Stock Code: 600428 Stock Abbreviation: COSCO Shipping Specialized

COSCO Shipping Specialized Carriers Co., Ltd.

Summary of 2017 Annual Report

I Important notes

1 The summary is based on the full-text annual report. In order for a full understanding of the operation results, financial condition and future development plan of the Company, investors should carefully read the full-text annual report published on the website of Shanghai Stock Exchange and other media designated by the China Securities Regulatory Commission.

2 The Board of Directors, Board of Supervisors as well as directors, supervisors and senior executives of the Company guarantee that the contents of this annual report are true, accurate and complete. There are no false record, misleading statements or major omissions, and assume the individual and joint legal responsibilities therefore.

3 All the directors of the Company attended the board meeting.

4 Ruihua Certified Public Accountants (special general partnership) issued a standard and unqualified audit report for the Company.

5 Profit Distribution Plan or Capital Reserves Share Capitalization Plan for the reporting period after review by the Board of Directors

Based on the total share capital of 2,146,650,771 shares on December 31, 2017, the Company distributed to all shareholders a cash dividend of RMB 0.20 (before taxes) per 10 shares, and distributed a total of RMB 42,933,015.42. The distribution plan will be submitted to the 2017 General Meeting of Shareholders for approval.

II Basic information about the Company

1 Company profile

Stock Profile				
Type of Stock	Stock Exchange	Stock Abbreviation	Stock Code	Stock Abbreviation before Change
A Shares	Shanghai Stock Exchange	COSCO Shipping Specialized	600428	COSCO Shipping

Contact Details	Secretary of Board of Directors	Securities Affairs Representative
Name	Dong Yuhang	Wang Jian
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2 Company’s main business during the reporting period

2.1 Main business and business model

Mainly engaged in specialized shipping, COSCO Shipping Specialized Carriers Co., Ltd. (the Company) has the strategic objective of “to become the greatest competitor in the Global Specialized Shipping Market and a Leading International Engineering Logistics Service Provider” and a business philosophy of “Exceptional Capability, Excellent Service” . The Company is dedicated to creating a world-class specialized shipping fleet. The Company owns a specialized shipping fleet with a scale and comprehensive strength ranking among the world’s highest, and operates and manages more than 100 vessels (with a dead weight tonnage of nearly 3 million), including semi-submersible vessels, multi-purpose vessels, heavy lift vessels, car carriers, timber carriers and asphalt carriers. The Company has a business service network throughout the world, centered on China, and offering the advantages of stable and reliable liner shipping on many trade routes, including the Far East—Mediterranean Sea, Far East—Europe, Far East—Persian Gulf, Far East—America, and Far East-Africa.

COSCO Shipping Specialized owns an energy-efficient, environmentally friendly fleet well suited to a large variety of cargoes and has long been engaged in the transportation of overlength, overweight, oversize and uncontainerable cargoes as well as cargoes with special carrying and loading/unloading requirements, including RIGs, ships and boats, locomotives and railway carriages, WTGs, bridge cranes, complete equipment, etc. The Company's shipping routes cover the whole world, and its vessels navigate between more than 1,600 ports in more than 160 countries and regions. By taking advantage of reasonable composition of a fleet consisting of multi-purpose vessels, heavy lift vessels and semi-submersible vessels, its cargo carrying capacity realizes full coverage from 1 tonne to 100,000 tonnes with which the Company can provide clients with safe, rapid and environmental-friendly transportation services. Additionally, the Company can flexibly arrange the loading and unloading ports for vessels according to clients’ needs and the specific conditions of projects. The Company's shipping route can be extended to wherever the project is located, thus ensuring the cargoes arrive at the destination port in a safe manner. By virtue of its preeminent strength, COSCO Shipping Specialized Carriers Co., Ltd. has facilitated the completion of hundreds of significant international projects, which have reset the “over-limit” transportation record again and again.

The Company has made great efforts to innovate in its services, improve its global marketing network and enhance its service level, so as to expand from “port-to-port” transportation to “door-to-door” full-course logistics and the transform from “maritime shipping” to “maritime shipping plus installation”. Moreover, it owns the first freight technology center in Asia, which can provide clients with superior freight technology services. Aiming at state-of-the-art technology and the requirements of the highest-end clients, the Company establishes cooperative partnerships with scientific research institutes, colleges and universities as well as other specialized research institutions to research and develop transportation service solutions with high technological level and great difficulties, so as to satisfy and even surpass the expectation of clients.

The Company has established a complete management system. Based on the requirements of international mandatory regulations like ISM, ISPS and MLC-2006, COSCO Shipping Specialized Carriers Co., Ltd. has introduced the management system standards such as ISO9001, ISO14001 and OHSAS18001, and established a QHSE management system focusing on client safety and management improvement requirements while conforming to such mandatory regulations and standards. Our high internationalization standards and professional management have enabled COSCO Shipping Specialized Carriers Co., Ltd. to establish a sustained and steady safety guarantee and environmental protection mechanisms and thus consistently provide stable and reliable specialized shipping services to all clients.

The Company is always forging ahead and searching for diversified development. It has set foot in such shipping related industries as shipping communication and navigation equipment repairing and agency, vessel and technology consultation services, vessel materials supply and seafarer’s compliance training. Therefore, it has rich experience in the industry and its business scale and industrial chain are developed, which can not only lend strong support and protections to our main business, i.e. shipping, but also expand the external professional market and provide a beneficial supplement to the shipping business.

2.2 Industry Overview of the Company

After a long adjustment period following the 2008 financial crisis, the world finally ushered in growth acceleration in 2017 when the cyclical factors and endogenous growth momentum increased and the financial environment improved. The international economic and trade development was better than expected. The global maritime shipping demand improved significantly. The overall shipping capacity supply expanded at a modest pace. The shipping industry witnessed a continuous improvement of fundamental conditions, rise of freight rates, and a gradual upswing. In 2017, the global maritime shipping volume achieved a growth of 4.1%, hitting a record high over the past five years. At the same time, due to the drop in the delivery of new ships and the relatively active market for ship dismantling, the growth rate of the global fleet's shipping capacity declined to a historic low of 3.3%. The ClarkSea Index averaged USD 10,743/day, with a year-on-year growth of 14.3%. In terms of dry bulk shipping, it showed a trend of rise after bottoming out and the overall performance was much better than that of 2016. In 2017, the mean value of the Baltic Dry Index (BDI) was 1,145 points, with a year-on-year increase of 70.1%. Regarding the container transportation market, the supply and demand fundamental conditions also took a turn for the better. The scale of ship dismantling expanded and the freight rates rose year-on-year. As successions of mergers and reorganizations were implemented, the market competition structure ushered in a period of substantial optimization. However, the market supply pressure remained. In 2017, the mean value of the China Containerized Freight Index (CCFI) was 820 points with a year-on-year increase of 15.4%. As for the international oil shipping market, the demand slowed down and the shipping capacity drastically increased. The freight rate performance continued to be under pressure. The Baltic Dirty Tanker Index (BDTI) of 2017 was 787 points, with a slight year-on-year increase of 8.4% and it was still at a historically low level.

3 Major accounting data and financial indicators

3.1 Major accounting data and financial indicators for the last three years

Monetary unit: yuan Currency: RMB

	2017	2016	This Year vs. Last Year Increase or Decrease (%)	2015
Total assets	21,250,771,066.48	21,290,148,441.52	-0.18	17,943,077,721.76
Operating income	6,508,692,188.32	5,883,170,356.76	10.63	6,840,502,485.65
Net profit attributable to shareholders of the listed company	237,560,541.70	50,260,945.94	372.65	145,581,381.88
Net profit attributable to shareholders of the listed company after deducting non-recurring profit or loss	241,434,915.89	-55,160,542.36	Not applicable	-87,795,321.86
Net assets attributable to shareholders of the listed company	9,503,310,165.04	9,367,200,139.44	1.45	6,666,192,473.64
Net cash flow from operating activities	1,425,774,288.60	638,959,782.32	123.14	1,029,170,661.73
Basic earnings per share (RMB yuan/share)	0.111	0.024	364.28	0.086
Diluted earning per share (RMB	0.111	0.024	364.28	0.086

yuan/share)				
Weighted average return on equity (%)	2.52	0.56	An increase of 1.96 percentage points	2.21

3.2 Major quarterly accounting data for the reporting period

Monetary unit: yuan Currency: RMB

	First quarter (January - March)	Second quarter (April - June)	Third quarter (July – September)	Fourth quarter (October - December)
Operating income	1,603,415,034.04	1,708,935,459.97	1,655,147,502.12	1,541,194,192.19
Net profit attributable to shareholders of the listed company	11,057,155.09	61,186,627.92	89,410,369.29	75,906,389.40
Net profit attributable to shareholders of the listed company after deducting non-recurring profit or loss	32,587,886.46	69,644,967.20	71,569,188.07	67,632,874.16
Net cash flow from operating activities	131,586,260.64	331,856,875.35	361,304,516.34	601,026,636.27

Explanation of the discrepancy between quarterly data and disclosed periodic report data
"□ Applicable" "√ Not applicable"

4 Share capital and shareholders

4.1 Number of ordinary shareholders and of preferred shareholders with restored voting rights and the shareholding structure of the top ten shareholders

Unit: Share

Total number of ordinary shareholders as of the end of the reporting period							121,458
Total number of ordinary shareholders at the end of the previous month before the disclosure date of the annual report							118,406
Shareholding structure of the top ten shareholders							
Name of shareholder (Full name)	Increase/decrease in the reporting period	Number of shares held at end of the period	Proportion (%)	Number of restricted shares held	Pledged or frozen status		Shareholders Nature
					Shares Status	Quantity	
China Ocean Shipping (Group) Company	0	1,083,147,344	50.46	228,102,189	None	None	State-owned legal person
Fist Seafront Fund - Baoshang Bank - First Seafront's Asset Management Plan on Directional Add-Issuance No. 11	0	228,102,189	10.63	228,102,189	Unknown	Unknown	Domestic non-state-owned legal person
Central Huijin Asset	0	48,347,200	2.25	0	Unknown	Unknown	Others

Management Co., Ltd.							
Industrial and Commercial Bank of China-HuaAn Mid- and Small-Cap Mixed Growth Securities Investment Fund	188,640	16,000,000	0.75	0	Unknown	Unknown	Others
Yinhua Fund - Agricultural Bank of China – Yinhua CSI Financial Assets Management Plan	0	11,510,100	0.54	0	Unknown	Unknown	Others
ICBC Credit Suisse Fund - Agricultural Bank of China - ICBC Credit Suisse CSI Financial Asset Management Plan	0	11,220,948	0.52	0	Unknown	Unknown	Others
China Ocean Shipping Agency Guangzhou	0	10,256,301	0.48	0	Unknown	Unknown	Others
Da Cheng Fund - Agricultural Bank of China – Da Cheng CSI Financial Assets Management Plan	0	8,195,732	0.38	0	Unknown	Unknown	Others
Huaxia Fund - Agricultural Bank of China – Huaxia CSI Financial Assets Management Plan	0	6,263,470	0.29	0	Unknown	Unknown	Others
China Construction Bank - HuaAn Capital Preservation Mixed Securities Investment Fund	-3,500,000	6,000,000	0.28	0	Unknown	Unknown	Others
Explanations of the connected relationship or concerted action of the aforementioned shareholders		1. During the reporting period, the shareholder holding more than 5% of the company's shares was China Ocean Shipping (Group) Company. The shares held by China Ocean Shipping (Group) Company were neither pledged nor frozen. The Company has no information regarding whether the shares held by other shareholders without trading limited condition are pledged or frozen or not. 2. China Ocean Shipping Agency Guangzhou and the Company are owned by the same controlling shareholder - China Ocean Shipping (Group) Company. Beyond that, the Company is not aware of the interrelationships among the above-mentioned shareholders without trading limited condition or the persons acting in concert stipulated in Measures for Administration of the Acquisition of Listed Companies.					

4.2 Block Diagram of Property Rights and Control Relations between the Company and the Controlling Shareholder

√Applicable "□ Not applicable"

4.3 Block Diagram of Property Rights and Control Relations between the Company and the Actual Controller

√Applicable "□ Not applicable"

4.4 Total number of preferred shareholders at the end of the reporting period and shareholdings of the top ten shareholders

"□ Applicable" "√ Not applicable"

5 Information about Company bonds

"□ Applicable" "√ Not applicable"

III Discussion and Analysis of Operations

In 2017, the demand for global maritime shipping trade grew significantly. China’s foreign trade stabilized and the specialized shipping market also gradually emerged from the most difficult period since the financial crisis. In general, the market has picked up and freight rates have risen. But different segment markets continue to exhibit diversity and distinctness.

During the reporting period, the Company seized the opportunity offered by the rebound in the shipping market, actively adopting a variety of measures to put the development strategy into practice and consolidating the "specialized" brand, and striving to improve operating efficiency. We achieved a steady increase in total profits, and realized the profitability of our main business of shipping. Benefits hit a new high in recent years. In the reporting period, the Company totally took over 9 vessels (248,000 DWT) and decommissioned 2 old ones. In addition, the Company ordered 3 multi-purpose pulp vessels (62,000 DWT). As of the end of the reporting period, the Company had 101 self-owned vessels (2,586,700 DWT), with a year-on-year increase of 7 (197,600 DWT) and the self-owned fleet had an average age of 9.2 years.

1. Multi-purpose vessels and heavy lift vessels

During the reporting period, the multi-purpose and heavy lift vessel market was generally in a weak consolidation pattern. According to Clarkson's statistics, the average rents of 21,000 DWT and 17,000 DWT multi-purpose vessels were USD 8,538/day and USD 7,671/day respectively, down by 4.95% and 2.38% over the same period in the previous year. Although the decline has narrowed, it was still at a historically low level. However, China's supply-side structural reform strategy guidance, the steady progress of the "Belt and Road Initiative", the continuous growth of China's foreign contracted engineering business, and the vigorous development of emerging markets jointly brought opportunity to the market.

During the reporting period, the Company closely followed the market, seized the opportunity, and strove to raise the freight rates so as to achieve substantial reductions in operating loss. The Company gave full play to the advantages of ship types, enhanced the development of engineering projects, and carried out professional marketing of wind power, high-speed rail locomotives and electrical power equipment sub-sectors, and further optimized the Company's cargo structure. In addition, the Company strengthened the development of new markets, new routes and new cargo sources, looked for new profit growth and launched domestic coastal shipping services. In 2017, the shipping volume of multi-purpose vessels and heavy lift vessels increased by 41.8% and 15.6% respectively year on year. During the reporting period, the Company took over 4 multi-purpose vessels (28,000 DWT) and 2 ice-class multi-purpose vessels (36,000 DWT). As of the end of the reporting period, the Company had a total of 40 multi-purpose vessels (1,108,800 DWT) and 24 heavy lift vessels (639,300 DWT) The Company's multi-purpose vessels and leased general cargo vessels achieved a fleet operating income of RMB 2,394,678,602.27, with a year-on-year increase of 4.85% and accounting for 39.80% of the total fleet operating income, and achieved a business profit of RMB -67,993,538.60. The Company' heavy lift vessels achieved a fleet operating income of 1,145,209,273.24, with a year-on-year increase of 12.89% and accounting for 19.04% of the total fleet operating income, and achieved a business profit of -9,199,218.23.

2. Semi-submersible vessels

In 2017, international crude oil prices began to rise, suggesting some hope for the oil and gas industry. Enthusiasm for the offshore oil and gas development was renewed, and the offshore engineering equipment operation market stabilized after bottoming out. However, the current global drilling platform utilization rate is at a low level of 70%, and the daily rental costs for offshore engineering equipment are low. The semi-submersible vessel spot market competition is still fierce.

During the reporting period, in the face of a severe test of the semi-submersible vessel spot market, the Company's semi-submersible fleet gradually improved its marketing system and continuously promoted its ability to control high-end cargo sources. In 2017, all major projects of the Company proceeded as scheduled. Among them, the YAMAL project carried out a total of 16 voyages and the "shipping + installation" project was completed as per the requirements on progress and quality. Successive bid wins and successful implementation of large projects helped the Company take the lead in the global high-end semi-submersible vessel market and upgrade from a pure shipping carrier to project contractor. During the reporting period, the Company purchased a 38,000 DWT second-hand semi-submersible vessel from an auction. As of the end of the reporting period, the Company had 7 semi-submersible vessels, weighing 321,800 DWT in all. The Company's semi-submersible vessels achieved a fleet operating income of RMB 1,281,519,424.74 in all, with a year-on-year increase of 47.62% and accounting for 21.30% of the total fleet operating income, and achieved a business profit of RMB 448,643,434.32, with a year-on-year increase of 42.76%.

3. Car carriers

During the reporting period, thanks to the steady growth of foreign trade and the implementation of structural adjustment policies, China's car exports showed a satisfactory recovery. According to the statistics of the China Association of Automobile Manufacturers, in 2017 China's auto companies exported 891,000 cars, with a year-on-year increase of 25.8%. However, during the same period, the domestic auto market declined, and the growth rate of production and sales slowed down significantly. Viewed from the supply side, oversupply of the global car carrier shipping capacity remained unchanged. Market competition was grim, and freight rates were low.

During the reporting period, the Company further strengthened the management and control over the car carrier business and promoted its strategic position. In January 2017, the Company completed the establishment of a wholly-owned subsidiary, COSCO Shipping RORO Carrier Co., Ltd. which serves as the development platform for the Company's car carrier business. In December 2017, the Company completed the purchase of 49% shares of its controlled subsidiary, NYKCOS. Upon the completion of the purchase, in order to reduce the number of legal persons, realize the effective use of resources and reduce management costs, the Company held a general meeting of the board of directors in November 2017 and a general meeting of shareholders in January 2018, completing the relevant review procedures for the merger of NYKCOS. As of the end of the reporting period, the Company had 6 car carriers weighing 79,700 DWT in all. During the reporting period, the Company's car carriers achieved a fleet operating income of RMB 303,285,635.17, with a year-on-year increase of 27.84%, accounting for 5.04% of the total fleet operating income, and achieved a fleet business profit of RMB -52,429,810.57.

4. Timber carriers

During the reporting period, the increase in log consumption caused by China's booming real estate market combined with China's ban on natural forest cutting paved the way for timber import. According to customs statistics, in 2017 China's import of logs and lumber totaled 92.792 million cubic meters, with a year-on-year increase of 15.7%. However, because of the serious port congestion caused by the new customs clearance policy, the long rainy season, as well as the fierce market competition, the timber carrier market remained under large pressure.

During the reporting period, the company enhanced the marketing of timber carrier business, steadily increased the freight rates, and reduced costs and increased efficiency through measures such as optimizing voyages and routes, and shortening shipping periods. During the reporting period, the

Company decommissioned 2 old timber carriers. As of the end of the reporting period, the Company had 11 logs carriers weighing 338,100 DWT in all. During the reporting period, the Company's timber carriers achieved a fleet operating income of RMB 488,553,911.68, with a year-on-year decrease of 4.71%, accounting for 8.12% of the total fleet operating income and achieved a fleet business profit of RMB -51,797,022.30.

5. Asphalt carriers

In the first half of 2017, asphalt imports fell significantly. In the third quarter, the year-on-year and month-on-month trade volumes of asphalt grew due to the busy season. The total asphalt imports in China for the year were 5.0386 million tons, with a slight year-on-year increase of 1.8%. With more and more asphalt carriers weighing more than 10,000 DWT in recent years, the shipping capacity growth has been far higher than the growth in shipping demand, resulting in excess capacity in all regions and an imbalance in market supply and demand.

During the reporting period, the Company strengthened its marketing and further optimized its existing routes, maintained the current time charter business, actively developed new routes, and took various actions to maintain the market share in the depressed market. During the reporting period, the Company took over 2 asphalt carriers (13,000 DWT). As of the end of the reporting period, the Company had 13 asphalt carriers weighing 98,900 DWT in all. The Company's asphalt carriers achieved a fleet operating income of RMB 403,018,709.27, with a year-on-year decrease of 2.70% and accounting for 6.70% of the total fleet operating income, and achieved a business profit of RMB 5,401,532.06, with a year-on-year decrease of 95.08%.

IV Condition of main operations during the reporting period

In 2017, facing the complex and ever-changing shipping market, the Company's shipping and onshore employees united as one, seized the opportunity to overcome difficulties, unswervingly promoted the development strategy, improved quality and efficiency in all aspects, and achieved good results in all tasks. The Company's overall competitiveness, as well as its influence in the international market and the specialized shipping industry have been greatly enhanced. Main work that has been done is described below:

First, the Company seized the opportunity and achieved substantial growth in profits. During the reporting period, the Company's main business of shipping successfully realized an overall profit of RMB 272,678,172.99, which became the main body of the Company's benefit, reflecting the improvement of its operating capacity and profitability.

Second, the Company took innovative measures. The operating effectiveness of our main business of shipping continuously improved. During the reporting period, the Company seized market opportunities to fully develop the pulp shipping market, vigorously expand the coastal domestic trade market, further consolidate the polar market advantages of the north and south poles. It made significant progress in several major projects and achieved good economic benefits. At the same time, the Company seized market opportunities to actively drive the increase in freight rates. In other areas, the Company continued to deepen the construction of marketing mechanisms and achieved new results in specialized marketing by industries.

Third, the Company embarked on a new journey of transformation of the main business of shipping under strategic guidance. Through continuous optimization of the fleet structure, cargo structure and client structure, the overall strength of the fleet and the strength of individual ships has significantly improved. At the same time, the Company continued to consolidate the advantage of its ocean shipping plus installation business, actively promoted its full-course logistics business, and further improved its comprehensive competitiveness.

Fourth, the Company pursued lean management and improved performance management and cost control. Starting from budget management, the Company insisted on “all employee participation and full coverage,” paid close attention to cost control, promoted implementation of voyage efficiency assessment, strengthened the collection of receivables, and carried out fine management.

Fifth, the Company strengthened supervision to maintain stable work safety. The Company further strengthened its management system and system construction, continuously enhanced the safety capacity building of the two teams, and thus the overall work safety remained stable.

Sixth, the Company embraced changes and actively accelerated reforms, development, and institutional innovation. The Company spared no efforts in reforming the crew management system, promoting the scientific optimization of the organization, and comprehensively strengthening the construction of the talent team.

Seventh, the Company sought collaboration and has achieved new results in the development of shore-based enterprises. All shore-based enterprises of the Company firmly implemented development strategies, overcame practical difficulties, and made achievements in many aspects such as operating efficiency and management improvement.

(I) Analysis of the main business

Analysis of Changes in Items Relevant to Statements of Profit and Cash Flow

Monetary unit: yuan Currency: RMB

Item	Amount of the current period	Amount of the same period in previous year	Change proportion (%)
Operating income	6,508,692,188.32	5,883,170,356.76	10.63
Operating cost	5,381,852,387.82	5,270,171,659.23	2.12
Sales expense	52,354,472.71	51,937,640.27	0.80
Management expense	459,567,270.33	431,903,398.14	6.41
Financial expense	305,952,581.73	254,202,817.05	20.36
Impairment loss of assets	-1,431,741.87	12,903,411.95	-111.10
Investment income	42,269,968.99	120,579,013.79	-64.94
Net cash flow from operating activities	1,425,774,288.60	638,959,782.32	123.14
Net cash flow from investment activities	-1,420,170,786.28	-2,869,663,588.49	50.51
Net cash flow from financing activities	174,629,560.58	2,216,217,835.34	-92.12

Reason for change in operating income: The main reason is that during the reporting period, the international shipping market improved. The Company seized market opportunities and took effective measures to increase freight rates. Income from the shipping business increased.

Reason for change in operating cost: The main reason is that fuel costs increased due to the rising international prices of fuel.

Reason for change in sales expense: The main reason is that labor costs of sales personnel increased during the reporting period.

Reason for change in management expense: The main reason is that labor costs increased during the reporting period.

Reason for change in financial expense: The main reason is that the scale of shipbuilding loans expanded during the reporting period and the interest expense increased accordingly.

Reason for change in impairment loss of assets: The main reason is that during the reporting period, the Company’s recovery of long-age receivables was more than that of the same period in the previous year, resulting in a decrease in provision for bad debts.

Reason for change in investment income: The main reason is that the investment income of the joint-stock companies decreased during the reporting period.

Reason for change in net cash flow from operating activities: The main reason is that during the reporting period the scale of income expanded and VAT refunds received increased.

Reason for change in net cash flow from investment activities: The main reason is that the shipbuilding payments paid as per the progress of the shipbuilding contracts in the reporting period was less than those of the same period in the previous year.

Reason for change in net cash flow from financing activities: The main reason is that in the same period in the previous year, a net amount of RMB 2.48 billion from non-public offering of shares was received.

1. Income and cost analysis

(1). Information on main businesses by industry, products and areas

Monetary unit: yuan Currency: RMB

Main businesses (by industry)						
Industry	Operating income	Operating cost	Gross profit rate (%)	Increase or decrease in operating income compared with the previous year (%)	Increase or decrease in operating cost compared with the previous year (%)	Increase or decrease in gross profit rate compared with the previous year (%)
Main business - shipping industry	6,016,265,556.37	5,106,612,316.64	15.12	12.86	3.91	Increase of 7.31 percent
Other industries	492,426,631.95	275,240,071.18	44.11	-10.88	-22.65	Increase of 8.51 percent
Main businesses (by products)						
Product	Operating income	Operating cost	Gross profit rate (%)	Increase or decrease in operating income compared with the previous year (%)	Increase or decrease in operating cost compared with the previous year (%)	Increase or decrease in gross profit rate compared with the previous year (%)
Multi-purpose vessels	2,394,678,602.27	2,185,726,956.75	8.73	4.85	-10.79	Increase of 16 percent
Semi-submersible vessels	1,281,519,424.74	731,282,694.65	42.94	47.62	45.43	Increase of 0.86 percent

Heavy lift vessels	1,145,209,273.24	1,033,171,381.40	9.78	12.89	3.12	Increase of 8.55 percent
Car carriers	303,285,635.17	271,704,110.15	10.41	27.84	46.17	Decrease of 11.24 percent
Asphalt carriers	403,018,709.27	360,595,495.02	10.53	-2.70	32.04	Decrease of 23.54 percent
Timber carriers	488,553,911.68	524,131,678.67	-7.28	-4.71	4.71	Decrease of 9.65 percent
Total	6,016,265,556.37	5,106,612,316.64	15.12	12.86	3.91	Increase of 7.31 percent
Main businesses (by area)						
Area	Operating income	Operating cost	Gross profit rate (%)	Increase or decrease in operating income compared with the previous year (%)	Increase or decrease in operating cost compared with the previous year (%)	Increase or decrease in gross profit rate compared with the previous year (%)
Import transportation	1,525,133,830.41	1,592,525,593.51	-4.42	26.77	23.81	Increase of 2.5 percent
Export transportation	2,480,914,809.99	2,009,362,157.67	19.01	-14.19	-21.88	Increase of 7.97 percent
Coastal transportation	364,939,281.70	283,924,856.66	22.20	94.40	138.74	Decrease of 14.45 percent
Third country transportation	1,645,277,634.27	1,220,799,708.79	25.80	56.91	30.30	Increase of 15.15 percent
Total	6,016,265,556.37	5,106,612,316.64	15.12	12.86	3.91	Increase of 7.31 percent

Vessel type	2017 time charter rent (USD/operating day)	2016 time charter rent (USD/operating day)	Increase/decrease in the time charter rent compared with the same period in the previous year
Multi-purpose vessels	8,503.19	5,564.46	52.81
Semi-submersible vessels	50,304.66	33,996.09	47.97
Heavy lift vessels	9,284.67	7,965.23	16.56
Car carriers	9,864.33	10,014.66	-1.50
Asphalt carriers	9,139.40	11,642.83	-21.50
Timber carriers	6,319.79	6,318.59	0.02
Total	11,440.57	8,471.05	35.06

Note 1: In the table above, the multi-purpose vessels include leased general cargo vessels and the car carriers include leased ro-ro vessels;

Note 2: The data in the table above does not include relevant data on space charter.

(2). Cost analysis

Unit: yuan (RMB)

Condition (by industry)							
Industry	Cost items	Amount of the current period	Proportion of the amount in the current period out of the total cost (%)	Amount of the same period in the previous year	Proportion of the amount in the same period of the previous year out of the total cost (%)	Proportion of change in the amount of the current period compared with the same period in the previous year (%)	Remarks
Main business - shipping industry	Fuel	1,307,622,567.92	24.30	1,036,315,292.21	19.66	26.18	Fuel prices rose and fuel cost increased
	Port disbursement account	1,112,546,072.44	20.67	1,298,947,610.63	24.65	-14.35	Decrease in port disbursement account due to a decrease in shipping volume
	Crew expense	761,238,652.29	14.14	677,305,132.32	12.85	12.39	Increase in the number of vessels and the labor costs for some crew members
	Depreciation expenses	815,727,958.16	15.16	654,952,035.46	12.43	24.55	New vessels put into operation
	Vessel leasing expense	427,307,588.64	7.94	616,588,189.55	11.70	-30.70	Reduced scale of leased vessels
External assignment of crew members	Crew expense	33,045,869.17	0.61	33,764,000.83	0.64	-2.13	There was a slight decrease in the number of crew members involved in external assignment

(II) Analysis of assets and liabilities

√Applicable "□ Not applicable"

Unit: yuan (RMB)

Item	Amount at the end of the current period	Proportion of the amount at	Amount at the end of the previous period	Proportion of the amount at	Proportion of change in the	Remark

		the end of the current period out of the total assets (%)		the end of the previous period out of the total assets (%)	amount at the end of the current period compared with that at the end of previous period (%)	
Notes receivable	350,485.00	0.00	6,654,746.50	0.03	-94.73	Undue drafts decreased at the end of the reporting period
Prepayments:	487,682,625.00	2.29	707,789,249.74	3.32	-31.10	Provisions for disbursement accounts not prepaid at the end of the reporting period decreased
Interests receivable	865,678.47	0.00	2,577,932.04	0.01	-66.42	Bank term deposits not due at the end of the reporting period decreased
Other receivables	58,809,291.31	0.28	142,317,145.46	0.67	-58.68	The decrease in leased vessels resulted in a decrease in advance payment for leased vessels in the reporting period
Other current assets	192,463,735.59	0.91	133,613,091.66	0.63	44.05	Export VAT rebates at the end of the reporting period increased
Available-for-sale financial assets	377,812,740.11	1.78	152,901,665.11	0.72	147.10	In the reporting period, after significant influence on the joint venture was lost, accounting was done as per the

						available-for-sale financial assets.
Projects under construction	170,897,946.71	0.80	560,012,006.91	2.63	-69.48	Vessels under construction at the end of the reporting period decreased
Intangible assets	420,873,025.55	1.98	260,068,022.53	1.22	61.83	Subsidiaries purchased land use rights in the reporting period
Other non-current assets			18,069.75	0.00	-100.00	There were no other non-current assets at the end of the reporting period
Short-term borrowings	90,000,000.00	0.42	277,480,000.00	1.30	-67.57	Due to repayment of short-term bank loans due during the reporting period
Dividends payable			9,264,744.16	0.04	-100.00	In the reporting period, the Company's subsidiaries paid the dividends for minority shareholders declared in the previous period
Current portion of non-current liabilities	721,420,551.49	3.39	1,810,122,576.01	8.50	-60.15	Bank borrowings due within one year at the end of the reporting period decreased
Other comprehensive income	-318,144,343.00	-1.50	-220,593,921.52	-1.04	-44.22	Changes in the exchange rate of the U.S. dollar during the reporting period resulted in a decrease in the converted difference in

						foreign currency statements
Minority shareholders' equity	6,582,525.79	0.03	52,568,789.77	0.25	-87.48	Due to the acquisition of equity from minority shareholders of subsidiaries in the reporting period

V Discussion and analysis of the future development of the Company

(I) Industrial pattern and development trend

√Applicable "□ Not applicable"

In January 2018, the International Monetary Fund (IMF) released the World Economic Outlook, again raising 2018 global economic growth expectations. The global economic environment is expected to continue to improve. The growth rate of major economies should accelerate. The growth momentum of international trade should resume, and the confidence in the financial market should be stable. This will give impetus to global investment and trade growth. After years of decline, the shipping industry is undergoing restructuring. The force of the market has promoted the survival of the fittest and industrial consolidation. Irrational capacity expansion has gradually decreased, and the relationship between supply and demand has significantly improved. The growth in the supply of shipping capacity of various types of ships is lower than that of demand. It is estimated that the growth of global fleet capacity in 2018 will drop to around 3%, still lower than that of maritime shipping volume. The gap between supply and demand of the shipping industry is expected to further narrow and the market fundamental conditions are expected to improve. According to the forecast of Clarksons, in 2018, the growth rate of the global dry bulk market demand will be fixed at 2.8%, that of the fleet shipping capacity will be 1.4%, and approximately 5% and 4% for the container transportation market's demand and supply respectively. The recovery of the specialized shipping market lags behind a little. However, with the gradual changes in the relationship between supply and demand, the specialized shipping market is also showing signs of recovery and is expected to grow, driven by multiple factors.

1. Market for multi-purpose vessels and heavy lift vessels

For a long time, the ocean shipping industry has undertaken more than 90% of the cargo shipping volume of the foreign trade of China. In 2018, the China "engine" will continue to facilitate the growth of international maritime shipping trade. With the implementation of the “Belt and Road”initiative, supply-side structural reform and a series of environmental protection policies such as the coal-to-gas program, it will inject incessant momentum into the global maritime shipping trade market, especially the markets for multi-purpose vessels and heavy lift vessels. In 2018, the expectation of the market for multi-purpose vessels and heavy lift vessels is cautiously optimistic. The shipping capacity pressure of the market will be gradually relieved. According to the forecast of Drewry, the compound growth rate of the shipping capacity of the global multi-purpose vessels over the next five years will be -0.3%. In the long term, there are opportunities for the recovery of the multi-purpose vessel market. In particular, there are still structural opportunities in various sectors. First, strategies such as the “Belt and Road”initiative and “International Capacity Cooperation” will continue to play an active role in promoting growth of international bilateral trade, China's foreign contracted projects and gearing up the output of steel, equipment, and high-end equipment. Second, infrastructure investment has become an important measure for various countries to drive economic growth. The grand infrastructure investment plans in the United States, Japan, India, Africa and other countries and regions will bring momentum to the growth of the multi-purpose vessel market. Furthermore, the long-term plan for the global high-speed railway will provide a vast market space for China's high-speed railway industry. At present, the mileage of the world’s planned high-speed railways is 35,000 kilometers, which provides opportunities for China’s rail transit equipment industry to go global. In addition, with the increasing attention on environmental protection, priority is given to the development of clean energy. In the next few years, the newly installed wind power capacity in the world is expected to achieve an average annual growth rate of 2% to 9%. In particular, the development of offshore wind power will accelerate. This will stimulate the demand of transportation of large equipment such as blades and cylinders.

2. Market for semi-submersible vessels

There is a prominent contradiction between the supply and demand of semi-submersible vessel spot market, and it is difficult, in a short time, to address the problem of shipping capacity being greater than shipping demand. However, from the perspective of development, the long-term market is still promising. According to the forecast of Rystad Energy, the global offshore exploration and investment will increase at a rate of 14% in 2018-2022 after a drop of 9% in 2017. The offshore engineering market will bottom out in 2017 and 2018. First, in consideration of such factors as global economic recovery, demand growth, collaborative production cuts, and underinvestment, international oil prices are expected to stabilize and pick up in the coming years. In addition, exploration and development costs have fallen to a lower level. As a result, development of oil and gas projects will gradually get moving and the upstream capital expenditures will show a slow and steady upward trend. Second, the floating production equipment market is gradually recovering. According to the forecast of Energy Maritime Associates, a research consultancy, the global market demand for floating production equipment including FPSOs, FSRUs, and tension leg platforms will reach 124 units in the next five years, with a total expenditure of USD 94 billion. In addition, although low oil prices have caused platform construction to turn cold, it has brought opportunities to the market for offshore equipment dismantling. The high idle equipment rate will force shipowners to expand their dismantling plans for old equipment. In the period from 2017 to 2025, 349 oil and gas fields in the North Sea region will be closed. It is estimated that more than 200 platforms will be dismantled, nearly 2,500 oil/gas wells will be blocked or abandoned and nearly 7,800 kilometers of pipelines will be closed. All of these are positive factors for the long-term development of the semi-submersible vessel market.

3. Market for timber carriers

China is one of the world's major timber consumers. With the development of such sectors as wood-based panels, wooden doors and furniture, the rigid demand for wood has increased year by year. China's timber resources are very scarce. In particular, after China laid a ban on commercial logging of natural forests in 2017, the output of commercial timber annually decreased by about 40 million cubic meters. China must rely on a large amount of imports to make up for the shortage of the raw material. At present, the China's dependence on foreign timber has reached 50%, and the import of timber exceeds one third of the global trade volume. At the same time, to protect ecological resources and maintain ecological balance, more and more timber producing countries in the world are proposing policies to prohibit or limit the export of logs. New policies under the CITES, export quotas, tariff adjustment, customs clearance time and other factors are leading to rapid increases in timber prices and the import volume is also affected. China's timber market is facing greater challenges to survival. In the future, it will be highly dependent on imports and will continue to face the difficulty of resource shortages.

4. Market for car carriers

According to the forecast of the China Association of Automobile Manufacturers, relying on the continuous implementation of the “Belt and Road” strategy and the further recovery of the international market, whole car exports are expected to reach 1.06 million with a year-on-year increase of about 15% in 2018. Under the background of the weak development of the domestic car market, it is forecast that passenger car sales in 2018 will reach 25.59 million with a year-on-year increase of about 3% while the commercial car sales will be about 4.28 million with a growth rate down to 2%. However, it is difficult for the car carrier market to recover in the short term. On one hand, compared with the highly competitive and oversupplied car carrier market, the car export volume of China is still insufficient. On the other hand, as the car transportation companies come to fully understand the GB1589 scheme, car carrier vehicles that meet the current standard are continuously modified or manufactured and as a result, a portion of the domestic car transportation has gradually returned to the land transportation. In the future, the continuous improvement of capabilities and product competitiveness of China’s car industry plus the country’s emphasis on its development will create a good environment for the long-term recovery of the car carrier market.

5. Market for asphalt carriers

Due to a serious surplus in the domestic asphalt production capacity and output, the price of imported asphalt is higher than that of home-made asphalt, which suppressed the demand for imported asphalt and resulted in a relatively limited space for increase in imported asphalt demand in the short term. According to the 13th Five Year Plan for Highway Development issued by the Ministry of Transport, the mileage increase of the highway network during 2016-2020 will be lower than that of the 12th Five-Year Plan period. At the same time, bank deleverage measures resulted in a shortage of funds, and asphalt trade may be further suppressed in the short term. However, due to the short design life and low standards of the existing highways in China, the maintenance and reconstruction of roads in developed areas such as the east of China, will drive the consumption of asphalt in the near future. In terms of overseas markets, with the gradual recovery of the world economy, the demand for asphalt in Europe and the United States is expected to remain stable, and the global asphalt market demand may come from countries such as India.

(II) Development strategy

√Applicable "□ Not applicable"

The Company's vision is to “become the greatest competitor in the global specialized shipping market and the leader of international logistics services for engineering”.

The Company will adhere to the “specialized” development strategy and focus on three markets - engineering projects, heavy and large equipment, and specialized cargo transportation markets. Priority will be given to three services - to provide clients with customized maritime shipping, offshore installation of large projects, and overall solutions for engineering projects. The Company will foster three major capabilities - the capability to undertake the world's largest project, the capability to serve the world's largest client, and the capability of anti-cyclical development and continuous profitability.

During the “13th Five-Year Plan” period, the Company will adhere to sound investment and operation strategies, pay more attention to the enhancement of software capabilities such as the construction of institutional mechanisms and talent teams, and continue to consolidate sustained profitability, and lay a more solid foundation for the long-term development of the Company.

VI Reason for suspension of IPO process

"□ Applicable" "√ Not applicable"

VII Information on termination of IPO process and the reason

"□ Applicable" "√ Not applicable"

VIII Analysis of reasons for changes to the accounting policy and estimation of the impact

√Applicable"□ Not applicable"

As approved at the 20th meeting of the 6th Board of Directors of the Company, the Company implemented the updated Accounting Standards for Business Enterprises No. 16 - Governmental Subsidies starting on January 1, 2017 and the Accounting Standards for Business Enterprises No. 42 -Non-current Assets and Disposal Groups Held for Sale, and Discontinued Operations starting on May 28, 2017. The above changes in the accounting policies shall be handled by future applicable laws from the date of implementation.

Before the Accounting Standards for Business Enterprises No. 16 - Governmental Subsidies (Revised in June 2017) was implemented, the government subsidies of the Company were included in non-operating income. After the Accounting Standards for Business Enterprises No. 16 - Governmental Subsidies (Revised in June 2017) was implemented, the government subsidies related to daily activities of the Company were included in other income or used to offset the related costs depending on the nature of the economic business, the government subsidies unrelated to the Company's daily activities are still included in the non-operating income, and the fiscal subsidies on interest received are used to offset the related loan costs. After the Accounting Standards for Business Enterprises No. 42 -Non-current Assets and Disposal Groups Held for Sale, and Discontinued Operations was implemented, if a non-current asset can be immediately sold in its current condition only when the sale is based on the customary terms of selling such assets. If the Company has made a decision regarding the disposal of the non-current asset and has signed an irrevocable transfer agreement with the transferee, and the transfer will be completed within one year, then the non-current asset will be accounted as an available-for-sale non-current asset without depreciation or amortization and measured as per the book value or the net amount of fair value minus the disposal fees (whichever is lower). The available-for-sale, single non-current assets and assets in disposal groups are separately listed under current assets in the balance sheet. The available-for-sale liabilities related to transferred assets in disposal group are separately listed under current liabilities in the balance sheet.

The changes in accounting policies only involve the reclassification of the statement items and do not affect the profit and loss of the reporting period: the non-operating income of 2017 is reduced by RMB 147,288.56, and the other income of 2017 is increased by RMB 147,288.56. The impact on the Company's net profit of 2017 is 0.

XI Analysis and explanation of the reasons for and the impact of the correction of major accounting errors

"□ Applicable""√ Not applicable"

X Where the consolidation scope of the financial statement is different from that of the financial report of the previous year, the Company should give a specific explanation.

√Applicable"□ Not applicable"

The Company had 6 second-level subsidiaries included in the consolidation scope in 2017. For the details, see note VIII “Interests in other entities” of the annual report.