net (decrease)/increase in cash and cash equivalents	**(1,167,864)**	6,124,637

37. DISPOSAL OF A SUBSIDIARY

Details of the net liabilities disposed of and loss on disposal in relation to CS Finance detailed in note 11 are as follows:

	2018 RMB'000
Net liabilities disposed of:	
Property, plant and equipment	**9,803**
Intangible asset	**2,995**
Financial assets at fair value through profit or loss	**984,213**
Long term loans and receivables	**108,080**
Deferred tax assets	**25,960**
Prepayments and other receivables	**46,507**
Short term loans and receivables	**4,691,455**
Restricted cash	**1,451,857**
Cash and cash equivalents	**7,909,415**
Other payables and accruals	**(67,990)**
Short term deposits from customers	**(15,124,751)**
Tax payable	**(29,509)**
Long term deposits from customers	**(97,000)**
Deferred tax liabilities	**(4,913)**
Non-controlling interests	**(649,643)**
	(743,521)
Reclassification adjustments for gains included in the consolidated statement of profit or loss upon disposal of subsidiaries:	
Loss on disposal of subsidiaries from discontinued operations	**(70,090)**
	(813,611)
Satisfied/(assumed) by:	
Investment in an associate	**1,186,389**
Interest-bearing borrowings from CS Finance*	**(2,000,000)**
	(813,611)

* The Company and its certain subsidiaries had interest-bearing borrowings from CS Finance, which had been eliminated before the disposal of CS Finance. Upon the disposal of CS Finance, such borrowings of RMB2,000,000,000 had been reflected in the consolidated statement of financial position.

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2018 RMB'000
Cash and cash equivalents disposed of and net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	**(7,909,415)**

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(A) A reconciliation of the profit before tax to cash generated from operations is as follows:

	Notes	2018 RMB'000	2017 RMB'000
Profit before tax from continuing operations		1,715,605	1,721,492
Profit before tax from a discontinued operation	11	121,150	238,537
Adjustments for:		–	–
Finance costs	7	3,406,547	2,701,922
Interest expenses included in the cost of sales		1,022,962	602,313
Share of profits of associates and joint ventures		(2,320,917)	(2,064,324)
Interest income	5	(123,713)	(84,752)
Dividends from available-for-sale financial investments		–	(33,922)
Dividends from financial assets at fair value through profit or loss		(92,429)	–
Dividends from held-for-trading financial investments		–	(3,528)
Loss on disposal of subsidiaries	37	70,090	–
Gain on disposal of property, plant and equipment		(100,913)	(37,723)
Gain on disposal of available-for-sale investments		–	(128,073)
Fair value loss on financial assets at fair value through profit or loss		552,258	–
Fair value gain on held-for-trading investments		–	(2,780)
Depreciation of property, plant and equipment	14	3,210,963	3,276,934
Depreciation of investment properties	15	584	305
Recognition of prepaid land lease payments	16	3,587	3,722
Amortisation of intangible assets	17	7,492	9,341
Provision of impairment on finance lease receivables	44	310,831	147,019
Provision of impairment on loans and receivables		22,605	15,049
Provision of impairment on factoring receivables	44	1,842	11,212
Write-down/(reversal of write-down) of inventories to net realisable value	6	30,058	(43,646)
Reversal of impairment on trade receivables	44	(23,475)	(1,644)
(Reversal)/provision of impairment on other receivables		(41)	1,613
		7,815,086	6,329,067
Increase in loans and receivables		(904,223)	(601,939)
Decrease/(increase) in inventories		107,862	(491,491)
(Increase)/decrease in trade and notes receivables		(152,220)	498,399
Decrease/(increase) in prepayments and other receivables		250,486	(64,308)
Increase in restricted cash		(150,739)	(392,416)
Increase/(decrease) in trade and notes payables		66,595	(119,233)
(Decrease)/increase in other payables and accruals		(666,796)	744,191
Increase in contract liabilities		7,356	–
Increase in deposits from customers		448,987	6,221,247
Cash generated from operations		6,822,394	12,123,517

38. NOTES 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	4,843,635	994,997	248,720
Interest expense	–	7,058	13,183
Foreign exchange movement	(3,449,952)	(89,513)	(28,823)
At 31 December 2017 and 1 January 2018	95,421,295	4,415,306	580,528
Changes from financing cash flows	4,579,258	1,575,246	865,149
Additions with the disposal of CS Finance previously eliminated *(note 37)*	2,000,000	–	–
Interest expense	–	4,458	39,401
Foreign exchange movement	2,815,685	18,690	61,597
At 31 December 2018	104,816,238	6,013,700	1,546,675

39. 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 2018, the Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	7,957,453	7,496,866
In the second to fifth years, inclusive	11,869,425	15,411,340
After five years	2,906,656	943,315
	22,733,534	23,851,521

39. 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 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 **RMB'000**	2017 RMB'000
Within 1 year	**657,108**	838,186
In the second to fifth years, inclusive	**500,401**	979,335
After five years	**14,326**	12,535
	1,171,835	1,830,056

40. COMMITMENTS

In addition to the operating lease commitments detailed in note 39(b) above, the Group had the following commitments at the end of the reporting period:

CAPITAL COMMITMENTS

	2018 **RMB'000**	2017 RMB'000
Contracted, but not provided for:		
Equity investment	**1,313,775**	1,910,500
Property, plant and equipment	**–**	661,839
	1,313,775	2,572,339

41. 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:

	2018 **RMB'000**	2017 RMB'000
Interest income from:		
Immediate holding company*	**15,774**	62,805
Fellow subsidiaries*	**76,534**	81,758
Associates	**31,158**	–
Interest expenses to:		
Immediate holding company*	**19,244**	95,574
Fellow subsidiaries*	**271,203**	220,211
Associates	**27,171**	–
Sales of goods to:		
Fellow subsidiaries*	**2,388,600**	1,545,884
Purchases of goods from:		
Fellow subsidiaries*	**335,767**	382,250
Rendering of services to fellow subsidiaries:		
Vessel chartering and container leasing*	**6,108,313**	7,026,457
Finance lease income*	**7,291**	14,264
Management fee income*	**18,868**	29,995
Others*	**29,590**	15,677
Receiving of services from:		
Fellow subsidiaries*	**1,145,213**	1,083,251
Associates	**311**	–
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.

41. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(B) COMMITMENTS WITH RELATED PARTIES

The tables below summarise the commitments with fellow subsidiaries:

As lessor

	2018	2017
	RMB'000	RMB'000
Within 1 year	**6,505,992**	6,228,971
In the second to fifth years, inclusive	**8,313,325**	13,763,308
After five years	**190,468**	674,359
	15,009,785	20,666,638

As lessee

	2018	2017
	RMB'000	RMB'000
Within 1 year	**23,643**	30,046
In the second to fifth years, inclusive	**61,007**	50,161
After five years	**–**	12,535
	84,650	92,742

41. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(C) OUTSTANDING BALANCES WITH RELATED PARTIES

		2018 RMB'000	2017 RMB'000
Amounts due from:			
Ultimate holding company		–	4,095
Immediate holding company		–	1,088
Fellow subsidiaries		643,078	442,686
Associates	*(i)*	9,912,583	–
Amounts due to:			
Immediate holding company		480	2,935
Fellow subsidiaries		499,048	942,055
Loans to:			
Immediate holding company		–	1,000,000
Fellow subsidiaries		–	2,917,917
Loans from:			
Immediate holding company	*(ii)*	600,000	600,000
Fellow subsidiaries	*(ii)*	–	17,492,764
Associates	*(ii)*	5,700,000	–

Notes:

(i) The Group placed a certain portion of its cash at a certain fellow subsidiary. All of deposits at each of the end of reporting period were demand deposits, and were therefore, presented in cash and cash equivalents. Interest was charged according to the rates and terms agreed with the fellow subsidiary.

(ii) 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 30 to the financial statements.

Save as disclosed above, the rest of the outstanding balances with related parties were unsecured, non-interest-bearing and had no fixed repayment terms.

41. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(D) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	8,910	7,416
Performance related bonuses	5,365	5,043
Pension scheme contributions	1,090	904
	15,365	13,363

42. 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 – AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 RMB'000	2017 RMB'000
Held-for-trading investments	–	547,428
Financial assets at fair value through profit or loss	3,446,701	–
Derivative financial instruments	23,592	16,096
	3,470,293	563,524

42. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

FINANCIAL ASSETS – AT AMORTISED COST

	2018 RMB'000	2017 RMB'000
Cash and cash equivalents	**15,249,194**	23,193,300
Restricted cash	**951,665**	1,748,512
Trade and notes receivables	**1,034,872**	859,177
Financial assets included in prepayments and other receivables	**197,589**	252,310
Finance lease receivables	**33,931,711**	27,421,121
Loans and receivables	**–**	3,917,917
Factoring receivables	**824,674**	529,799
	52,189,705	57,922,136

FINANCIAL ASSETS – AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 RMB'000	2017 RMB'000
Available-for-sale investments	**–**	4,013,699

FINANCIAL LIABILITIES -- DERIVATIVE FINANCIAL INSTRUMENTS

	2018 RMB'000	2017 RMB'000
Derivative financial instruments	**3,954**	–

FINANCIAL LIABILITIES – AT AMORTISED COST

	2018 RMB'000	2017 RMB'000
Trade and notes payables	**1,686,104**	1,619,509
Financial liabilities included in other payables and accruals	**2,291,616**	2,643,511
Bank and other borrowings	**104,816,238**	95,421,295
Corporate bonds	**6,013,700**	4,415,306
Finance lease obligations	**1,546,675**	580,528
Deposits from customers	**–**	14,772,764
Other long term payables	**2,428,744**	2,004,643
	118,783,077	121,457,556

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those measured at fair value or with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2018	2017	**2018**	2017
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank and other borrowings	**57,346,798**	63,849,439	**57,028,232**	63,705,423
Corporate bonds	**3,381,784**	2,803,325	**3,246,988**	2,781,927
Other long term payables	**2,428,744**	2,004,643	**2,215,435**	1,941,108
	63,157,326	68,657,407	**62,490,655**	68,428,458

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, loans and receivables and factoring 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, factoring 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.

43. 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 2018

	Fair value measurement categorised into			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets at fair value through profit or loss	**1,737,334**	**1,709,367**	**–**	**3,446,701**
Derivative financial instruments	**–**	**23,592**	**–**	**23,592**
	1,737,334	**1,732,959**	**–**	**3,470,293**

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	2,468,828	470,300	–	2,939,128
Derivative financial instruments	–	16,096	–	16,096
	3,016,256	486,396	–	3,502,652

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 (2017: Nil).

For all the financial assets with fair value measurement categorised into level 2, the Group estimates their fair values using market approach. For investments in private funds, the fair values are calculated in accordance with net asset value prepared by fund manager. For the other investments, if there is a recent deal regarding these investments, the fair values are estimated based on deal price. If there is no such deal to be referenced, the directors will determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by net assets or net profit. The trading multiple is then discounted for considerations such as illiquidity based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding net assets or net profit of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

44. 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, 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.

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 2018, 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 RMB594,264,000 lower/higher (2017: RMB567,663,000 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, factoring 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. 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.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CREDIT RISK (continued)

(b) Impairment assessment

The detailed accounting policy and significant accounting judgements and estimates for impairment in relation to credit risk are given in notes 2.4 and 3 to the financial statements, respectively.

The movements in the provision for impairment of finance lease receivables, factoring receivables and trade receivables, which account for the primary credit risk of the Group, are as follows:

	Finance lease receivables					Factoring receivables					Trade receivables	
	2018				2017	2018				2017	2018	2017
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000	RMB'000	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000	RMB'000	RMB'000	RMB'000
At 1 January as previously reported	–	–	–	–	336,969	–	–	–	–	3,027	130,683	157,987
Effect of adopting HKFRS 9 *(note 2.2)*	174,826	164,273	134,201	473,300	–	5,070	9,169	–	14,239	–	–	–
At 1 January	174,826	164,273	134,201	473,300	336,969	5,070	9,169	–	14,239	3,027	130,683	157,987
Impairment losses recognised/(reversed)	192,227	211,678	(93,074)	310,831	147,019	10,093	(8,251)	–	1,842	11,212	(23,475)	(1,644)
Transfer to Stage 1	146,111	(146,111)	–	–	–	3,099	(3,099)	–	–	–	–	–
Transfer to Stage 2	(119,544)	119,544	–	–	–	(5,280)	5,280	–	–	–	–	–
Transfer to Stage 3	(38,337)	(153,695)	192,032	–	–	–	–	–	–	–	–	–
Amount written off as uncollectable	–	–	(1,185)	(1,185)	–	–	–	–	–	–	(555)	(18,921)
Exchange realignment	935	123	2,897	3,955	(10,688)	–	–	–	–	–	8,137	(6,739)
At 31 December	356,218	195,812	234,871	786,901	473,300	12,982	3,099	–	16,081	14,239	114,790	130,683

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CREDIT RISK (continued)

(c) Credit quality

The Group manages the credit quality by credit risk rating grades, classified in descending credit quality order as neither past due nor impaired, not past due and individually impaired, past due but not impaired, past due and collectively impaired and past due and individually impaired.

Finance lease receivables, factoring receivables and trade receivables, which account for the primary credit risk of the Group, are classified as follows:

Finance lease receivables and factoring receivables

	Finance lease receivables					Factoring receivables				
	2018				2017	2018				2017
	Stage 1	Stage 2	Stage 3	Total		Stage 1	Stage 2	Stage 3	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Not past due and collectively impaired	31,724,469	–	–	31,724,469	26,243,923	766,512	–	–	766,512	451,910
Past due and collectively impaired	391,605	1,926,481	–	2,318,086	1,341,893	42,354	31,889	–	74,243	92,128
Past due and individually impaired	–	–	676,057	676,057	308,605	–	–	–	–	–
	32,116,074	1,926,481	676,057	34,718,612	27,894,421	808,866	31,889	–	840,755	544,038

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CREDIT RISK (continued)

(c) Credit quality (continued)

Trade receivables

	2018					2017				
	Aging based on the invoice date					Aging based on the invoice date				
	Within 1 year RMB'000	1-2 years RMB'000	2-3 years RMB'000	Over 3 years RMB'000	Total RMB'000	Within 1 year RMB'000	1-2 years RMB'000	2-3 years RMB'000	Over 3 years RMB'000	Total RMB'000
Not past due and collectively impaired	889,128	–	–	–	889,128	786,293	–	–	–	786,293
Past due and collectively impaired	156,100	15,355	–	–	171,455	81,574	19,778	–	–	101,352
Past due and individually impaired	–	–	7,935	73,964	81,899	–	–	102,215	–	102,215
	1,045,228	15,355	7,935	73,964	1,142,482	867,867	19,778	102,215	–	989,860

(d) 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 and finance lease obligations.

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.

44. 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 2018

	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	1,686,104	–	–	–	1,686,104
Financial liabilities included in other payables and accruals	2,291,616	–	–	–	2,291,616
Bank and other borrowings	50,064,732	25,039,784	33,397,718	3,843,987	112,346,221
Corporate bonds	2,898,437	1,709,640	1,873,087	–	6,481,164
Finance lease obligations	237,774	233,592	1,233,441	–	1,704,807
Other long term payables	–	362,876	1,605,909	459,959	2,428,744
Total	57,178,663	27,345,892	38,110,155	4,303,946	126,938,656

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	1,619,509	–	–	–	1,619,509
Financial liabilities included in other payables and accruals	2,643,511	–	–	–	2,643,511
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	55,850,041	29,627,079	32,654,661	11,028,952	129,160,733

44. 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 included in financial assets at fair value through profit or loss as at 31 December 2018, which are valued at quoted market prices.

As at 31 December 2018, 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 RMB173,733,000 higher/lower (2017: Nil) and equity would have been RMB130,300,000 higher/lower (2017: RMB183,356,000 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.

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 2018 and 31 December 2017.

44. 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:

	2018	2017
	RMB'000	RMB'000
Interest-bearing bank and other borrowings	**104,816,238**	95,421,295
Corporate bonds	**6,013,700**	4,415,306
Finance lease obligations	**1,546,675**	580,528
Deposits from customers	**–**	14,772,764
Less: restricted cash	**(951,665)**	(1,748,512)
Less: cash and cash equivalents	**(15,249,194)**	(23,193,300)
Net debt	**96,175,754**	90,248,081
Total equity	**18,040,135**	16,873,787
Gearing ratio	**533%**	535%

45. EVENTS AFTER THE REPORTING PERIOD

On 29 March 2019, the Board proposed the payment of a final dividend of RMB0.033 per share (inclusive of applicable tax), totaling approximately RMB384,035,000 calculated based on 11,637,425,063 shares, being the number of issued shares of the Company of 11,683,125,000 as at 29 March 2019 deducting 45,699,937 A shares repurchased by the Company, for the year ended 31 December 2018, which is subject to the approval of shareholders of the Company at the forthcoming annual general meeting of the Company.

46. COMPARATIVE AMOUNTS

The comparative statement of profit or loss has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period (note 11).

47. 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:

	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	12,595,420	13,425,775
Intangible assets	547	629
Investments in associates	877,425	6,784
Investments in subsidiaries	37,332,369	36,375,588
Available-for-sale investments	–	2,400,168
Financial assets at fair value through profit or loss	1,881,637	–
Loans to subsidiaries	2,358,960	2,260,260
Other long term prepayments	–	90,000
Total non-current assets	55,046,358	54,559,204
CURRENT ASSETS		
Inventories	310,930	256,845
Trade receivables	286,052	156,770
Prepayments and other receivables	3,866,337	720,031
Loans to subsidiaries	5,690,000	3,700,000
Restricted cash	200,057	100
Cash and cash equivalents	4,739,115	3,516,406
Total current assets	15,092,491	8,350,152
Total assets	70,138,849	62,909,356

47. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	2018 **RMB'000**	2017 RMB'000
CURRENT LIABILITIES		
Trade payables	**142,185**	281,325
Other payables and accruals	**6,993,081**	5,885,904
Bank and other borrowings	**17,547,000**	12,278,500
Total current liabilities	**24,682,266**	18,445,729
NET CURRENT LIABILITIES	**(9,589,775)**	(10,095,577)
TOTAL ASSETS LESS CURRENT LIABILITIES	**45,456,583**	44,463,627
NON-CURRENT LIABILITIES		
Bank and other borrowings	**11,571,500**	14,559,100
Corporate bonds	**1,500,000**	–
Total non-current liabilities	**13,071,500**	14,559,100
Net assets	**32,385,083**	29,904,527
EQUITY		
Share capital	**11,683,125**	11,683,125
Other reserves *(note)*	**19,068,767**	18,955,557
Other equity instrument *(note)*	**2,000,000**	1,000,000
Accumulated losses *(note)*	**(366,809)**	(1,734,155)
Total equity	**32,385,083**	29,904,527

47. 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 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)
At 1 January 2018 as previously reported	–	18,955,557	1,000,000	(1,734,155)
Effect of adopting HKFRS 9	–	57,332	–	(57,326)
At 1 January 2018 (restated)	–	19,012,889	1,000,000	(1,791,481)
Profit and total comprehensive income for the year	–	–	–	1,539,356
Issue of perpetual debt	–	–	1,000,000	–
Dividends for perpetual debt	–	–	–	(58,806)
Transfer from retained profits	23,954	55,878	–	(79,832)
Utilisation of special reserve	(23,954)	–	–	23,954
At 31 December 2018	**–**	**19,068,767**	**2,000,000**	**(366,809)**

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2019.

RESULTS

	Year ended 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)	(Restated)	(Restated)
CONTINUING OPERATIONS					
REVENUE	**16,242,002**	15,901,155	15,235,611	32,546,892	38,374,825
Costs of sales	**(12,342,761)**	(12,745,552)	(13,784,404)	(32,054,974)	(35,719,368)
Gross profit	**3,899,241**	3,155,603	1,451,207	491,918	2,655,457
Selling and administrative expenses	**(1,219,278)**	(961,876)	(1,536,466)	(2,123,395)	(1,237,502)
Other income	**393,967**	191,249	416,273	661,300	760,194
Other (losses)/gains, net	**(272,695)**	(25,886)	108,856	(82,032)	1,936,008
Finance costs	**(3,406,547)**	(2,701,922)	(1,690,941)	(896,737)	(754,501)
Share of profits of:					
Associates	**2,314,450**	2,057,169	1,538,043	1,786,971	1,417,273
Joint ventures	**6,467**	7,155	8,532	3,841	6,209
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**1,715,605**	1,721,492	295,504	(158,134)	4,783,138
Income tax expenses	**(356,208)**	(360,142)	(168,414)	(145,572)	(701,121)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**1,359,397**	1,361,350	127,090	(303,706)	4,082,017
DISCONTINUED OPERATION					
Profit for the year from a discontinued operation	**76,878**	172,982	265,985	200,736	331,701
PROFIT/(LOSS) FOR THE YEAR	**1,436,275**	1,534,332	393,075	(102,970)	4,413,718
Attributable to:					
Owners of the parent	**1,384,257**	1,463,803	347,503	(199,511)	4,304,084
Non-controlling interests	**52,018**	70,529	45,572	96,541	109,634
	1,436,275	1,534,332	393,075	(102,970)	4,413,718

Five Years Financial Summary

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2018	2017	2016	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**137,837,422**	139,037,660	125,460,305	112,237,165	101,277,379
TOTAL LIABILITIES	**(119,797,287)**	(122,163,873)	(111,897,191)	(66,960,542)	(56,464,971)
NON-CONTROLLING INTERESTS	**–**	(597,625)	(313,067)	(497,549)	(502,675)
	18,040,135	16,276,162	13,250,047	44,779,074	44,309,733