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COSCO SHIPPING Holdings Co., Ltd.*

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

(Stock Code: 1919)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS:

- Revenues from continuing operations of the Group for the year 2016 was RMB69,833,164,000, representing an increase of RMB14,684,867,000 as compared to 2015.
- Loss attributable to equity holders of the Company for the year 2016 was RMB9,906,003,000 as compared to profit attributable to equity holders of the Company of RMB469,302,000 in 2015.
- The basic and diluted loss per share for 2016 amounted to RMB0.97 and RMB0.97, respectively.
- The Board resolved not to propose any final dividend for the year 2016.

The board of directors (the "**Board**") of COSCO SHIPPING Holdings Co., Ltd.* (the "**Company**" or "**COSCO SHIPPING Holdings**") hereby announces the results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2016 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2015 .

COSCO SHIPPING HOLDINGS CO., LTD.
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	**2016** *RMB'000*	**2015** *RMB'000* *(Restated)*
Continuing operations			
Revenues	3	69,833,164	55,148,297
Cost of services and inventories sold		(70,382,845)	(51,425,413)
Gross (loss)/profit		(549,681)	3,722,884
Other (expenses)/income, net	4	(470,193)	1,460,646
Selling, administrative and general expenses		(4,021,075)	(3,452,013)
Operating (loss)/profit		(5,040,949)	1,731,517
Finance income	5	499,728	801,948
Finance costs	5	(1,912,878)	(1,860,813)
Net related exchange loss	5	(401,579)	(486,776)
Net finance costs	5	(1,814,729)	(1,545,641)
		(6,855,678)	185,876
Share of profits less losses of			
- joint ventures		765,441	761,978
- associates		634,167	794,242
(Loss)/profit before income tax from continuing operations		(5,456,070)	1,742,096
Income tax expense	6	(506,439)	(530,884)
(Loss)/profit for the year from continuing operations		(5,962,509)	1,211,212
Discontinued operations			
Loss on disposals of discontinued operations		(2,430,262)	—
(Loss)/profit from discontinued operations, net of tax		(708,461)	504,219
Reversal of provision		—	493,173
(Loss)/profit for the year from discontinued operations		(3,138,723)	997,392
(Loss)/profit for the year		(9,101,232)	2,208,604

	Note	2016 *RMB'000*	2015 *RMB'000* *(Restated)*
(Loss)/profit attributable to:			
Equity holders of the Company		(9,906,003)	469,302
Non-controlling interests		804,771	1,739,302
		(9,101,232)	2,208,604
(Loss)/profit attributable to equity holders of the Company arising from:			
- Continuing operations		(7,227,647)	333,728
- Discontinued operations		(2,678,356)	135,574
		(9,906,003)	469,302

	Note	2016 *RMB*	2015 *RMB* *(Restated)*
(Loss)/earnings per share attributable to equity holders of the Company:			
Basic (loss)/earnings per share (RMB)			
- From continuing operations	8	(0.71)	0.03
- From discontinued operations	8	(0.26)	0.02
		(0.97)	0.05

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 *RMB'000*	2015 *RMB'000* *(Restated)*
(Loss)/profit for the year	(9,101,232)	2,208,604
Other comprehensive income/(loss)		
Items that have been reclassified or may be reclassified subsequently to profit or loss		
Fair value loss on available-for-sale financial assets, net of tax	(40,920)	(13,134)
Impairment loss on available-for-sale financial assets charged to the consolidated income statement	131,484	3,532
Share of other comprehensive loss of joint ventures and associates	(12,141)	(32,357)
Recycling of currency translation differences upon disposals of discontinued operations	3,368,688	—
Currency translation differences	917,880	618,972
Item that will not be reclassified subsequently to profit or loss		
Remeasurements of post-employment benefit obligations	120,520	(51,330)
Total other comprehensive income	4,485,511	525,683
Total comprehensive (loss)/income for the year	(4,615,721)	2,734,287
Total comprehensive (loss)/income for the year attributable to:		
- Equity holders of the Company	(5,984,589)	523,594
- Non-controlling interests	1,368,868	2,210,693
	(4,615,721)	2,734,287
Total comprehensive (loss)/income attributable to equity holders of the Company arising from:		
-Continuing operations	(6,302,049)	(201,558)
-Discontinued operations	317,460	725,152
	(5,984,589)	523,594

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	**2016** *RMB'000*	**2015** *RMB'000* *(Restated)*
ASSETS			
Non-current assets			
Property, plant and equipment		48,426,064	86,219,295
Investment properties		195,244	313,579
Leasehold land and land use rights		1,671,261	1,866,303
Intangible assets		157,036	166,511
Joint ventures		10,106,369	10,094,493
Associates		10,324,185	11,050,961
Loans to joint ventures and an associate		1,215,244	574,791
Available-for-sale financial assets		1,662,670	2,514,923
Deferred income tax assets		85,684	129,454
Other non-current assets		446,511	919,729
Total non-current assets		74,290,268	113,850,039
Current assets			
Inventories		1,564,690	1,502,291
Trade and other receivables	9	11,285,555	10,643,992
Available-for-sale financial assets		—	270,000
Restricted bank deposits		323,648	330,033
Cash and bank balances		32,188,572	33,897,143
Total current assets		45,362,465	46,643,459
Total assets		119,652,733	160,493,498
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		10,216,274	10,216,274
Reserves		8,107,022	18,343,275
		18,323,296	28,559,549
Non-controlling interests		19,225,573	24,611,526
Total equity		37,548,869	53,171,075

	Note	**2016**	**2015**
		RMB'000	*RMB'000*
			(Restated)
LIABILITIES			
Non-current liabilities			
Long-term borrowings		47,468,924	75,300,019
Provisions and other liabilities		557,382	1,260,442
Deferred income tax liabilities		522,240	586,721
Total non-current liabilities		48,548,546	77,147,182
Current liabilities			
Trade and other payables	10	22,722,039	18,092,973
Short-term borrowings		3,246,917	2,955,191
Current portion of long-term borrowings		6,661,134	8,216,400
Current portion of provisions and other liabilities		12,624	126,262
Tax payable		912,604	784,415
Total current liabilities		33,555,318	30,175,241
Total liabilities		82,103,864	107,322,423
Total equity and liabilities		119,652,733	160,493,498

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Attributable to equity holders of the Company				
	Share capital	Reserves	Sub-total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2015, as previously reported	10,216,274	14,162,888	24,379,162	18,578,796	42,957,958
Adoption of merger accounting	—	3,888,137	3,888,137	4,069,145	7,957,282
Balance at 1 January 2015, as restated	10,216,274	18,051,025	28,267,299	22,647,941	50,915,240
Comprehensive income					
Profit for the year	—	469,302	469,302	1,739,302	2,208,604
Other comprehensive income / (loss):					
Fair value losses on available-for-sale financial assets, net of tax	—	24,730	24,730	(37,864)	(13,134)
Impairment loss on available-for-sale financial assets charged to the consolidated income statement	—	3,532	3,532	—	3,532
Share of other comprehensive loss of joint ventures and associates	—	(14,126)	(14,126)	(18,231)	(32,357)
Currency translation differences	—	91,486	91,486	527,486	618,972
Remeasurements of post-employment benefit obligations	—	(51,330)	(51,330)	—	(51,330)
Total other comprehensive income	—	54,292	54,292	471,391	525,683
Total comprehensive income	—	523,594	523,594	2,210,693	2,734,287
Transactions with owners :					
Contributions from non-controlling interests of subsidiaries	—	—	—	293,613	293,613
Dividends paid to non-controlling interests of a subsidiary	—	—	—	(495,295)	(495,295)
Issue of shares on settlement of scrip dividend by a subsidiary	—	17,484	17,484	37,890	55,374
Acquisition of equity interests from non-controlling interests	—	—	—	(10,581)	(10,581)
Dividends paid to former shareholders of subsidiaries	—	(257,524)	(257,524)	—	(257,524)
Others	—	8,696	8,696	(72,735)	(64,039)
Total transactions with owners	—	(231,344)	(231,344)	(247,108)	(478,452)
As at 31 December 2015, as restated	10,216,274	18,343,275	28,559,549	24,611,526	53,171,075

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Cash flows from operating activities		
Cash generated from operations	1,377,068	6,777,297
Interest received	615,290	889,423
Income tax paid	(472,825)	(549,027)
Net cash generated from operating activities	1,519,533	7,117,693
Cash flows from investing activities		
Purchase of property, plant and equipment, investment properties, leasehold land, land use rights and intangible assets	(5,451,657)	(7,281,509)
Acquisition of subsidiaries, net of cash acquired	210,880	—
Investments in jointly controlled entities and associates	(478,326)	(2,588,337)
Loans advanced to an associate	(628,291)	—
Purchase of available-for-sale financial assets	(190,000)	(962,221)
Proceeds from disposal of property, plant and equipment, investment properties, land use right, and intangible assets	413,776	468,294
Cash received from disposal of jointly controlled entities and associates	18,964	—
Cash received from disposal of available-for-sale financial assets	460,000	1,208,482
Net cash from disposals of subsidiaries	9,534,864	(32,860)
Repayments of loans granted to jointly controlled entities and an associate	8,772	490,774
Dividends received from jointly controlled entities	495,784	743,707
Dividends received from associates	492,301	561,116
Dividends received from available-for-sale financial assets	41,974	116,693
Decrease in restricted bank deposits	—	583,436
Acquisition of equity interests from non-controlling interests	(378,247)	(10,581)
Cash received from entrust loan and interest	435,612	—
Net cash generated from/(used in) investing activities	4,986,406	(6,703,006)

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Cash flows from financing activities		
Proceeds from borrowings	25,444,304	29,798,717
Repayments of borrowings	(22,665,286)	(35,107,398)
Dividends paid to non-controlling interests	(1,847,762)	(495,295)
Contributions from non-controlling shareholders of subsidiaries	57,123	293,613
Interest paid	(2,243,179)	(2,471,763)
Other incidental borrowing costs and charges paid	(127,244)	(297,404)
Acquisition of subsidiaries under common control, net of cash acquired	(8,556,323)	—
Dividends paid to former shareholders of subsidiaries	—	(184,902)
Increase in restricted bank deposits	—	(15,782)
Loans from a non-controlling shareholder of a subsidiary	440,450	—
Net cash used in financing activities	(9,497,917)	(8,480,214)
Net decrease in cash and cash equivalents	(2,991,978)	(8,065,527)
Cash and cash equivalents as at 1 January	33,897,143	40,948,946
Exchange gains	1,283,407	1,013,724
Cash and cash equivalents as at 31 December	32,188,572	33,897,143

COSCO SHIPPING HOLDINGS CO., LTD.

NOTES:

1 General information

COSCO SHIPPING Holdings Co., Ltd.(formerly known as: China COSCO Holdings Company Limited) (the "Company") was incorporated in the People's Republic of China (the "PRC") on 3 March 2005 as a joint stock company with limited liability under the Company Law of the PRC. The Company and its subsidiaries (the "Group") is principally engaged in provisions of a range of container shipping, managing and operating container terminals and container leasing services on a worldwide basis.

On 4 May 2016, the Company has received notification from China COSCO Holdings Corporation Limited ("COSCO Group") that State-owned Assets Supervision and Administration Commission of the State Council ("SASAC") has transferred its entire equity interest in COSCO Group at nil consideration to China COSCO Shipping Corporation Limited ("COSCO Shipping"), a state-owned enterprise established in the PRC and wholly-owned and controlled by SASAC. With the completion of this equity transfer, the directors of the Company (the "Directors") regard COSCO Shipping as being the Company's parent company. COSCO Shipping and its subsidiaries (other than the Group) are collectively referred to as "COSCO Shipping Group".

On 4 November 2016, the company changed its name from China COSCO Holdings Company Limited to COSCO SHIPPING Holdings Co., Ltd.

During the year, the Group completed the disposal of China COSCO Bulk Shipping (Group) Co., Ltd. ("COSCO Bulk") to COSCO Group and the disposal of Florens Container Holdings Limited ("FCHL") to China Shipping (Group) Company ("China Shipping Group") for considerations of RMB4.87 billion and RMB7.91 billion respectively. After the disposals, COSCO Bulk and FCHL ceased to be subsidiaries of the Group. The loss on disposals and the operation results of COSCO Bulk and FCHL are disclosed as discontinued operations in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as the dry bulk shipping and the container leasing businesses each constitutes a separate business segment within the Group. The comparative information in the consolidated income statement has been represented according to HKFRS 5.

During the year, the Group completed the acquisitions from COSCO Group and China Shipping Group of the equity interests in the following entities ("Acquired Entities") for considerations as set out below:

(a) The Group completed its acquisition of all the shares in China Shipping Ports Development Co., Limited ("CSPD") at a total consideration of RMB7.59 billion;

(b) The Group completed its acquisitions of certain agency companies ("Agency Companies"), at a total consideration of RMB0.76 billion.

(c) The Group completed the acquisition of equity interests in various offshore agency companies at a total consideration of RMB132 million. Details of the acquisitions are as disclosed as below:

Acquired Entities	**Consideration**
	(RMB'000)
China Shipping (Romania) Agency Co. Ltd. SRL	1,738
COSCO Poland Sp. Z o.o.	689
COSCO Russia Ltd.	14,918
Cosren Shipping Agency (Pty) Ltd	311
Golden Sea Shipping Pte. Ltd.	33,899
COSCO Lanka (Pvt) Ltd.	242
COSCO Cambodia Pte. Ltd.	555
China Shipping México, S. de R.L. de C.V	1,301
China Shipping Acentaligi A.S.	3,318
COSCO Saeed Karachi (Private) Limited	435
China Shipping (Myanmar) Company Limited	2,034
COSCO GREECE S.A.	50,550
Cosco Shipping Lines (Ukraine) Co., Ltd.	928
China Shipping Egypt S.A.E.	499
COSCO (India) Shipping Pvt. Ltd.	1,519
Penta Holding A/S	18,839

As both COSCO Group and China Shipping Group are wholly owned and controlled by SASAC, the aforesaid transactions were regarded as business combinations under common control. The comparative information in these consolidated financial statements has been restated accordingly under merger accounting.

On 29 February 2016, the Company and COSCO SHIPPING Development Co., Ltd. ("CSDL") entered into the lease agreement (the "Lease Agreement"), pursuant to which the Company conditionally agreed to lease from CSDL, and CSDL conditionally agreed to lease to the Company, vessels and containers owned or operated by CSDL. On 1 March 2016, the Company began the leasing arrangements with CSDL.

On 11 December 2015, CSDL conditionally agreed to make capital contribution to COSCO Finance Co., Ltd ("COSCO Finance") while the Company proposed not to exercise the right to contribute at the same proportion. Upon completion of the transaction, the equity interest held by the Group in COSCO Finance shall decrease from approximately 17.25% (without considering the equity interest held by the Group in COSCO Finance via COSCO Bulk, as COSCO Bulk had been disposed of) to 14.23%. As of 31 December 2016, the above transaction had not been completed. On 13 January 2017, the Group has announced that the proposed capital contribution by CSDL to COSCO Finance would not proceed after further negotiation of all parties involved. The Group is still holding approximately 17.25% equity interest of COSCO Finance and COSCO Finance is still an associate of the Company.

2 Basis of preparation

The annual results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2016 but are extracted from these financial statements included in the Annual Report of the Company, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention except for available-for-sale financial assets and derivative financial instruments which have been stated at fair value. The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except where otherwise indicated.

(a) *New standard and amendments to standards which are effective in 2016 and adopted by the Group*

In 2016, the Group has adopted a new standard and some amendments to standards issued by HKICPA which are mandatory for the financial year beginning on 1 January 2016. The adoption of those new standard and amendments to standards does not have any significant impact to the Group's results and financial position.

(b) *New standards and interpretations which have not been adopted*

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and have not been early adopted by the Group. None of these is expected to have a significant impact on the consolidated financial statements of the Group, except the following as set out below:

HKFRS 9, 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. HKFRS 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety. The Group is in the process of making an assessment on the impact of HKFRS 9.

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is in the process of making an assessment on the impact of HKFRS 15.

HKFRS 16, 'Leases' will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exemptions are short-term and low-value leases. As at 31 December 2016, the Group has non-cancellable operating lease commitments of approximately RMB73,082,398,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exemptions for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16. HKFRS 16 is mandatory for financial years commencing on or after 1 January 2019.

3 Revenues and segment information

Operating segments

The chief operating decision-maker has been identified as the executive directors of the Group. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and analysed from a business perspective:

— Container shipping and related business

— Dry bulk shipping and related business (discontinued operations)

— Container terminal and related business

— Container leasing, management, sale and related business (discontinued operations)

— Corporate and other operations that primarily comprise investment holding, management services and financing

Segment assets are those operating assets that are employed by a segment in its operating activities. They exclude joint ventures, associates, loans to joint ventures and an associate, available-for-sale financial assets not related to the segment and unallocated assets. Segment liabilities are these operating liabilities that result from the operating activities of a segment.

Unallocated assets consist of deferred income tax assets. Unallocated liabilities consist of tax payables and deferred income tax liabilities.

Addition to non-current assets comprises additions to property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, investments in joint ventures and associates and other non-current assets (excluding finance lease receivables), including additions resulting from acquisitions through business combinations.

	Year ended 31 December 2016							
	Continuing operations					Discontinued operations		
	Container shipping and related business (#)	**Container terminal and related business**	**Corporate and other operations**	**Inter-segment elimination**	**Total**	**Dry bulk shipping and related business (#)**	**Container leasing, management, sale and related business**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'00*	*RMB'000*	*RMB'000*	*RMB'000*
Income statement								
Total revenues	66,569,030	3,762,678	4,576	(503,120)	69,833,164	1,117,222	477,276	1,594,498
Comprising:								
Inter-segment revenues	454	502,666	—	(503,120)	—	—	—	—
Revenues (from external customers)	66,568,576	3,260,012	4,576	—	69,833,164	1,117,222	477,276	1,594,498
Segment (loss)/profit	(6,141,658)	1,495,297	(394,588)	—	(5,040,949)	(555,897)	82,591	(473,306)
Finance income					499,728			11,693
Finance costs					(1,912,878)			(183,503)
Net related exchange loss					(401,579)			(62,204)
Share of profits less losses of								
- joint ventures	21,152	744,289	—	—	765,441			5,233
- associates	11,307	585,445	37,415	—	634,167			(17)
Loss before income tax					(5,456,070)			(702,104)
Income tax expenses					(506,439)			(6,357)
Loss for the year					(5,962,509)			(708,461)
Loss on disposals of subsidiaries								(2,430,262)
Loss for the year from discontinued operations								(3,138,723)
Loss on disposals of property plant and equipment, net	1,024,742	2,178	346	—	1,027,266	—	—	—
Depreciation and amortisation	1,554,521	658,366	7,663	—	2,220,550	266,334	227,362	493,696
(Reversal of provision) /provision for impairment of trade and other receivables, net	(24,867)	1,936	—	—	(22,931)	6,393	509	6,902
Impairment loss on available-for-sale financial assets	—	131,484	—	—	131,484	—	—	—
Amortised amount of transaction costs on long-term borrowings	28,206	12,237	12,000	—	52,443	829	—	829
Additions to non-current assets	2,196,717	1,109,408	25,219	—	3,331,344	38,205	2,082,108	2,120,313

(#) Revenues for container shipping and related business and dry bulk shipping and related business include respective crew service income and other related income.

	Year ended 31 December 2015(Restated)							
	Continuing operations					Discontinued operations		
	Container shipping and related business (#)	**Container terminal and related business**	**Corporate and other operations**	**Inter-segment elimination**	**Total**	**Dry bulk shipping and related business (#)**	**Container leasing, management, sale and related business**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Income statement								
Total revenues	52,051,186	3,495,356	20,728	(418,973)	55,148,297	9,008,258	1,966,876	10,975,134
Comprising:								
Inter-segment revenues	703	418,270	—	(418,973)	—	—	—	—
Revenues (from external customers)	52,050,483	3,077,086	20,728	—	55,148,297	9,008,258	1,966,876	10,975,134
Segment profit/(loss)	782,065	1,451,352	(501,900)	—	1,731,517	1,213,971	668,773	1,882,744
Finance income					801,948			155,382
Finance costs					(1,860,813)			(1,073,337)
Net related exchange loss					(486,776)			(492,466)
Share of profits less losses of								
- joint ventures	25,921	736,057	—	—	761,978			36,769
- associates	13,329	641,295	139,618	—	794,242			16,569
Profit before income tax					1,742,096			525,661
Income tax expenses					(530,884)			(21,442)
Profit/(loss) for the year					1,211,212			504,219
Discontinued operation-reversal of provision								493,173
Profit for the year from discontinued operation								997,392
Loss/(gain) on disposals of property plant and equipment	358,461	(1,358)	—	—	357,103	91,002	(6,723)	84,279
Depreciation and amortisation	1,602,482	611,624	11,648	—	2,225,754	1,286,129	777,610	2,063,739
(Reversal of provision)/provision for impairment of trade and other receivables, net	(30,080)	569	—	—	(29,511)	19,619	1,844	21,463
Reversal for provision for litigation	—	—	—	—	—	33,643	—	33,643
Impairment loss on available-for-sale financial assets	—	—	—	—	—	3,532	—	3,532
Amortised amount of transaction costs on long-term borrowings	28,802	10,878	12,000	—	51,680	2,044	17,942	19,986
Additions to non-current assets	1,081,168	639,493	4,969	—	1,725,630	4,279,938	1,275,941	5,555,879

(#) Revenues for container shipping and related business and dry bulk shipping and related business include respective crew service income and other related income.

	As at 31 December 2016						
	Container shipping and related business	Dry bulk shipping and related business	Container terminal and related business	Container leasing, management, sale and related business	Corporate and other operations	Inter-segment elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance sheet							
Segment assets	64,488,910	—	19,591,715	—	23,334,848	(11,156,892)	96,258,581
Joint ventures	331,831	—	9,774,538	—	—	—	10,106,369
Associates	125,685	—	9,752,277	—	446,223	—	10,324,185
Loans to joint ventures and an associate	—	—	1,215,244	—	—	—	1,215,244
Available-for-sale financial assets	573,987	—	1,088,683	—	—	—	1,662,670
Unallocated assets							85,684
Total assets							119,652,733
Segment liabilities	57,635,980	—	8,430,273	—	21,813,934	(7,211,167)	80,669,020
Unallocated liabilities							1,434,844
Total liabilities							82,103,864

	As at 31 December 2015(Restated)						
	Container shipping and related business	Dry bulk shipping and related business	Container terminal and related business	Container leasing, management, sale and related business	Corporate and other operations	Inter-segment elimination	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance sheet							
Segment assets	55,756,704	36,457,783	19,180,624	13,928,813	25,170,405	(14,635,453)	135,858,876
Joint ventures	301,011	616,700	9,176,782	—	—	—	10,094,493
Associates	47,589	1,252,119	8,931,784	—	819,469	—	11,050,961
Loans to joint ventures and an associate	—	—	574,791	—	—	—	574,791
Available-for-sale financial assets	574,326	825,081	1,115,516	—	270,000	—	2,784,923
Unallocated assets							129,454
Total assets							160,493,498
Segment liabilities	47,858,374	33,415,578	7,579,346	4,375,299	21,026,740	(8,304,050)	105,951,287
Unallocated liabilities							1,371,136
Total liabilities							107,322,423

Geographical information

(a) ***Revenues***

The Group's businesses are managed on a worldwide basis. The revenues generated from the world's major trade lanes for container shipping business mainly include Trans-Pacific, Asia-Europe, Intra-Asia, PRC coastal, Trans-Atlantic and others which are reported as follows:

Geographical	**Trade lanes**
America	Trans-Pacific
Europe	Asia-Europe (including Mediterranean)
Asia Pacific	Intra-Asia (including Australia)
China domestic	PRC coastal
Other international market	Trans-Atlantic and others

The revenues generated from provision of dry bulk shipping business services are classified into international shipping and PRC coastal shipping only.

For the geographical information, freight revenues from container shipping and dry bulk shipping are analysed based on the outbound cargoes or goods transport to each geographical territory.

In respect of container terminals operations, corporate and other operations, revenues are based on the geographical locations in which the business operations are located.

In respect of container leasing, the movements of containers under operating leases or finance leases are known through reports from the lessees but the Group is not able to control the movements of containers except to the degree that the movements are restricted by the terms of the leases or where safety of the containers is concerned. It is therefore impracticable to present financial information by geographical area and thus the revenues of which are presented as unallocated revenues.

	2016		
	RMB'000		
Continuing operations	**Total revenue**	**Including inter segment revenue**	**External revenue**
Container shipping and related business			
- America	17,477,804	—	17,477,804
- Europe	15,064,253	—	15,064,253
- Asia Pacific	11,186,567	11	11,186,556
- China domestic	17,701,930	443	17,701,487
- Other international market	5,138,476	—	5,138,476
Container shipping and related business (note a)	66,569,030	454	66,568,576
Container terminal and related business, corporate and other operations			
- Europe	1,176,694	—	1,176,694
- China domestic	2,590,560	502,666	2,087,894
Container terminal and related business corporate and other operations	3,767,254	502,666	3,264,588
Total	70,336,284	503,120	69,833,164
Discontinued operations			
Dry bulk shipping and related business			
- International shipping	906,163	—	906,163
- PRC coastal shipping	211,059	—	211,059
Container leasing and related business, corporate and other operations	477,276	—	477,276
Total	1,594,498	—	1,594,498

Continuing operations	Total revenue	2015 *RMB'000* *(Restated)* Including inter segment revenue	External revenue
Container shipping and related business			
- America	15,520,873	92	15,520,781
- Europe	10,216,058	—	10,216,058
- Asia Pacific	9,226,299	—	9,226,299
- China domestic	14,075,839	611	14,075,228
- Other international market	3,012,117	—	3,012,117
Container shipping and related business (note a)	52,051,186	703	52,050,483
Container terminal and related business, corporate and other operations			
- Europe	993,850	—	993,850
- China domestic	2,522,234	418,270	2,103,964
Container terminal and related business, corporate and other operations	3,516,084	418,270	3,097,814
Total	55,567,270	418,973	55,148,297
Discontinued operations			
Dry bulk shipping and related business			
- International shipping	7,471,143	—	7,471,143
- PRC coastal shipping	1,537,115	—	1,537,115
Container leasing and related business, corporate and other operations	1,966,876	—	1,966,876
Total	10,975,134	—	10,975,134

Notes:

(a) Revenue from container shipping under time charterhire agreements was RMB35,079,000 for the year ended 31 December 2016 (2015: RMB72,610,000).

(b) ***Non-current assets***

The Group's non-current assets, other than financial instruments and deferred income tax assets ("Geographical Non-Current Assets"), consist of its property, plant and equipment, investment properties, leasehold land and land use rights, intangible assets, joint ventures, associates and other non-current assets (excluding finance lease receivables).

The container vessels, dry bulk vessels and containers (included in property, plant and equipment) are primarily utilised across geographical markets for shipment of cargoes throughout the world. Accordingly, it is impractical to present the locations of the container vessels, dry bulk vessels and containers by geographical areas and thus the container vessels, dry bulk vessels, containers and vessels under construction are presented as unallocated non-current assets.

In respect of the remaining Geographical Non-Current Assets, they are presented based on the geographical locations in which the business operations/assets are located.

	As at 31 December 2016	**As at 31 December 2015**
	RMB'000	*RMB'000*
		(Restated)
China domestic	29,813,152	28,731,220
Non-China domestic	11,208,365	13,455,861
Unallocated	30,305,153	68,015,280
Total	71,326,670	110,202,361

4 **Other (expenses)/income, net**

	2016	**2015**
	RMB'000	*RMB'000*
		(Restated)
Dividend income from listed and unlisted investments	40,385	90,767
Government subsidy for demolition of vessels and other subsidies included in other income, net (note a)	540,913	1,936,552
(Loss)/gain on disposal of/write off property, plant and equipment, net		
- container vessels	(1,038,656)	(236,945)
- others	11,390	(114,479)
Reversal of provision for impairment of trade and other receivables	32,614	59,674
Provision for impairment of trade and other receivables	(9,683)	(30,163)
Net exchange gain/(loss), net	114,726	(264,006)
Compensation expense	(56,513)	(7,867)
Compensation income	10,724	1,033
Donations	(444)	(497)
Gain on fair value change on share appreciation rights	15,213	6,115
Impairment loss on available-for-sale financial assets	(131,484)	—
Others	622	20,462
Total	(470,193)	1,460,646

Note:

(a) In 2016, the Company received a subsidy of approximately RMB189.5 million (2015: approximately RMB1,548.7 million) from the Ministry of Finance("MoF") through COSCO Group in respect of the demolition of vessels in accordance with the "Implementation Plan for Early Retirement and Replacement of Obsolete and Worn-out Transportation Vessels And Single-hull Oil Tankers" (《老舊運輸船舶和單殼油輪提前報廢更新實施方案》) and "Administrative Measure For The Special Subsidies Given By The Central Finance To Encourage Retirement And Replacement Of Obsolete and Worn-out Transportation Vessels And Single-hull Oil Tankers" (《老舊運輸船舶和單殼油輪報廢更新中央財政補助專項資金管理辦法》) jointly promulgated by MoF, the Ministry of Transport, the Development and Reform Commission, and the Ministry of Industry and Information Technology of China.

5 Finance income and costs

	2016 *RMB'000*	2015 *RMB'000* *(Restated)*
Finance income		
Interest income from:		
- deposits in COSCO Finance	73,913	88,112
- deposits in China Shipping Finance Company Limited ("CS Finance")	2,421	7,113
- loans to joint ventures and an associate	32,067	41,213
- banks	391,327	665,510
	499,728	801,948
Finance costs		
Interest expenses on:		
- bank loans	(913,119)	(832,361)
- other loans	(3,431)	(3,883)
- loans with fellow subsidiaries	(1,381)	(13,271)
- loans with non-controlling shareholders of subsidiaries (note 10(e))	(18,541)	(33,939)
- loans with a joint venture (note 10(c))	(5,791)	(6,511)
- loans with COSCO Shipping	(1,295)	—
- loans with COSCO Finance	(57,625)	(14,058)
- loans with CS Finance	(4,287)	(5,335)
- finance lease obligations	(18,806)	(26,484)
- notes/bonds	(788,557)	(766,293)
	(1,812,833)	(1,702,135)
Amortised amount of transaction costs on long-term borrowings	(52,443)	(51,680)
Amortised amount of discount on issue of notes	(1,534)	(1,576)
Other incidental borrowing costs and charges	(150,103)	(160,257)
Less: amount capitalised in construction in progress	104,035	54,835
	(1,912,878)	(1,860,813)
Net related exchange loss	(401,579)	(486,776)
Net finance costs	(1,814,729)	(1,545,641)

6 **Income tax expenses**

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Current income tax (note a)		
- PRC enterprise income tax	269,195	259,930
- Hong Kong profits tax	10,896	15,893
- Overseas taxation	169,016	161,135
Under/(over) provision in prior years	17,046	(4,131)
	466,153	432,827
Deferred income tax	40,286	98,057
	506,439	530,884

Notes:

(a) **Current income tax**

Taxation has been provided at the appropriate rate of taxation prevailing in the countries in which the Group operates. These rates range from 12.5% to 43% (2015: 12.5% to 46%).

The statutory rate for PRC enterprise income tax is 25% and certain PRC companies enjoy preferential tax treatment with the reduced rates ranging from 12.5% to 25% (2015: 12.5% to 25%).

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits derived from or arising in Hong Kong for the year.

7 **Dividend**

The Board of Directors did not recommend the payment of interim or final dividend for the year ended 31 December 2016 (2015: Same).

8 Earnings per share

(a) ***Basic***

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the number of ordinary shares in issue during the year.

	2016	**2015** *(Restated)*
(Loss)/profit from continuing operations attributable to equity holders of the Company (RMB)	(7,227,647,000)	333,728,000
(Loss)/profit from discontinued operation attributable to equity holders of the Company (RMB)	(2,678,356,000)	135,574,000
	(9,906,003,000)	469,302,000
Number of ordinary shares in issue	10,216,274,357	10,216,274,357
Basic (loss)/earnings per share (RMB)		
From continuing operations	(0.71)	0.03
From discontinued operation	(0.26)	0.02
	(0.97)	0.05

(b) ***Diluted***

The outstanding share options granted by a subsidiary of the Company did not have any dilutive effect on the earnings per share for the year ended 31 December 2016 and the diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share for the year ended 31 December 2016 (2015: Same).

9 Trade and other receivables

	2016	**2015**
	RMB'000	*RMB'000*
		(Restated)
Trade receivables (note a)		
- third parties	5,367,815	4,562,033
- fellow subsidiaries	457,019	1,544,762
- joint ventures	9,941	79,253
- associates	110	3,758
- other related companies	96,859	75,044
	5,931,744	6,264,850
Bills receivables (note a)	253,996	222,949
	6,185,740	6,487,799
Prepayments, deposits and other receivables (note b)		
- third parties	3,774,199	2,952,192
- fellow subsidiaries	376,564	605,980
- joint ventures	663,153	238,353
- associates	120,862	32,188
- other related companies	165,037	280,762
	5,099,815	4,109,475
Current portion of financial lease receivables	—	46,718
Total	11,285,555	10,643,992

Notes:

(a) Trading balances with related parties are unsecured, interest free and have similar credit periods as third party customers. The normal credit period granted to the trade receivables of the Group is generally within 90 days. Trade receivables primarily consisted of shipping business receivables. As at 31 December 2016, the ageing analysis of trade and bills receivables on the basis of the date of relevant invoice or demand note is as follows:

	2016	**2015**
	RMB'000	*RMB'000*
		(Restated)
1-3 months	5,874,942	6,265,709
4-6 months	200,776	193,647
7-12 months	109,957	55,959
Over 1 year	71,625	193,381
Trade and bills receivables, gross	6,257,300	6,708,696
Less: impairment of		
1-3 months	(21,184)	(63,686)
4-6 months	(2,871)	(14,683)
7-12 months	(2,857)	(5,236)
Over 1 year	(44,648)	(137,292)
Provision for impairment	(71,560)	(220,897)
	6,185,740	6,487,799

(b) Prepayment, deposits and other receivables due from related companies are unsecured, interest free and have no fixed terms of repayment.

10 Trade and other payables

	2016	**2015**
	RMB'000	*RMB'000*
		(Restated)
Trade payables (note a)		
- third parties	5,345,658	4,953,490
- fellow subsidiaries	1,970,808	1,990,242
- joint ventures	226,094	92,644
- associates	53,153	17,560
- other related companies	82,341	51,782
	7,678,054	7,105,718
Bills payables (note a)	26,000	115,770
	7,704,054	7,221,488
Advances from customers	239,176	430,642
Other payables and accruals (note b)	12,811,738	8,989,426
Due to related companies		
- fellow subsidiaries	362,013	311,468
- joint ventures (note c)	297,384	329,597
- associates (note d)	121	15,092
- other related companies (note e)	1,307,553	795,260
	1,967,071	1,451,417
Total	22,722,039	18,092,973

Notes:

(a) As at 31 December 2016, the ageing analysis of trade and bills payables on the basis of the date of relevant invoice or demand note is as follows:

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
1-6 months	6,356,481	5,886,902
7-12 months	1,273,350	75,676
1-2 years	38,853	1,174,922
2-3 years	10,101	27,606
Above 3 years	25,269	56,382
	7,704,054	7,221,488

Trade balances with related companies are unsecured, interest free and have similar terms of repayment as those of third party suppliers.

(b) Other payable and accruals

	2016	2015
	RMB'000	*RMB'000*
		(Restated)
Salary and welfare payables	1,163,301	1,606,114
Accruals for voyages costs	5,998,999	1,844,157
Accruals for vessel costs	2,993,305	2,479,466
Interest payable	216,309	232,367
Others	2,439,824	2,827,322
	12,811,738	8,989,426

(c) The balance including loans from a joint venture of US$40,147,000 (equivalent to approximately RMB278,499,739) (2015: US$30,030,000, equivalent to approximately RMB195,002,808) are unsecured, bear interest at 2.3% (2015: 3.5%) per annum and repayable within twelve months.

(d) The amounts due to associates are unsecured and interest free and have no fixed term of repayment.

(e) The balance including loans from non-controlling shareholders of subsidiaries are unsecured and repayable within twelve months. Balance of US$8,534,000 (equivalent to approximately RMB59,200,000) (2015: US$8,395,000 (equivalent to approximately RMB54,514,000)) bears interest at 0.6% above 1-year US dollar LIBOR per annum. Balance of US$49,681,000 (equivalent to approximately RMB344,637,000) (2015:US$49,681,000 (equivalent to approximately RMB322,609,000)) is interest free. Balance of US$57,661,000 (equivalent to approximately RMB399,994,000) (2015:US$15,400,000 (equivalent to approximately RMB106,830,000)) bears interest at 3.9%(2015:6%) per annum. Balance of US$51,896,000(equivalent to approximately RMB360,003,000) (2015: US$30,799,000 (equivalent to approximately RMB199,996,000)) bears interest at 3.5%(2015:4.1%) per annum.

11 Discontinued operations

(a) ***Disposal of 100% equity interest in COSCO Bulk***

The disposal of 100% equity interest in COSCO Bulk to COSCO Group was completed on 15 March 2016 for a total consideration of RMB4,873,281,000. Since COSCO Bulk represented a separate business line prior to the disposal, its business and cash flow could be identified independently and had been classified as discontinued operations in the consolidated financial statements.

(b) ***Disposal of 100% equity interest in Florens Container Holdings Limited ("FCHL")***

On 24 March 2016, COSCO SHIPPING Ports Limited ("COSCO SHIPPING Ports"), a non-wholly owned subsidiary of the Company, completed the disposal of the entire equity interests in FCHL (equivalent to the Group's container leasing, management and sales and related businesses) for a total consideration of US$1,223,725,000 (approximately RMB7.91 billion). FCHL's shareholders' loans in an aggregated amount of US$285,000,000 (approximately RMB1.94 billion) were transferred to China Shipping (Group) Company ("China Shipping Group") on the same date for a consideration of US$285,000,000 (approximately RMB1.94 billion). Since FCHL represented a separate business line prior to the disposal, its business and cash flow could be identified independently, FCHL had been classified as discontinued operations in the consolidated financial statements.

12 Contingent liabilities

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

As at 31 December 2016, the Group is unable to ascertain the likelihood and amounts of the above mentioned claims. However, based on advice of legal counsel and/or information available to the Group, the Directors are of the opinion that the related claims amounts should not be material to the Group's consolidated financial statements for the year ended 31 December 2016.

13 **Event after balance sheet date**

On 20 January 2017, Shanghai China Shipping Terminal Development Co., Ltd. ("SCSTD", a wholly-owned subsidiary of COSCO SHIPPING Ports) and Qingdao Port International Co., Ltd. ("QPI") entered into an agreement, pursuant to which SCSTD has conditionally agreed to subscribe for 1,015,520,000 non-circulating domestic shares in QPI at a total consideration of RMB5,798,619,000 (equivalent to approximately US$835,897,000, being RMB5.71 per share), of which RMB3,198,651,000 (equivalent to approximately US$461,100,000) will be settled by the transfer of a 20% equity interest in Qingdao Qianwan Container Terminal Co., Ltd. ("Qingdao Qianwan Terminal") to QPI and the remaining RMB2,599,968,000 (equivalent to approximately US$374,797,000) will be settled in cash. As at the date of this announcement, the subscription and disposal were not completed.

MANAGEMENT DISCUSSION AND ANALYSIS

I. DISCUSSION AND ANALYSIS OF THE BOARD REGARDING THE OPERATION OF THE COMPANY DURING THE REPORTING PERIOD

In 2016, the Group achieved operating revenue of RMB69,833,164,000 from continuing operations, representing a year-on-year increase of RMB14,684,867,000 or 26.63%. Loss attributable to equity holders of the Company for 2016 was RMB9,906,003,000, whilst profit attributable to equity holders of the Company in 2015 was RMB469,302,000.

	Year ended 31 December 2016	Year ended 31 December 2015 *(Restated)*	Difference	Difference Rate
	RMB'000	*RMB'000*	*RMB'000*	*(%)*
Continuing operations:				
Revenues	69,833,164	55,148,297	14,684,867	26.63
Operating (loss)/profit	(5,040,949)	1,731,517	(6,772,466)	—
(Loss)/profit before income tax from continuing operations	(5,456,070)	1,742,096	(7,198,166)	—
(Loss)/profit after tax from continuing operations	(5,962,509)	1,211,212	(7,173,721)	—
Discontinued operations:				
Net (loss)/profit after tax from discontinued operations	(708,461)	504,219	(1,212,680)	—
Loss on disposals of discontinued operations	(2,430,262)	—	(2,430,262)	—
Reversal of provision	—	493,173	(493,173)	(100.00)
(Loss)/profit for the year from discontinued operations	(3,138,723)	997,392	(4,136,115)	—
(Loss)/profit for the year	(9,101,232)	2,208,604	(11,309,836)	
(Loss)/profit attributable to equity holders of the Company	(9,906,003)	469,302	(10,375,305)	—
Basic (loss)/earnings per share (RMB)	(0.97)	0.05	(1.02)	—

(I) **Analysis of principal businesses**

1. ***Analysis for the related items in the consolidated income statement and consolidated cash flow statement***

Item	Year ended 31 December 2016	Year ended 31 December 2015	Difference	Difference Rate
		(Restated)		
	RMB'000	*RMB'000*	*RMB'000*	*(%)*
Continuing operations:				
Revenues	69,833,164	55,148,297	14,684,867	26.63
Cost of services and inventories sold	(70,382,845)	(51,425,413)	(18,957,432)	36.86
Other (expenses)/income, net	(470,193)	1,460,646	(1,930,839)	—
Selling, administrative and general expenses	(4,021,075)	(3,452,013)	(569,062)	16.48
Finance income	499,728	801,948	(302,220)	(37.69)
Finance costs	(1,912,878)	(1,860,813)	(52,065)	2.80
Net related exchange loss	(401,579)	(486,776)	85,197	(17.50)
Net cash flows generated from operating activities	1,519,533	7,117,693	(5,598,160)	(78.65)
Net cash flows generated from/(used in) investing activities	4,986,406	(6,703,006)	11,689,412	—
Net cash flows used in financing activities	(9,497,917)	(8,480,214)	(1,017,703)	12.00
Research and development expenses	15,756	17,441	(1,685)	(9.66)

2. ***Revenues***

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

(1) ***Analysis of reasons for changes in revenues***

In 2016, COSCO SHIPPING Holdings realized operating revenue of RMB69,833,164,000 from continuing operations, representing a year-on-year increase of RMB14,684,867,000 or 26.63%.

Among which:

Container shipping business

In 2016, revenues from container shipping and related business amounted to RMB66,569,030,000, representing an increase of RMB14,517,844,000 or 27.89%.

Since the restructuring in March 2016, the scale of the self-operating container fleets of COSCO SHIPPING Container Lines Limited (formerly known as COSCO Container Lines Co., Ltd.) ("**COSCO SHIPPING Lines**") expanded substantially. As at 31 December 2016, the self-operating container fleets consisted of 312 vessels, with a shipping capacity of 1,648,800 TEUs. In 2016, container shipping volume amounted to 16,902,800 TEUs, representing a year-on-year increase of 54.36%.

In 2016, the average income per TEU from international routes of COSCO SHIPPING Lines amounted to RMB4,141.02 per TEU, representing a year-on-year decrease of 11.93%; the average income per TEU from domestic trade routes amounted to RMB1,581.15 per TEU, representing a year-on-year increase of 2.93%.

In 2016, the China Containerized Freight Composite Index was 710.71 points, representing a year-on-year decrease of 18.54%. In 2016, the decrease in the average income per TEU from international routes of COSCO SHIPPING Lines was lower than the decrease in the China Containerized Freight Composite Index.

Terminal business

Revenues generated from the terminal and related business amounted to RMB3,762,678,000, representing a year-on-year increase of RMB267,322,000 or 7.65%, among which the terminal in Greece realized revenue of RMB1,175,156,000, representing an increase of 18.69% and the terminal in Nansha realized revenue of RMB1,011,961,000, representing an increase of 11.77%.

In 2016, total throughput of containers of controlled and non-controlling terminals of COSCO SHIPPING Ports Limited ("**COSCO SHIPPING Ports**") amounted to 95,071,900 TEUs, representing a year-on-year increase of 4,585,900 TEU or 5.07%, among which the container throughput of controlled terminals of COSCO SHIPPING Ports amounted to 15,735,200 TEUs, representing an increase of 578,500 TEUs or 3.82%; the container throughput of non-controlling terminals amounted to 79,336,700 TEUs, representing an increase of 4,007,400 TEUs or 5.32%.

(2) **Major customers**

Total sales to the top five customers of the Group in 2016 amounted to RMB1,670,033,000, accounting for 2.39% of the total sales for the year.

3. **Costs**

(1) ***Cost analysis***

Business segment	Components of cost	Year ended 31 December 2016	Year ended 31 December 2015	Difference	Difference Rate
			(Restated)		
		RMB'000	*RMB'000*	*RMB'000*	*%*
Container shipping and related business	Equipment and cargo transportation costs	35,273,700	23,419,633	11,854,067	50.62
	Voyage costs	11,776,780	9,329,295	2,447,485	26.23
	Vessel costs	14,202,625	9,668,479	4,534,146	46.90
	Container shipping business costs	61,253,105	42,417,407	18,835,698	44.41
	Container shipping related business costs	8,190,230	8,529,171	(338,941)	(3.97)
	Internal transactions offset within container shipping related business	(1,062,898)	(1,343,343)	280,445	—
	Subtotal	68,380,437	49,603,235	18,777,202	37.85
Container terminal and related business	Container terminal and related business costs	2,384,520	2,195,151	189,369	8.63
Other business	Other business costs	182	303	(121)	(39.93)
	Offset among businesses within the Company	(503,237)	(421,046)	(82,191)	—
	Business tax and surcharges	120,943	47,770	73,173	153.18
	Total operating costs	70,382,845	51,425,413	18,957,432	36.86

In 2016, the operating cost of the Group amounted to RMB70,382,845,000, representing a year-on-year increase of RMB18,957,432,000 or 36.86%.

Among which:

Container shipping business

Mainly due to the expanded scale of business after the restructuring, in 2016, the operating costs of container shipping and related business amounted to RMB68,380,437,000, representing a year-on-year increase of RMB18,777,202,000 or 37.85%. Upon completion of the restructuring, the efficiency of scale and cost synergies have been gradually achieved, resulting in a year-on-year decrease of 6.45% in the shipping cost per TEU.

Terminal business

In 2016, the operating costs of terminal and related business amounted to RMB2,384,520,000, representing a year-on-year increase of RMB189,369,000 or 8.63%, among which the operating costs of the terminal in Greece amounted to RMB782,080,000, representing an increase of 17.88% and the operating costs of the terminal in Nansha amounted to RMB571,010,000, representing an increase of 8.31%.

4. **Expenses**

Other (expenses)/income, net

The net amount of other expenses of the Group in 2016 was RMB470,193,000, while the net amount of other income of the Group in 2015 was RMB1,460,646,000. The subsidies for demolition of vessels in 2016 amounted to RMB189,518,000, representing a year-on-year decrease of RMB1,359,162,000. A net loss of RMB1,038,656,000 was incurred for the disposal of vessels, representing a year-on-year increase of net loss of RMB801,711,000.

Selling, administrative and general expenses

In 2016, the selling, administrative and general expenses of the Group amounted to RMB4,021,075,000, representing a year-on-year increase of RMB569,062,000 or 16.48%. A significant reason for the increase in the selling, administrative and general expenses is the year-on-year increase in labour cost and the professional fees and other relevant fees in connection with the restructuring in 2016.

Finance income

In 2016, the finance income of the Group amounted to RMB499,728,000, representing a year-on-year decrease of RMB302,220,000 or 37.69%. This was due to the adjustment in the structure of bank deposits with the expectation of appreciation of USD in 2016, and the amount and proportion of RMB deposits with higher interest rate was decreased to reduce exchange rate risks.

Finance expenses

In 2016, the finance costs of the Group amounted to RMB1,912,878,000, representing a year-on-year increase of RMB52,065,000. This was due to the year-on-year increase in debt scale in 2016.

Net related exchange loss

In 2016, the Group's net exchange loss related to borrowings amounted to RMB401,579,000, representing a year-on-year decrease of RMB85,197,000 in net exchange loss. Under the situation of the appreciation of the USD, in order to reduce exchange rate risk, since the second half of 2015, the Company has been adopting measures for adjusting the debt structure, reducing the balance of USD loans and adjusting the structure of bank deposit by increasing the balance of USD deposits.

Share of profits less losses of joint ventures and associates

The Group's share of profits of joint ventures and associates in aggregate amounted to RMB1,399,608,000 in 2016, representing a year-on-year decrease of RMB156,612,000. This was mainly attributable to the year-on-year decrease of RMB102,202,000 in the investment income from COSCO Finance Limited due to the dilution of shareholding in COSCO Finance Limited from 31.25% to 17.25% upon the disposal of China COSCO Bulk Shipping Co., Ltd. (formerly known as China COSCO Bulk Shipping (Group) Co., Ltd.) ("**COSCO Bulk Group**") by the Group. The investment income from associated companies and joint venture of COSCO SHIPPING Ports decreased by RMB48,116,000 as compared to the last year.

Income tax expenses from continuing operations

Income tax expenses of the Group for continuing operations in 2016 amounted to RMB506,439,000, representing a year-on-year decrease of RMB24,445,000.

5. **Research and development expenses**

In 2016, the research and development expenses amounted to RMB15,756,000. COSCO SHIPPING Holdings accelerated corporate development through innovation of technologies and continuously strengthen technological innovation, management innovation, service innovation and operation concept and model innovation. The research and development projects conducted during the year were mainly: research and development of double centralized financial management platform, research and demonstration application of operation and maintenance management model for shipping, terminal billing system, terminal geography information security system, design, optimization and application of traction system for double - rise trailers, high intelligent start and stop system at terminal stack, research and development of special foaming fixture for cold box doors, research and development of modified escape door of refrigerated containers, development of warning system for historical data of container repair, research and development of reheat coil of DAIKIN evaporator, research and development of lighting and alarm system for refrigerated containers, research and development of high pressure side gasket of carrier reciprocating compressor and research and development of vehicle freight carriage for container.

(2) ***Major suppliers***

Total purchases from the top five suppliers of the Group in 2016 amounted to RMB4,742,755,000, accounting for 6.60% of the total purchases for the year.

6. **Analysis of loss from discontinued operations for the year**

In 2016, loss from discontinued operations of the Group amounted to RMB3,138,723,000, among which RMB2,430,262,000 was a net loss on disposal of COSCO Bulk Group and FCHL. Although the transaction price was higher than the net asset of the companies disposed of, a net loss on disposal was incurred due to reclassification of the cumulative currency translation difference related to COSCO Bulk Group and FCHL from other reserves to the profit or loss for the period on the date of disposal according to Hong Kong Financial Reporting Standards.

In 2016, COSCO Bulk Group recorded net loss after tax of RMB757,617,000 prior to the disposal, and FCHL recorded net profit after tax of RMB49,156,000 prior to the disposal.

7. **Cash flow**

As at the end of 2016, the cash and cash equivalents amounted to RMB32,188,572,000, representing a decrease by RMB1,708,571,000 or 5.04% from the beginning of the year.

Net cash inflow of RMB1,519,533,000 was generated from operating activities in 2016, representing a year-on-year decrease of RMB5,598,160,000. Operating loss was the major reason for the reduction in cash inflow from operating activities for the year.

Net cash inflow of RMB4,986,406,000 was generated from investing activities in 2016, as compared to a net cash outflow of RMB6,703,006,000 in 2015. Cash received from the disposals of entities such as COSCO Bulk Group and FCHL during the year amounted to RMB9,534,864,000. Cash payment of RMB5,451,657,000 was applied in the purchase and construction of fixed assets, intangible assets and other long-term assets.

Net cash outflow of RMB9,497,917,000 was generated from financing activities in 2016, representing a year-on-year increase of RMB1,017,703,000, of which cash payment for acquisition of consolidated entities under common control was RMB8,556,323,000.

Cash and cash equivalents increased by RMB1,283,407,000, primarily due to changes in exchange rates as a result of appreciation in the exchange rate of USD against RMB in 2016.

(II) **Industry Operation Information Analysis**

Container shipping business

In 2016, the global container transportation demand experienced slow growth with excessive shipping capacity, and the imbalance of supply and demand in the international shipping market still existed. Both China Containerised Freight Index ("**CCFI**") and Shanghai Containerized Freight Index ("**SCFI**") hit historic low in the first half of 2016. Despite the subsequent pickup of the market, the average CCFI and SCFI during 2016 still recorded decrease of 18.5% and 10.2%, respectively, as compared with the corresponding period of 2015, and the market condition was still challenging.

During the reporting period, COSCO SHIPPING Lines put great efforts in overcoming the challenges from the complexity of reform and restructuring as well as the severe market situation. Through in-depth and rapid reform, COSCO SHIPPING Lines successfully completed the integration of domestic and overseas networks, achieved unified operation of the global information operating system ahead of schedule, and completed the integration and restructuring of container shipping business in a highly efficient and stable manner. Meanwhile, the Company established the four core strategies of "scaling up and globalization, customer orientation, cost-saving strategy and gradual enhancement of capability in providing comprehensive logistics solutions to customers", and strived to continuously strengthen the Company's ability in revenue management and cost control.

Since 1 March 2016, the Company has been leasing the container vessels owned or operated by COSCO SHIPPING Development Co., Ltd. (formerly known as China Shipping Container Lines Company Limited) ("**COSCO SHIPPING Development**") for operation, which significantly increased its shipping capacity. As at 31 December 2016, the container fleet of the Company consisted of 312 self-operating container vessels with a total capacity of 1,648,790 TEUs, representing a year-on-year increase of 85.9% in terms of capacity. During the year, the Company disposed of a total of 16 aged container vessels, which made its fleet younger, larger, greener and more competitive as a whole.

During the reporting period, the Company made detailed preparation for the "OCEAN Alliance" and continuously strengthened its advantages in traditional eastward and westward routes services. In response to the change in the macro-economic and trading environment, the Company continuously optimized the shipping routes and capacity structure, increased the shipping capacity in emerging markets such as South America, Caribbean and Africa, and achieved increase in cargo volume in emerging markets. The Company also continuously optimized the branch routes network including in Southeast Asia, Europe — West Africa and Central America, which further improved the globalization level of the shipping routes network.

By continuously strengthening marketing efforts, the Company achieved the objective of no loss in cargo source in the first year of integration, and rapidly established its leading advantages in scale and cost. Through optimization of shipping routes network layout, supplier procurement and container management, the Company has gradually achieved synergies.

The Company continued to facilitate the standardization of global customer service procedures to timely solve the "pain points" of the customers. Since 1 September

2016, the Company has implemented nine service standards worldwide including, among others, cargo space booking, on-time rates and trans-shipment services, and established the "PRC Customer Service Center" in order to provide timely response and support to the customers and further improve the customer experience.

The Company deeply explored customers' demand for non-shipping services and further integrated the tow truck, barge, railway and other non-shipping resources, which optimized the network, enhanced service standard and increased income. The Company also studied and formulated the comprehensive logistics solution to reduce the customers' logistics cost, thereby enhancing the overall competitiveness of the Company and continuously strengthening the Company's ability against the cyclical fluctuation in the market.

In 2016, the Company recorded container shipping volume of 16,902,790 TEUs, representing a year-on-year increase of 54.4%.

Throughout 2016, there was one new container vessel with 9,092 TEUs delivered for operation, and there was no new order of container vessel during the year. As at 31 December 2016, the Company had 20 orders of container vessels with 317,868 TEUs. According to the relevant agreements in relation to the material asset restructuring of COSCO SHIPPING Holdings, the 14 orders of container vessels of 234,000 TEUs in aggregate held by COSCO SHIPPING Development and its subsidiaries would be leased by COSCO SHIPPING Lines for operation. As such, there were a total of 34 orders of container vessels with 551,868 TEUs in aggregate.

Containers shipped (TEU)

	2016	**2015** *(Restated)*	**Year-on-year increase (%)**
Trans-Pacific	2,501,040	1,798,067	39.1
Asia and Europe (including the Mediterranean)	3,608,717	1,941,705	85.9
Asia Region (including Australia)	4,427,274	3,421,623	29.4
Other international regions (including the Atlantic)	1,219,626	832,658	46.5
China	5,146,133	2,956,321	74.1
Total	16,902,790	10,950,374	54.4

Revenue from routes (RMB'000)

	2016 *RMB'000*	2015 *RMB'000* *(Restated)*	Year-on-year increase/ (decrease) *(%)*
Trans-Pacific	17,383,204	15,451,943	12.5
Asia and Europe (including the Mediterranean)	14,349,012	9,498,947	51.1
Asia Region (including Australia)	11,890,662	9,678,867	22.9
Other international region (including the Atlantic)	5,061,659	2,959,724	71.0
China	10,045,557	6,424,779	56.4
Offset of internal transactions among routes	(2,091,458)	(1,668,162)	—
Total	56,638,636	42,346,098	33.8

Note:

In 2016, the Group acquired the relevant shipping companies owned by China Shipping Group. The above freight and revenue from routes of the Group in 2016 and 2015 included the freight and revenue from routes of the relevant shipping companies acquired from China Shipping Group.

Terminal business

In 2016, the global economic growth was still slow, which hampered the recovery of global shipping and port industries. According to the survey of Drewry in December 2016, the global container throughput growth was 1.3%, which remained the same as 2015, showing the slow pace of recovery of the industry.

2016 was an important year for COSCO SHIPPING Ports in terms of transformation. After completion of acquisition of China Shipping Ports Development Co., Limited and the disposal of FCHL, the terminal network coverage was further enhanced and the market position of the major business was strengthened. After the restructuring, COSCO SHIPPING Ports quickly integrated the structure of team and organization, developed corporate development strategy, launched a new brand image of "The Ports For ALL" and accelerated the globalization of layout for the terminal network.

In 2016, the total throughput handled by COSCO SHIPPING Ports was 95,072,000 TEUs, representing a year-on-year increase of 5.1%.

Throughput of terminals (by region)

Throughput of terminals (TEU)	**2016**	**2015** *(Restated)*	**Year-on-year increase/ (decrease) (%)**
Bohai Rim	32,612,471	31,199,327	4.5
Yangtze River Delta	18,508,168	19,071,524	(3.0)
Southeast coastal and other regions	4,533,026	4,129,030	9.8
Pearl River Delta	24,697,218	25,238,622	(2.1)
Southwest coastal regions	1,138,057	920,737	23.6
Overseas	13,582,982	9,926,735	36.8
Total throughput	95,071,922	90,485,975	5.1

(III) **Analysis of assets and liabilities**

Due to the disposal of COSCO Bulk Group and FCHL during the year, the total assets and liabilities of COSCO SHIPPING Holdings decreased as compared to those in the beginning of 2016: as at 31 December 2016, the total assets of COSCO SHIPPING Holdings amounted to RMB119,652,733,000, decreasing by RMB40,840,765,000 or 25.45% from the beginning of the year. The total liabilities amounted to RMB82,103,864,000, decreasing by RMB25,218,559,000 or 23.50%.

As at 31 December 2016, bank deposits and cash and cash equivalents of the Group were RMB32,188,572,000, most of which are denominated in RMB and US dollar and the rest are denominated in Euro, Hong Kong dollar and other currencies.

As at 31 December 2016, the total amount of outstanding borrowings of the Group was RMB57,376,975,000, representing a decrease of RMB29,094,635,000 or 33.65% as compared to the beginning of the year; net current assets amounted to RMB11,807,147,000, representing a decrease of RMB4,661,071,000 or 28.30% as compared to the beginning of the year; net debt amounted to RMB25,188,403,000, representing a decrease of RMB27,386,064,000 or 52.09% as compared to the beginning of the year. As at 31 December 2016, the gearing ratio (net liability to equity ratio) was 67.08% as compared to 98.88% as at 31 December 2015.

The working capital and capital resources of the Group have been and will continue to be generated from cash flows from operating activities, proceeds from new share issuance and debt financing from banks.

Certain property, plant and equipment of the Group with net book value of RMB22,601,560,000 (31 December 2015: RMB35,521,814,000) were pledged to banks and financial institutions as collaterals for borrowings in the total amount of RMB14,228,760,000 (31 December 2015: RMB21,604,128,000), representing 46.66% of the total value of the property, plant and equipment (31 December 2015: 24.92%).

Debt analysis

Categories	**As at 31 December 2016**	**As at 31 December 2015**
		(Restated)
	RMB'000	*RMB'000*
Short-term borrowings	3,246,917	2,955,191
Long-term borrowings	54,130,058	83,516,419
Among which: Less than 1 year	6,661,134	8,216,400
1 to 2 years	14,536,972	15,233,166
3 to 5 years	16,723,202	41,243,356
Over 5 years	16,208,750	18,823,497
Total of long-term and short-term borrowings	57,376,975	86,471,610

Classification by categories of borrowings

The secured borrowings of the Group amounted to RMB13,346,997,000 and unsecured borrowings amounted to RMB44,029,978,000, representing 23.26% and 76.74% respectively of the total borrowings.

The borrowings of the Group denominated in US dollars amounted to RMB31,988,587,000, borrowings denominated in RMB amounted to RMB19,684,536,000, and borrowings denominated in other currencies amounted to RMB5,703,852,000, representing 55.8%, 34.3% and 9.9% respectively of the total borrowings. Save for the issued medium-term notes and bonds, most of the borrowings of the Company bear floating interest rate.

Guarantees

As at 31 December 2016, the Group had provided a guarantee on a banking facility granted to Guangxi Qinzhou International Container Terminal Co. Ltd., a joint venture, in the amount of RMB63,200,000 (as at 31 December 2015: guarantee provided for the joint venture of RMB16,000,000).

Contingent liabilities

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

As at 31 December 2016, the Group is unable to ascertain the likelihood and amounts of the above mentioned claims. However, based on advice of legal counsel and/or information available to the Group, the Directors are of the opinion that the relevant claims amounts should not be material to the Group's consolidated financial statements for the year ended 31 December 2016.

Foreign exchange risk

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

Others

A description of significant changes in profit/loss resulting from non-principal operations

The subsidies for demolition of vessels received in 2016 amounted to RMB189,518,000, as compared to RMB3,921,810,000 for last year, among which: RMB1,548,680,000 was for COSCO SHIPPING Lines and RMB2,373,130,000 was for COSCO Bulk Group.

The net loss on disposal of vessels in 2016 amounted to RMB1,038,656,000, while that for last year amounted to RMB236,945,000.

In 2016, net loss on disposal due to the disposal of COSCO Bulk Group and FCHL amounted to RMB2,430,262,000.

Significant acquisition and disposal of assets and equity interests

During the reporting period:

1. During the reporting period, the Group disposed of 16 container vessels, including: demolition of 14 vessels and disposal of 2 vessels. Therefore, the Group recorded a decrease in net carrying value of vessels of RMB1,367,836,000 and net loss on disposal of vessels of RMB1,038,656,000.

   After the implementation of the decommissioning of the old transportation vessels, the average age of the Group's self-owned vessels has decreased, and the overall oil saving and environmental protection level have improved. The overall competitiveness of the fleet was enhanced, which was in the interests of the Company and its shareholders as a whole.

2. On 11 December 2015: (1) the Company and China Ocean Shipping (Group) Company ("**COSCO**") entered into a sale and purchase agreement ("**COSCO Bulk SPA**"), pursuant to which the Company conditionally agreed to sell and COSCO conditionally agreed to acquire 100% of the equity interest in COSCO Bulk Group (the "**Dry Bulk Disposal**"); (2) the Group and COSCO SHIPPING Development and its subsidiaries ("**COSCO SHIPPING Development Group**") entered into sale and purchase agreements (the "**Agency Companies SPAs**"), pursuant to which the Group conditionally agreed to acquire and the COSCO SHIPPING Development Group conditionally agreed to sell certain equity interest in 33 agency companies (the "**Agency Companies Acquisitions**"); (3) COSCO SHIPPING Ports and COSCO SHIPPING Development (Hong Kong) Co., Limited (formerly known as China Shipping Container Lines (Hong Kong) Co., Limited) ("**CSHK**") entered into the sale and purchase agreement ("**FCHL SPA**"), pursuant to which COSCO SHIPPING Ports conditionally agreed to sell the entire issued share capital in FCHL ("**FCHL Shares**") and assign the relevant shareholders' loans ("**FCHL Shareholders' Loans**") and CSHK agreed to acquire the FCHL Shares and take assignment of the FCHL Shareholders' Loans (the "**Florens Disposal**"); (4) COSCO SHIPPING Ports, COSCO SHIPPING Development and China Shipping (Hong Kong) Holdings Co., Limited ("**CS Hong Kong**") entered into the sale and purchase agreement ("**CSPD SPA**"), pursuant to which COSCO SHIPPING Development and CS Hong Kong agreed to sell, and COSCO SHIPPING Ports agreed to acquire, the entire issued share capital of China Shipping Ports Development Co., Limited ("**CSPD**") (the "**Terminal Acquisition**"); and (5) the Company and COSCO SHIPPING Development entered into the lease agreement (the "**Lease Agreement**"), pursuant to which the Company conditionally agreed to lease from COSCO SHIPPING Development, and COSCO SHIPPING Development conditionally

agreed to lease to the Company, vessels and containers owned or operated by COSCO SHIPPING Development (the "**Leasing Transactions**"). The COSCO Bulk SPA, Agency Companies SPAs, the FCHL SPA, the CSPD SPA, the Lease Agreement and other transactions in the restructuring are inter-conditional upon each other.

The Dry Bulk Disposal, the Agency Companies Acquisitions, the Florens Disposal and the Termination Acquisition have been completed as at the date of this announcement. The net loss on the Dry Bulk Disposal amounted to RMB2,212,762,000. The net loss on the Florens Disposal amounted to RMB 217,500,000. Upon completion of such transactions, COSCO SHIPPING Holdings became the most important part of the core industries of COSCO SHIPPING Group (its indirect controlling shareholder) and the listed platform for container shipping service supply chain of COSCO SHIPPING Group. Compared to before the restructuring, COSCO SHIPPING Holdings has changed its strategic positioning from "comprehensive shipping service" to "specialized development of container shipping service supply chain" in consideration of the transformation from "product thinking" to "customer thinking" and from diversified business structure to specialized business structure.

3. On 4 November 2016, as approved by the Board, Wuhan COSCO Logistics Co., Ltd., a non-wholly-owned subsidiary of the Company, entered into an equity transfer agreement with COSCO Chemical Logistics Co., Ltd. ("**COSCO Chemical Logistics**"), a wholly-owned subsidiary of COSCO (the controlling shareholder of the Company) pursuant to which Wuhan COSCO Logistics Co., Ltd. agreed to transfer 100% equity interest in Chongqing COSCO Chemical Logistics Co., Ltd to COSCO Chemical Logistics at a consideration of RMB78,073,000, which resulted in net gain from disposal of RMB7,695,000. The above transaction was completed during the reporting period.

   Such transaction allowed the Company to concentrate its efforts in developing its main business and optimize the allocation of resources. Such transaction was in line with the development strategies and future business development targets of the Company and in the interest of the Company and its Shareholders as a whole.

COSCO Chemical Logistics is a wholly-owned subsidiary of COSCO, the direct controlling shareholder of the Company. Accordingly, COSCO Chemical Logistics is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules, and such disposal constituted a connected transaction of the Company. For details, please refer to the announcement of the Company dated 4 November 2016.

Events after the balance sheet date

4. On 20 January 2017, the 33th meeting of the fourth session of the Board considered and approved the subscription of 1,015,520,000 non-circulating domestic shares issued by Qingdao Port International Co., Ltd. ("**Qingdao Port International**") at a consideration of RMB5,798,619,200 (equivalent to approximately RMB5.71 per share) by COSCO SHIPPING Ports (a subsidiary of the Company) through Shanghai China Shipping Terminal Development Co., Ltd. ("**Shanghai China Shipping Terminal**"), its wholly-owned subsidiary, of which, RMB3,198,650,840 will be settled by the transfer of 20% equity interest in Qingdao Qianwan Container Terminal Co., Ltd. ("**Qingdao Qianwan Terminal**") by Shanghai China Shipping Terminal and the remaining RMB2,599,968,360 will be settled in cash. Upon the completion of such transaction and the H shares placing by Qingdao Port International, the Company will indirectly hold 1,111,520,000 shares in Qingdao Port International, representing 18.41% of its total share capital.

   Such acquisition and disposal were a meaningful step in implementing COSCO SHIPPING Ports' strategy of sharpening its competitive edge and creating greater value. The increased investment in, and the subsequent strategic co-operation with, a major port in China will also strengthen COSCO SHIPPING Ports' leading position in the Greater China region, which is in line with COSCO SHIPPING Ports' strategy of enhancing control over terminal assets. Holding more shares in Qingdao Port International, compared with directly investing in a company which operates a single container terminal in the Port of Qingdao, could increase COSCO SHIPPING Ports' influence in the Port of Qingdao and allow COSCO SHIPPING Ports to participate in the management of the whole port. Such transaction will enhance COSCO SHIPPING Ports' competitiveness by optimising its investment portfolio and concentrating on high quality assets, which should result in an increase in the overall profitability of the terminals business of the Company. For details, please refer to the announcement of the Company dated 20 January 2017.

(IV) Analysis of core competitive edges during the reporting period

1. Comprehensive advantages in scale: significantly improved strength of all business sectors

As the listed platform focusing on the development of container shipping service supply chain of the COSCO SHIPPING Group (the indirect controlling shareholder of the Company), the Group integrated its advantages and resources through material asset restructuring, and achieved significant increase in the business scale of all sectors. The ranking of the shipping capacity of its container vessels jumped to fourth in the world, and the total throughput of its container terminals ranked the first worldwide. With the continuous release of effects from the advantages of scale, the Group's ability in optimization of global resources allocation was effectively strengthened, and its comprehensive competitiveness was also enhanced continuously.

2. Network advantages: continuous acceleration of globalized distribution

With the global vision and international mindset and based on the expansion of business scale, the Group strives to improve its profitability and ability to create value for the customers. It seizes the opportunities of reform and restructuring by fully integrating and optimizing the network resources to accelerate the globalization of layout.

Our container vessels has anchors in 254 ports covering 79 countries and regions all over the world with 205 international shipping routes (including international branch routes), 38 China coastal routes and 86 branch routes in Pearl River Delta and Yangtze River Delta. The Group's container shipping business has over 400 domestic and overseas sales and services points all over the world, and established a container transportation service network with globalized operation and integrated services, which can provide the customers with "door-to-door" comprehensive transportation solutions with higher quality.

The terminal portfolio covers 30 ports in the top five coastal port clusters in China as well as Southeast Asia, Europe, Mediterranean, Black Sea and other regions in the world. The Company has 158 berths for containers in operation with total annual capacity of 97,250,000 TEUs. It continuously promotes the globalized distribution of terminals and optimizes the global terminal portfolio, thereby continuously strengthening the ability against risks.

3. **Advantages in business model: continuous improvement of ability in service innovation**

The Group actively transited from the traditional "product thinking" to "user thinking", identified the "pain points" of customers from the costumers' perspective and insisted on process orientation to achieve integration of customer marketing and services. The Company continuously provided response and support to the customers through continuous exploration and application of digitalization and informatization methods to continuously improve the customers' experience. It accelerated its pace in transition from an investment company to a professional terminal operator, strived to continuously improve the stability of the operating efficiency of its terminals, thereby improving the overall service standard of the terminals.

The "OCEAN Alliance" will commence operation on 1 April 2017, which will operate 41 eastward and westward main routes and shipping routes to the Middle East and Red Sea with a total of approximately 350 container vessels and total shipping capacity of 3,500,000 TEUs. The shipping services of the OCEAN Alliance have leading advantages in frequency, size, coverage and efficiency. Meanwhile, the continuously improving operation efficiency of the OCEAN Alliance will significantly strengthen the cost control ability and comprehensive competitiveness of all members.

As the innovative advantages of e-commerce platform continue to grow, the Company further expanded its sales channels based on the ever-renewing products on the Pan-Asian e-commerce platform and marketing plans with internet features. Leveraging on the direct sales advantage of shipowners, the Group launched more quality door-to-door products with cost advantage. The Panasia Domestic Container Indicator (PDCI) published during the year objectively reflected fluctuation trend of actual shipping price in domestic trading market of the Group's container shipping business, which became an important indicator for users to control the estimated logistics cost.

4. **Advantages in business synergy: effective improvement of the Company's comprehensive competitiveness**

There are distinctive synergies between the two major business segments of the Group, namely container shipping and terminal investment and operation. The Company continuously promotes the business interaction, resources sharing and globalized layout of two major sectors, and endeavors to provide the customers with full trip container logistics service solutions. The Company actively facilitates the strategic layout of overseas hub ports, improves the global terminal distribution and support the realization of the strategic target of container shipping globalization, so as to provide stable and highly efficient services to the Company's container fleet, decrease the port turnaround time of the vessels and effectively reduce the oil consumption. Meanwhile, the increase in the scale and market shares of the Company's container fleet, together with the commencement of operation of the OCEAN Alliance, will secure stable routes and provide support in cargo volume for the Company's terminals and facilitate the long-term sustainable development of the terminal business. The good interaction between the container transportation and terminal operation will bring mutual benefits to both sectors and form a win-win situation, which will facilitate the Company to strengthen its ability against the cyclical fluctuation in the market and create greater value for the customers and partners.

(V) **Investment analysis**

1. **Analysis of external equity investments**

As at 31 December 2016, total external equity investments of the Group amounted to RMB20,430,556,000. The Group made additional investments of RMB480,534,000, including the additional investment in Qingdao Qianwan Terminal, five new associated companies and joint ventures as a result of the restructuring and the acquisition of 35% equity interest in EUROMAX Terminal.

Invested companies *RMB'000*	**Shareholding percentage as at the end of 2016** *(%)*	**Increase in investment costs during the year** *RMB'000*
Qingdao Qianwan Container Terminal Co., Ltd	20.00	44,160
Dalian Vanguard International Logistics Co., Ltd.	50.00	52,398
COSCO Lanka (Private) Limited	40.00	239
China Shipping Egypt Ltd	49.00	507
Angang Vehicle Transportation Co., Ltd	20.07	74,271
Liaoning Shenha Fortune Logistics Co., Ltd.	45.00	2,202
Euromax Terminal Rotterdam B.V	35.00	306,757
Total		480,534

2. Financial assets at fair value

Short name of securities	Initial investment cost	Shareholding at the end of period	Earnings for the reporting period	Change in owner's equity during the reporting period	Sources of shares
	RMB'000	*%*	*RMB'000*	*RMB'000*	
Haitong Securities	7,017	0.05	2,191	(341)	Acquired by promotion
Tianjin Quanye Bazaa	99	0.02	—	48	Original legal person shares purchased
Northeast Pharmaceutical	200	0.03	—	(46)	Original legal person shares purchased
QHD Port	194,802	0.88	6,701	(65,423)	Original legal person shares purchased
Qingdao Port	284,061	2.01	13,352	38,594	Original legal person shares purchased

3. Wealth management entrusted to non-financial companies and derivatives investments

Partner names	Entrusted wealth management product type	Entrusted wealth management amount	Entrusted Wealth management start date	Entrusted Wealth management end date	Remuneration determination method	Expected profit	Actual principal amount recovered	Actual profit obtained
		RMB'000				*RMB'000*	*RMB'000*	*RMB'000*
CITIC CP	Specified asset management plan	200,000	2015/7/24	2016/1/29	Expected	7,560	200,000	7,560
CITIC CP	Specified asset management plan	25,000	2015/10/21	2016/2/17	Expected	530	25,000	530
CITIC CP	Specified asset management plan	20,000	2015/11/6	2016/3/2	Expected	417	20,000	417
CITIC CP	Specified asset management plan	10,000	2015/11/19	2016/3/29	Expected	233	10,000	233
CITIC CP	Specified asset management plan	15,000	2015/11/24	2016/4/20	Expected	511	15,000	414
CITIC CP	Specified asset management plan	50,000	2016/1/22	2016/4/21	Expected	740	50,000	740
CITIC CP	Specified asset management plan	40,000	2016/1/29	2016/4/27	Expected	585	40,000	585
CITIC CP	Specified asset management plan	100,000	2016/2/17	2016/4/20	Expected	1,710	100,000	1,036
Total	—	460,000	—	—	—	12,286	460,000	11,515

4. ***Use of proceeds from raised funds***

Not applicable.

5. ***Analysis of principal subsidiaries and companies with equity interest***

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

(1) Major holding subsidiaries are as follows:

COSCO SHIPPING Lines, a wholly-owned subsidiary of COSCO SHIPPING Holdings, is principally engaged in international and domestic container shipping services and related businesses. Its registered capital is 15,961,763,082.40. As at 31 December 2016, its total assets and total equity amounted to 62,925,176,813.00 and 4,849,086,000 respectively. Total equity attributable to owners of the parent company amounted to 4,518,737,000 (31 December 2015: 7,172,074,000). Revenue, operating profit, gross profit and net profit in 2016 were 66,569,030,000, -6,120,579,000, -6,656,684,000 and -6,870,619,000 respectively. Net profit attributable to the equity holder of the parent company amounted to -6,925,568,000 (2015: 89,045,000).

COSCO SHIPPING Ports and its subsidiaries are principally engaged in the businesses of terminals management and operation and container leasing, management and sales. COSCO SHIPPING Ports is a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). As at 31 December 2016, COSCO SHIPPING Ports was owned as to 46.72% by COSCO SHIPPING Holdings. As at 31 December 2016, the authorized share capital of COSCO SHIPPING Ports was HK$400,000,000 and its issued share capital and paid up capital was HK$296,655,943.90. As at 31 December 2016, the total asset and total equity of COSCO SHIPPING Ports amounted to 46,994,068,000 and 32,966,872,000 respectively. Total equity attributable to equity holders of the parent company amounted to 30,116,162,000 (31 December 2015: 37,900,870,000). Revenue, operating profit and net profit in 2016 were 4,239,269,000, 1,537,524,000 and 1,223,417,000 respectively. Net profit attributable to equity holders of the parent company amounted to 1,031,149,000 (2015: 2,665,347,000).

(2) Change in scope of consolidation

A total of 317 consolidated units were included in the consolidated financial statements of COSCO SHIPPING Holdings as at the end of 2016, among which 91 consolidated units were newly added in 2016, while 425 consolidated units ceased to be included in the consolidated financial statements of COSCO SHIPPING Holdings.

In 2016, due to the acquisition of the shipping companies, agency companies and terminal companies owned by China Shipping Group, the number of additional consolidated units under the same control was 64, and the total transaction price was RMB8,641,673,000.

In 2016, due to the overseas agency companies owned by COSCO Shipping, the number of additional consolidated units under the same control was 15 and the total transaction price was RMB98,071,000.

In 2016, due to the acquisition of overseas agency companies under different control, the number of additional consolidated units under different control was 4 and the total transaction price was RMB18,324,000.

Reduction in holding subsidiaries as a result of disposal of COSCO Bulk Group and FCHL in 2016:

Due to disposal of COSCO Bulk Group and FCHL, a total of 321 companies ceased to be included in the consolidated financial statements of the Company, including 258 single-vessel companies.

6. ***Projects financed by funds not raised from financing activities***

Not applicable.

II. OVERALL OPERATION CONDITIONS IN THE FIRST TWO MONTHS OF 2017

In the first two months of 2017, benefitting from the firmly recovering market and integration synergies, the overall operation conditions of COSCO SHIPPING Holdings retain positive momentum: in the container shipping business, unit income increased by 10.6% and cargo volume surged by 70.1% compared to the same period in 2016; in the container terminal business, the total throughput increased by 6.4% compared to the same period in 2016; the Company realized a net profit before interests and tax (EBIT) of approximately RMB490 million (estimated based on current management accounts of the Company which have not been audited or reviewed, and which shall be subject to the actual profit in the audited financial information).

III. DISCUSSION AND ANALYSIS OF THE BOARD CONCERNING THE FUTURE DEVELOPMENT OF THE COMPANY

(I) Competition in the industry and development trend

Container shipping market

Competition landscape

Since the financial crisis, the container shipping market experienced unprecedented downturn with fluctuation. With the in-depth adjustment in the industry as well as the basically settled reorganization pattern in the alliance, corresponding changes will occur in the competition landscape of the container shipping market in the future. On one hand, the traditional eastward and westward routes will gradually transit to a new alliance competition landscape with 2M, OCEAN and THE as the three major alliances. On the other hand, in the market of other routes, certain liner companies will enhance their competitiveness and increase their market shares with featured customized services and advantages in regional distribution.

Market outlook

According to estimation by Alphaliner, concentrated delivery of shipping capacity will occur in the container shipping market in 2017. However, the demolition is expected to be high and the net growth in shipping capacity is expected to be 2.9%. In 2017, the cargo volume in the market is expected to increase by 2.7%, which is slightly better than the increase of 1.8% in 2016. However, the increase in demand will be subject to more uncertainties. With the in-depth adjustment in the industry, the overall operation in the industry will be focused on enhancing customer service quality and improving service products to make competition more reasonable.

Development trend

Affected by the financial crisis and loss-making situation in the industry and with the decrease in new vessel orders and gradual slowdown in the growth of shipping capacity, the gap between supply and demand will be gradually narrowed. Under the change in global economic and trading environment, emerging market and regional market will play a leading role in the next phase of industry growth. Meanwhile, with the continuous deepening of industry integration as well as the in-depth development of alliance cooperation, the operation strategy of carriers will gradually develop from the sole provision of shipping services to a more diversified portfolio of comprehensive supply chain transportation services.

Terminal market

Competition landscape

Affected by the sluggish demand in port throughput, alliance of liner companies and competitive strategy, the competition in port industry is intensifying.

Market outlook

Prudently speaking, the container terminal market shows an optimistic prospect. According to estimate by Drewry, affected by the lack of growth in the global economy, continuous slowdown in the economic growth of emerging economies and the stagnant shipping market, the global container throughput of ports is expected to have a growth of 2.1% in 2017, higher than the 1.3% in 2016. In particular, Middle East and South Asia will remain to be the fastest growing regions in terms of throughput; Latin America is expected to pick up and revert to positive growth at a rate of 2.7%, ranking second in terms of growth rate; and North America, Asia and Australia may see moderate acceleration in growth rate. Based on the opinion of reputable agencies, the container throughput of ports in China is expected to grow at a pace of 2% to 5% in 2017, with 3% as the most probable rate.

Development trend

The terminal network in Greater China area of the terminal business of COSCO SHIPPING Ports will be further strengthened. After the restructuring, COSCO SHIPPING Ports' coverage of domestic ports has expanded to the Southwest coastal region. As such, the terminal network has covered the top five coastal port clusters in China. Faced with the new golden opportunity of development, COSCO SHIPPING Ports will focus resources on the development of its terminal business, continuously improve its competitive strength, support the national strategy of "One Belt, One Road", seize the opportunity of future development of hub ports and expand the global network of container terminals, so as to facilitate the sustainable development and growth of terminal business and create long-term value.

(II) **Development strategy**

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

(III) **Operation plan**

Container shipping business

In 2017, the Group's container shipping business will adhere to the four core strategies, continue to seize the opportunities of "One Belt, One Road" national strategy and the "Go Global" strategy for Chinese enterprises, put more efforts in enhancement of quality and efficiency and continuously improve the ability in revenue management. The Company will also actively promote the philosophy of reasonable development in the industry and safeguard the healthy and stable operation of the market in a proactive manner.

The Company will establish a globalized network distribution and alliance operation system matching the size of shipping capacity, make use of the advantage of "OCEAN Alliance" in the eastward and westward route services and consolidate the customer base and cargo source foundation. With the continuous implementation of the "One Belt, One Road" and "Go Global" national strategies, the Company will continue to put more efforts in the development of the markets along the "Belt and Road" and emerging markets. Meanwhile, in response to the change in international trading environment, the Company will continue to carry out intensive development in third-country market and region market.

Adhering to the customer oriented philosophy, the Company will continuously improve its marketing and service capability. The Company will strengthen the construction of marketing team, integrate quality resources and through the establishment of new customer development team, import marketing team, customer relationship maintenance team and professional teams for different industries in order to implement targeted marketing activities, provide services with higher quality to the customers, facilitate the balance of cargo source and achieve increase in cargo volume. The Company will also improve the customer service system, provide customized services to the customers with global resources and comprehensively enhance the value creation ability.

The Company will continuously facilitate cost reduction and efficiency enhancement, continue to explore the potential for collaboration and strengthen the cost control ability. With the commencement of operation of the "OCEAN Alliance", the COSCO SHIPPING Lines shipping route network distribution will be further optimized, together with continuously increased efforts in optimization of container management as well as the gradual emergence of benefits from supplier procurement optimization, the synergetic effect is expected to be further released.

The Company will put more efforts in non-shipping services to improve its ability in providing comprehensive transportation solutions to the customers. Through the seamless integration with tow trucks and railway, the Company will facilitate the development of domestic trading "door-to-door" business model and further diversify and improve the service model. The Company will also design the sea-rail intermodal transportation products with more features, emphasize on strengthening the position of Piraeus Port as a transportation hub and accelerate the development of China-European Sea-rail Express business. The Company will also increase its efforts in construction of ancillary facilities in important logistic nodes in the supply chain, and gradually achieve the transition from a shipping carrier to a provider of comprehensive container logistics solutions.

The Company will continuously improve its ability in service innovation, and expand the innovative advantages of e-commerce platform in internet digitalization sector. The Company will also consolidate the foundation of services to direct customers by providing more friendly and convenient services to the customers. Moreover, the Company will accelerate the development of domestic trading courier services, develop an online container consolidation platform for domestic trading e-commerce and design unique container consolidation products. The Company will further promote the digitalization of cargo space booking and documenting process to accelerate the centralization of cargo booking, documentation and service.

Terminal business

The Group's terminal business will focus on the established development strategy and planning, accelerate the construction of key terminal projects, enhance the profitability of the controlled terminals and effectively improve the enterprise management and production operation to maintain profit growth and long-term sustainable development. First, to speed up the optimization of global terminal resources and network layout, providing more comprehensive services to vessel companies and shipping alliance. Second, with the principle of sustainable development, to further enhance the operating capacity and the level of modernization of terminals, shaping the core competitiveness of the major business, to provide customers with higher quality and more efficient services. Third, to continue to strengthen and enhance the internal management and constantly optimize the supplier management, information technology, risk control system establishment and human resources establishment, to promote the long-term, healthy and sustainable development for the business.

(IV) **Potential risks**

I. ***Market demand risk***

1. *Risk description*

Lack of market demand, the contraction of existing business segments and lack of new business and new customers may lead to insufficient supply or shrinking market supply.

2. *Risk causes and impact analysis*

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

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

3. *Risk response strategies and recommendations*

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

II. ***Investment decision risk***

1. *Risk description*

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

2. *Risk causes and impact analysis*

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

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

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

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

3. *Risk response strategies and recommendations*

   (1) To formulate and improve the investment management system. For project preparation, general investment project decision-making, major investment project decision-making and post-investment assessment of projects, the Company should specify the investment decision-making, approval,

implementation and supervision of the authority and work processes through formulating and improving the "Rules of Procedure of Investment and Strategic Planning Committee", "Investment Management Measures", "Project Development Management Regulations" and other investment management systems.

(2) To specify the principle of foreign investment. The Company should strictly abide by the principle of "overall planning, prudent investment, scientific decision-making and benefit first". The investment projects must be in line with the Company's overall development plan, with the national strategy of "One Belt and One Road" and Yangtze River Economic Belt Strategy as guidelines, closely focusing on the hub port strategy of the Group and continuing to increase the investment and development efforts in emerging markets, third country markets, overseas regional markets and markets along "One Belt and One Road".

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

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

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

(5) To develop the investment economic indicators and unified assessment criteria of the projects. The Company shall formulate the investment

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

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

IV. PROFIT DISTRIBUTION OF ORDINARY SHARES OR CAPITALIZATION OF SURPLUS RESERVES PROPOSALS

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

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

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

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

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

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

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

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

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

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

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

The Group recorded loss attributable to equity holders of the company in 2016. The Board does not recommend to distribute any cash dividends.

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

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

Unit: RMB

Year of Distribution	Number of bonus shares for every 10 shares (share)	Dividend for every 10 shares (RMB) (tax inclusive)	Number of scrip shares for every 10 shares (share)	Cash dividend (tax inclusive)	Net profit attributable to shareholders of the listed company in consolidated financial statements of the bonus distribution year	Ratio to net profit attributable to shareholders of the listed company in consolidated financial statements (%)
2016	—	—	—	—	-9,906,003,612.80	—
2015	—	—	—	—	469,301,789.49	—
2014	—	—	—	—	362,528,625.89	—

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

Not applicable.

OTHER INFORMATION

Closure of Register of Members

The register of members of the Company will be closed from 25 April 2017 to 25 May 2017, both days inclusive, during which period no transfer of shares will be effected. Holders of H shares of the Company whose names appear on the register of members of the Company on 24 April 2017 at 4:30 p.m. are entitled to attend the annual general meeting of the Company to be held on Thursday, 25 May 2017.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance within the Group, and the Board considers that effective corporate governance marks an important contribution to corporate success and to enhancing shareholders value.

The Company adopted its own corporate governance code, which incorporates all the code provisions and a majority of the recommended best practices in the Corporate Governance Code (the "**Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

None of the Directors is aware of any information that would reasonably indicate that the Company had not been in compliance with the Code for any part of the period for the year ended 31 December 2016.

Model Code for Securities Transactions by Directors

Since the listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in 2005, the Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code for securities transactions by the Directors and supervisors of the Company (the "**Supervisors**"). Having made specific enquiries of all Directors and Supervisors, each of them has confirmed that they complied with the required standard set out in the Model Code throughout the year ended 31 December 2016.

Board Committees

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

Audit Committee

The audit committee of the Company (the "**Audit Committee**"), established in April 2005, comprises two independent non-executive Directors and one non-executive Director. It is chaired by Mr. KWONG Che Keung, Gordon and the other two members are Mr. CHEN Dong and Mr. YANG, Liang Yee Philip. All members of the committee are competent and experienced in understanding, analyzing and reviewing the financial reports of listed companies.

The annual results of the Company have been reviewed by the Audit Committee.

Repurchase, Sale or Redemption of Shares of the Company

During the Reporting Period, neither the Company nor any of its subsidiaries had repurchased or sold any listed securities of the Company. The Company had not redeemed the Company's securities during the Reporting Period.

Service Contracts

Each of the Directors and Supervisors has entered into a service contract with the Company.

Pre-emptive Rights

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

Auditors

The Company has appointed PricewaterhouseCoopers and Ruihua Certified Public Accountants, LLP as the international and PRC auditors of the Company respectively for the year ended 31 December 2016. PricewaterhouseCoopers has conducted the audit of the Group's financial statements which are prepared in accordance with HKFRS.

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

The performance and the results of operations of the Group contained within this annual results announcement are historical in nature, and past performance does not guarantee the future results of the Group. Any forward-looking statements and opinions contained within this annual results announcement are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (1) no obligation to correct or update the forward-looking statements or opinions contained in this annual results announcement; and (2) no liability in the event that any of the forward-looking statements or opinions do not materialize or turn out to be incorrect.

PUBLICATION OF ANNUAL REPORT

This annual results announcement has been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.chinacosco.com). An annual report for the year ended 31 December 2016 containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders of the Company and will be available for review on the same websites in due course.

By Order of the Board
COSCO SHIPPING Holdings Co., Ltd.
Guo Huawei
Company Secretary

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

As at the date of this announcement, the directors of the Company are Mr. WAN Min[2] (Chairman), Mr. HUANG Xiaowen[1] (Vice Chairman), Mr. XU Zunwu[1], Mr. MA Jianhua[2], Mr. WANG Haimin[1], Mr. ZHANG Wei (張為)[1], Mr. FENG Boming[2], Mr. ZHANG Wei (張煒)[2], Mr. CHEN Dong[2], Dr. FAN HSU Lai Tai, Rita[3], Mr. KWONG Che Keung, Gordon[3], Mr. Peter Guy BOWIE[3] and Mr. YANG, Liang Yee Philip[3].

[1.] *Executive Director*
[2.] *Non-executive Director*
[3.] *Independent non-executive Director*

* *For identification purpose only*