中遠海運發展股份有限公司

**COSCO SHIPPING Development Co., Ltd.***

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

**(Stock Code: 02866)**

# INSIDE INFORMATION
# CHANGES IN ACCOUNTING ESTIMATES

This announcement is made by COSCO SHIPPING Development Co., Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the "**Board**") of directors (the "**Directors**") of the Company wishes to announce that on 27 April 2018, with a view to enhancing the reliability, relevance and comparability of the financial statements of the Group, the Board resolved to change the accounting estimates of the residual values of the vessels and the containers of the Group (the "**Changes in Accounting Estimates**") with effect from 1 January 2018.

## CHANGES IN ACCOUNTING ESTIMATES

Pursuant to the requirements of "Accounting Standards for Business Enterprises No. 4 – Fixed Assets"# (《企業會計準則第4號－固定資產》) (the "**Accounting Standards for Business Enterprises No. 4**"), an enterprise shall review the estimated useful lives, estimated net residual values and depreciation methods of its fixed assets at the end of each accounting year and where there are discrepancies between the estimated useful life and estimated net residual value and the original accounting estimates of the relevant fixed assets, corresponding adjustments to the accounting estimates shall be made to reflect the discrepancies.

In the beginning of 2018, there has been a significant deviation between the price of scrap steel, which the Group uses in determining the estimated residual values of vessels, and the corresponding original accounting estimates. The market price of used containers, which the Group uses in determining the estimated residual values of used containers, also significantly deviates from the corresponding original accounting estimates. As such, with a view to enhancing the reliability, relevance and comparability of the financial statements of the Group, the Board resolved for the Changes in Accounting Estimates with effect from 1 January 2018, further details of which are set out as follows:

1. As at 31 December 2017, the estimated residual value of vessels adopted by the Group was US$280 per light displacement ("**LDT**"). In light of the recent conditions of the shipping market and the fluctuation in the price of scrap steel, the Company proposes to adopt the average estimated value of scrap steel in the international shipbreaking market at the year end for the past three years as the basis for adjusting the estimated residual values of the vessels of the Group. According to the relevant report issued by Clarkson Research Services Limited, the average estimated value of scrap steel in the international shipbreaking market at the year end from 2015 to 2017 was US$330 per LDT. Accordingly, the Group shall adjust the accounting estimates of the residual values of the vessels of the Group to US$330 per LDT.

2. As at 31 December 2017, the estimated net residual values of the standard containers, namely the 20 feet dry containers and the 40 feet dry containers, adopted by the Group were US$560 per unit and US$896 per unit, respectively. In light of the recent conditions of the shipping market and the fluctuation in the market price of used containers, the Company proposes to adopt the average market price of used containers over the past three years as the basis for adjusting the estimated residual values of the containers of the Group. According to the relevant reports issued by Drewry Shipping Consultants Limited in the fourth quarter of 2017, the average market prices of used 20 feet dry containers and used 40 feet dry containers (both with an age of 12 years) over the period from 2015 to 2017 were US$894 per unit and US$1,028 per unit, respectively. The Group determines the estimated net residual values of its containers on the basis of the aforementioned average market prices with adjustments for age of containers and deduction of estimated disposal expenses and shall accordingly adjust the accounting estimates of the net residual values of the containers of the Group. In particular, the accounting estimates of the net residual values of used 20 feet dry containers and used 40 feet dry containers of the Group shall be adjusted to US$780 per unit and US$900 per unit, respectively.

## IMPACT OF CHANGES IN ACCOUNTING ESTIMATES ON THE GROUP

Based on the carrying amounts and conditions of the vessels and the containers of the Group as at 1 January 2018, it is estimated that the Changes in Accounting Estimates will result in (i) an increase in net profit of the Group for the year ending 31 December 2018 of approximately RMB186 million; (ii) an increase in net fixed assets of the Group as at 31 December 2018 of approximately RMB183 million; and (iii) an increase in net assets of the Group as at 31 December 2018 of approximately RMB183 million. Save as aforementioned, it is expected that the Changes in Accounting Estimates will not have any significant impact on the profit or loss or other items of the financial statements of the Group for future periods.

Pursuant to the requirements of "Accounting Standards for Business Enterprises No. 28 – Accounting Policies, Changes in Accounting Estimates and Accounting Corrections"# (《企業會計準則第28號－會計政策、會計估計變更和差錯更正》) (the "**Accounting Standards for Business Enterprises No. 28**"), the Changes in Accounting Estimates will be applied prospectively and no retrospective adjustments will be made to the previously disclosed financial statements of the Group. Accordingly, the Changes in Accounting Estimates will not affect the financial position and operating results of the Group for the previous financial years.

## OPINIONS OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors are of the view that (i) the approval of the Changes in Accounting Estimates by the Board and the relevant procedures are in compliance with the articles of association of the Company and the requirements under the relevant laws and regulations; (ii) the Changes in Accounting Estimates can reflect more accurately the financial position and operating results of the Group and improve the quality of financial information of the Group, which comply with the relevant requirements under the Accounting Standards for Business Enterprises (《企業會計準則》) and will not undermine the interests of the Company and its minority shareholders. Accordingly, the independent non-executive Directors agreed to the Changes in Accounting Estimates.

## OPINIONS OF THE SUPERVISORY COMMITTEE

The supervisory committee of the Company (the "**Supervisory Committee**") is of the view that the Changes in Accounting Estimates (i) are consistent with the actual situation of the Group and in compliance with the requirements under the relevant laws and regulations; and (ii) reflect more fairly and accurately the financial position and operating results of the Group and improve the quality of financial information of the Group. Accordingly, the Supervisory Committee agreed to the Changes in Accounting Estimates.

## OPINIONS OF THE AUDITORS

Baker Tilly Certified Public Accountants, the auditors of the Company in the People's Republic of China, is of the view that the Changes in Accounting Estimates are in compliance with the relevant requirements under the Accounting Standards for Business Enterprises No. 4 and the Accounting Standards for Business Enterprises No. 28.

**The information contained in this announcement is only a preliminary assessment based on information currently available, which have not been reviewed or audited by the auditors of the Company.**

**Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.**

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

Shanghai, the People's Republic of China
27 April 2018

*As at the date of this announcement, the Board comprises Ms. Sun Yueying, Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, being executive Directors, Mr. Feng Boming, Mr. Huang Jian and Mr. Liang Yanfeng, being non-executive Directors, and Mr. Cai Hongping, Ms. Hai Chi Yuet, Mr. Graeme Jack, Mr. Lu Jianzhong, Mr. Gu Xu and Ms. Zhang Weihua, being independent non-executive Directors.*

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

\# *For identification purposes only.*