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: 02866)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS (UNDER HKFRSs)

- Revenue amounted to RMB15,527,887,000
- Profit attributable to owners of the parent of the Company for the year amounted to RMB347,503,000
- Basic earnings per share amounted to RMB0.030

The board of directors (the "Board") of COSCO SHIPPING Development Co., Ltd. (the "Company" or "COSCO SHIPPING Development") is pleased to announce the audited consolidated results prepared under Hong Kong Financial Reporting Standards ("HKFRSs") of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 (the "Period"), together with the audited comparative figures for the year ended 31 December 2015.

CHAIRMAN'S STATEMENT

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

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

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

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

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

REVIEW OF OPERATIONS

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

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

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

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

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

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

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

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

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

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

FUTURE PROSPECT

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

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

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

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

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Notes	For the year ended 31 December 2016 RMB'000	2015 RMB'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	5	**15,527,887**	32,887,498
Cost of sales		**(13,849,363)**	(32,120,147)
Gross profit		**1,678,524**	767,351
Selling, administrative and general expenses		**(1,576,653)**	(2,140,172)
Other income	6	**442,267**	724,349
Other gains/(losses), net	7	**117,228**	(67,490)
Finance costs	8	**(1,690,941)**	(896,737)
Share of profits of:			
Associates		**1,538,043**	1,786,971
Joint ventures		**8,532**	3,841
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**517,000**	178,113
Income tax expense	9	**(201,251)**	(200,750)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**315,749**	(22,637)
DISCONTINUED OPERATION			
Profit/(loss) for the year from a discontinued operation		**77,326**	(80,333)
PROFIT/(LOSS) FOR THE YEAR		**393,075**	(102,970)
Attributable to:			
Owners of the parent		**347,503**	(199,511)
Non-controlling interests		**45,572**	96,541
		393,075	(102,970)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
(express in RMB per share)	10		
Basic and diluted			
– For profit/(loss) for the year		**0.0297**	(0.0171)
– For profit/(loss) from continuing operations		**0.0232**	(0.0098)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	For the Year ended 31 December 2016 RMB'000	2015 RMB'000 (Restated)
PROFIT/(LOSS) FOR THE YEAR	**393,075**	(102,970)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Fair value gain, net of tax	**66,325**	39,343
Reclassification adjustments for gains included in the consolidated statement of profit or loss	**(33,019)**	(122)
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	**8,555**	(5,682)
Exchange differences:		
Exchange differences on translation of foreign operations	**(738,492)**	442,052
Reclassification adjustments for foreign operations disposed of	**37,937**	–
Associates:		
Share of other comprehensive (loss)/income of associates	**47,135**	70,948
Reclassification adjustments for associates disposed of	**(1,179)**	–
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(612,738)**	546,539
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(219,663)**	443,569
Attributable to:		
Owners of the parent	**(241,719)**	366,332
Non-controlling interests	**22,056**	77,237
	(219,663)	443,569

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Note	31 December 2016 RMB'000	31 December 2015 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**58,392,439**	56,591,248
Investment properties		**8,217**	10,087
Prepaid land lease payments		**216,817**	214,396
Intangible asset		**21,881**	30,738
Investments in associates		**18,244,380**	20,096,311
Investments in joint ventures		**137,349**	56,243
Available-for-sale investments		**6,114,082**	1,349,915
Finance lease receivables		**15,010,397**	5,680,658
Loans and receivables		**198,114**	368,467
Derivative financial instruments		**6,702**	–
Deferred tax assets		**89,482**	56,340
Other long term prepayments		**144,229**	117,268
Total non-current assets		**98,584,089**	84,571,671
CURRENT ASSETS			
Inventories		**859,415**	1,238,768
Trade and notes receivables	*12*	**1,655,656**	2,688,106
Prepayments and other receivables		**899,933**	1,865,053
Prepaid land lease payments		**3,918**	3,897
Finance lease receivables		**3,593,896**	1,682,327
Loans and receivables		**3,132,913**	3,133,055
Held-for-trading investments		**72,466**	200,349
Derivative financial instruments		**1,340**	–
Restricted cash		**1,129,425**	922,268
Cash and cash equivalents		**15,527,254**	15,931,671
Total current assets		**26,876,216**	27,665,494
Total assets		**125,460,305**	112,237,165

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

1. CORPORATE AND GROUP INFORMATION

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

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

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

Acquisition of subsidiaries

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

Acquisition of interests in an associate

- Acquisition of 13.67% equity interests in China Bohai Bank Co., Ltd ("Bohai Bank") (significant influence by the Group with representation on the board of directors)

(together with the acquired subsidiaries and an associate above referred to as the "Acquirees")

Disposal of subsidiaries

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

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

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

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

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

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

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

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

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

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

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

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

Disposal of interests in joint ventures and associates

- Disposal of 50% equity interests in Dalian Vanguard International Logistics Co., Ltd., a former joint venture;

- Disposal of 49% equity interests in China Shipping Ports Development Co., Ltd. ("CSPD") and its subsidiaries, a former associate;

- Disposal of 45% equity interests in Jinzhou Port Container and Railway Logistics Limited, a former joint venture; and

- Disposal of 20.07% equity interests in Angang Vehicle Transportation Co., Ltd. and its subsidiary, a former associate.

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

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on 30 March 2017.

2. 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.

Going concern

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

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control or the combining entities first came under the control of the ultimate shareholder (detailed in Note 3) and continue to be consolidated until the date that such control ceases.

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

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.

3. MERGER ACCOUNTING FOR COMMON CONTROL COMBINATIONS

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

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

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

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

5. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

	For the year ended 31 December 2016								For the year ended 31 December 2015							
	Container Shipping *RMB'000*	**Vessel chartering and Container leasing** *RMB'000*	**Non-shipping related leasing** *RMB'000*	**Container** *RMB'000*	**Financial services** *RMB'000*	**Equity investment** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*	Container Shipping *RMB'000* (Restated)	Vessel chartering and container leasing *RMB'000* (Restated)	Non-shipping related leasing *RMB'000* (Restated)	Container *RMB'000* (Restated)	Financial services *RMB'000* (Restated)	Equity investment *RMB'000* (Restated)	Others *RMB'000* (Restated)	Total *RMB'000* (Restated)
Segment revenue:																
Sales to external customers from continuing operations	**3,649,467**	**9,151,834**	**888,734**	**1,484,413**	**328,577**	**–**	**24,862**	**15,527,887**	26,789,601	3,932,421	223,969	1,521,335	372,715	–	47,457	32,887,498
Intersegment sales	**10,979**	**–**	**–**	**1,580,213**	**67,903**	**–**	**16,419**	**1,675,514**	64,643	147,748	–	1,679,114	10,188	–	–	1,901,693
Total revenue	**3,660,446**	**9,151,834**	**888,734**	**3,064,626**	**396,480**	**–**	**41,281**	**17,203,401**	26,854,244	4,080,169	223,969	3,200,449	382,903	–	47,457	34,789,191
Segment results	**(1,044,238)**	**216,763**	**410,281**	**1,595**	**148,882**	**1,311,878**	**(3,884)**	**1,041,277**	(3,428,262)	1,305,782	106,657	155,662	222,804	2,021,035	(3,722)	379,956
Elimination of intersegment results								**(97,077)**								(201,843)
Unallocated finance costs								**(427,200)**								–
Profit before tax from continuing operations								**517,000**								178,113

6. OTHER INCOME

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Interest income generated from operations other than financial services	**80,930**	110,492
Government grant related to expense items	**309,822**	230,135
Refund of value-added tax	**–**	255,074
Dividends from available-for-sale investments	**30,972**	88,988
Dividends from held-for-trading investments	**191**	999
Others	**20,352**	38,661
	442,267	724,349

7. OTHER GAINS/(LOSSES)

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

8. FINANCE COSTS

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

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Interest on borrowings and corporate bonds	**1,704,489**	900,551
Interest on finance leases	**572**	6,416
Total interest expense	**1,705,061**	906,967
Less: interest capitalised	**(14,120)**	(10,230)
	1,690,941	896,737

9. INCOME TAX

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

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

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

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Current income tax		
– PRC	**193,516**	136,232
– Hong Kong	**10,923**	5,529
– Elsewhere	**2,892**	54,588
Withholding tax on the distribution of dividends from the PRC associate to certain of the Group's overseas subsidiaries	**14,916**	21,538
Deferred income tax	**(20,996)**	(17,137)
	201,251	200,750

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

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

	For the year ended 31 December	
	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation		
From continuing operations	**270,961**	(114,043)
From a discontinued operation	**76,542**	(85,468)
Profit/(loss) attributable to ordinary equity holders of the parent	**347,503**	(199,511)

	2016	2015
Shares		
Weighted average number of ordinary shares in issueduring the year used in the basic earnings per share calculation (thousand)	**11,683,125**	11,683,125

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

11. DIVIDENDS

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

12. TRADE AND NOTES RECEIVABLES

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

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Within 3 months	**1,215,511**	2,498,706
4 to 6 months	**91,244**	177,278
7 to 12 months	**334,252**	3,213
Over 1 year	**14,649**	8,909
	1,655,656	2,688,106

13. TRADE AND NOTES PAYABLES

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

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Within 3 months	**1,026,115**	3,743,330
4 to 6 months	**24,359**	180,625
7 to 12 months	**684,191**	71,642
Over 1 year	**4,077**	46,057
	1,738,742	4,041,654

14. EVENTS AFTER THE REPORTING PERIOD

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

15. COMPARATIVE AMOUNTS

As further explained in note 3 to the financial statements, due to the application of merger accounting, certain comparative amounts have been restated.

In addition, the comparative statement of profit or loss has been re-presented as if the operation discontinued during the year had been discontinued at the beginning of the comparative period.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERALL BUSINESS REVIEW

COMPLETION OF RESTRUCTURING, DISPOSAL AND PURCHASE OF ASSETS

1. DETAILS OF RESTRUCTURING:

1) Disposal of material assets

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

2) Acquisition of material assets

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

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

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

2. EFFECT OF RESTRUCTURING

1) Changes in the Company's principal business

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

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

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

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

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

ANALYSIS OF OPERATING ENVIRONMENT AND OUTLOOK

1. MACROECONOMIC CONDITIONS:

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

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

2. SHIPPING MARKET:

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

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

3. VESSEL LEASING MARKET

1) Industry environment:

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

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

2) Competitive landscape:

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

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

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

4. CONTAINER LEASING AND MANUFACTURING MARKET

1) Industry environment:

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

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

2) Competitive landscape:

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

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

5. FINANCIAL LEASING MARKET FOR NON-SHIPPING

1) Industry environment:

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

2) Competitive landscape:

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

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

FUTURE DEVELOPMENT STRATEGY OF THE COMPANY

1. Strategic positioning

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

2. Development Goals

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

3. Development plan

1) Leasing business

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

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

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

2) Investment business

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

3) Integrated financial services

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

MAJOR RISKS AND COUNTERMEASURES

1. Macroeconomic Risks

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

2. Market Risk

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

3. Credit Risk

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

4. Liquidity Risk

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

5. Strategy-related Risk

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

6. Company-wide Concentration Risk

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

7. Risk of Industry Competition

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

FINANCIAL REVIEW OF THE GROUP

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

Analyses of segment results are as follows:

1. ANALYSIS OF REVENUE AND COSTS FROM LINER OPERATIONS

1) Operating Revenue

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

2) Operating Costs

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

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

1) Operating Revenue

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

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

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

2) Operating Costs

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

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

3. ANALYSIS OF REVENUE AND COSTS FROM CONTAINER MANUFACTURING BUSINESS

1) Operating Revenue

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

2) Operating Costs

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

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

1) Operating Revenue

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

2) Operating Costs

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

5. FINANCIAL SERVICES

1) Operating Revenue

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

2) Operating Costs

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

GROSS PROFIT

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

SIGNIFICANT SECURITIES INVESTMENT

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

1 Shareholdings in Other Listed Companies

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

2 Shareholdings in Financial Enterprises

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

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

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

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

SIGNIFICANT ASSET IMPAIRMENT

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

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

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

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

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

Provision for impairment of investment in associates:

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

INFORMATION OF THE SUBSIDIARY, CS FINANCE

1. Shareholding Structure of CS Finance

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

2. Deposits and Loans of CS Finance During the Period

A Total deposits and loans at the end of the Period

Unit: RMB

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

B Balance of deposits and loans with the top ten customers

(a) Balance of deposits of the top ten customers

Unit: RMB

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

(b) Balance of loans to the top ten customers

Unit: RMB

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

INCOME TAX

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

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

SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

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

OTHER GAINS

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

PROFIT/LOSS ATTRIBUTABLE TO OWNERS OF THE PARENT

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity and borrowings

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

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

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

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

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

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

Net current assets

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

Cash flows

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

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

Unit: RMB

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

Net cash generated from operating activities

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

Net cash used in investing activities

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

Net cash generated from financing activities

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

Average turnover days of trade and notes receivables

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

Gearing ratio

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

Foreign exchange risk

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

Capital expenditure

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

Capital commitment

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

Pledge

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

SUBSEQUENT EVENTS

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

EMPLOYEES, TRAINING AND BENEFITS

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

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

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

DIVIDEND

The directors did not recommend the payment of any dividend for the year ended 31 December 2016.

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

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

AUDIT COMMITTEE

The audit committee of the Company consists of two independent non-executive directors, namely Mr. Cai Hongping and Mr. Tsang Hing Lun, and one non-executive director, namely Mr. Chen Dong. The audit committee has discussed with Ernst & Young, independent auditor of the Company, and reviewed the Group's annual results for the year ended 31 December 2016.

This annual results announcement is based on the Group's audited consolidated financial statements for the year ended 31 December 2016 which have been agreed with the auditor of the Company.

CORPORATE GOVERNANCE CODE

The Board confirms that the Company was in compliance with all the code provisions of the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") during the year ended 31 December 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors, supervisors and relevant employees on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors and supervisors of the Company, the Company has confirmed that its directors and supervisors have complied with the required standard set out in the Model Code regarding securities transactions during the Period. The Company is not aware of any non-compliance with these guidelines by the relevant employees.

DISCLOSURE OF INFORMATION

This announcement is published on the website of Hong Kong Stock Exchange at http://www.hkexnews.hk and the Company's website at http://www.cscl.com.cn. The annual report of the Company for the year ended 31 December 2016 will be dispatched by the Company to its shareholders and published on the aforesaid websites of Hong Kong Stock Exchange and the Company in due course.

By order of the Board
COSCO SHIPPING Development Co., Ltd.
Yu Zhen
Joint Company Secretary

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

The Board as at the date of this announcement comprises Ms. Sun Yueying, Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, being executive directors, Mr. Feng Boming, Mr. Huang Jian and Mr. Chen Dong, being non-executive directors, and Mr. Cai Hongping, Mr. Tsang Hing Lun, Ms. Hai Chi Yuet and Mr. Graeme Jack, being independent non-executive directors.

* *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.".*