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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 2019

**FINANCIAL HIGHLIGHTS:**

- Revenues from continuing operation of the Group for the year 2019 was RMB150,540,591,000, representing an increase of RMB30,198,307,000 as compared to 2018.
- Profit attributable to equity holders of the Company for the year 2019 was RMB6,690,106,000 as compared to profit attributable to equity holders of the Company of RMB1,230,026,000 in 2018.
- The basic and diluted earnings per share for 2019 amounted to RMB0.55 and RMB0.55, respectively.
- The Board resolved not to propose final dividend for the year 2019.

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 2019 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2018.

**COSCO SHIPPING HOLDINGS CO., LTD.**
**CONSOLIDATED INCOME STATEMENT**
**FOR THE YEAR ENDED 31 DECEMBER 2019**

| | Note | **2019** *RMB'000* | 2018 *RMB'000* |
|---|---|---|---|
| **Continuing operation** | | | |
| Revenues | *3* | **150,540,591** | 120,342,284 |
| Cost of services and inventories sold | | **(135,211,892)** | (110,725,942) |
| **Gross profit** | | **15,328,699** | 9,616,342 |
| Other income | *4* | **2,322,643** | 2,454,270 |
| Other expenses | *4* | **(466,842)** | (216,436) |
| Net impairment losses on financial assets | | **(19,912)** | (38,447) |
| Selling, administrative and general expenses | | **(9,941,754)** | (6,816,932) |
| **Operating profit** | | **7,222,834** | 4,998,797 |
| Finance income | *5* | **849,900** | 571,051 |
| Finance costs | *5* | **(6,073,661)** | (3,998,008) |
| Net finance costs | *5* | **(5,223,761)** | (3,426,957) |
| | | **1,999,073** | 1,571,840 |
| Share of profits less losses of | | | |
| – joint ventures | | **694,209** | 697,250 |
| – associates | | **1,366,133** | 1,380,277 |
| Profit before income tax from continuing operation | | **4,059,415** | 3,649,367 |
| Income tax expense | *6* | **(978,567)** | (818,961) |
| Profit for the year from continuing operation | | **3,080,848** | 2,830,406 |

| | Note | 2019<br>*RMB'000* | 2018<br>*RMB'000* |
|---|---|---|---|
| **Discontinued operation** | | | |
| Profit for the year from discontinued operation | *11* | **7,113,469** | 195,955 |
| **Profit for the year** | | **10,194,317** | 3,026,361 |
| Profit attributable to: | | | |
| Equity holders of the Company | | **6,690,106** | 1,230,026 |
| Non-controlling interests | | **3,504,211** | 1,796,335 |
| | | **10,194,317** | 3,026,361 |
| Profit attributable to equity holder of the Company arising from: | | | |
| – Continuing operation | | **1,355,004** | 1,083,059 |
| – Discontinued operation | | **5,335,102** | 146,967 |
| | | **6,690,106** | 1,230,026 |

| | Note | 2019<br>*RMB* | 2018<br>*RMB* |
|---|---|---|---|
| **Earnings per share attributable to equity holder of the Company:** | | | |
| Basic earnings per share | *8* | | |
| – From continuing operation | | **0.11** | 0.11 |
| – From discontinued operation | | **0.44** | 0.01 |
| | | **0.55** | 0.12 |
| Diluted earnings per share | *8* | | |
| – From continuing operation | | **0.11** | 0.11 |
| – From discontinued operation | | **0.44** | 0.01 |
| | | **0.55** | 0.12 |

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Profit for the year** | **10,194,317** | 3,026,361 |
| **Other comprehensive income** | | |
| ***Item that will be reclassified or may be reclassified subsequently to profit or loss*** | | |
| Share of other comprehensive loss of joint ventures and associates, net | **(39,364)** | (30,044) |
| Cash flow hedges, net of tax | **(6,444)** | (8,116) |
| Currency translation differences | **562,271** | 1,159,177 |
| ***Item that will not be reclassified subsequently to profit or loss*** | | |
| Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax | **(57,176)** | (396,732) |
| Remeasurements of post-employment benefit obligations | **(64,848)** | (82,964) |
| Share of other comprehensive income/(loss) of an associate | **17,051** | (29,981) |
| **Other comprehensive income for the year, net of tax** | **411,490** | 611,340 |
| **Total comprehensive income for the year** | **10,605,807** | 3,637,701 |
| **Total comprehensive income for the year attributable to:** | | |
| – Equity holders of the Company | **6,961,455** | 1,671,176 |
| – Non-controlling interests | **3,644,352** | 1,966,525 |
| | **10,605,807** | 3,637,701 |
| **Total comprehensive income attributable to equity holders of the Company arising from:** | | |
| – Continuing operation | **1,626,353** | 1,615,528 |
| – Discontinued operation | **5,335,102** | 55,648 |
| | **6,961,455** | 1,671,176 |

**CONSOLIDATED BALANCE SHEET**
**AS AT 31 DECEMBER 2019**

| | Note | 2019 *RMB'000* | 2018 *RMB'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **104,179,004** | 115,385,537 |
| Right-of-use assets | *2(a)* | **35,211,071** | – |
| Investment properties | | **2,328,986** | 2,372,369 |
| Leasehold land and land use rights | | **–** | 2,273,525 |
| Intangible assets | | **5,402,003** | 5,406,925 |
| Goodwill | | **6,142,068** | 5,785,808 |
| Investments in joint ventures | | **10,112,856** | 9,886,112 |
| Investments in associates | | **20,649,708** | 18,991,354 |
| Financial assets at fair value through other comprehensive income | | **2,097,256** | 2,083,638 |
| Financial assets at fair value through profit or loss | | **–** | 499,442 |
| Financial assets at amortized cost | | **1,028,432** | 1,299,828 |
| Restricted bank deposits | | **396,213** | 398,072 |
| Deferred income tax assets | | **944,463** | 1,060,469 |
| Loans to joint ventures and associates | | **1,167,153** | 1,194,537 |
| Other non-current assets | | **466,129** | 1,490,185 |
| **Total non-current assets** | | **190,125,342** | 168,127,801 |
| **Current assets** | | | |
| Inventories | | **4,054,417** | 4,100,906 |
| Trade and other receivables and contract assets | *9* | **14,784,258** | 14,852,027 |
| Financial assets at fair value through profit or loss | | **1,066,819** | 2,596,055 |
| Financial assets at amortized cost | | **306,157** | 230,380 |
| Taxes recoverable | | **56,654** | 47,809 |
| Restricted bank deposits | | **243,695** | 759,171 |
| Cash and cash equivalents | | **49,689,784** | 32,837,729 |
| Assets classified as held for sale | *12* | **1,896,904** | 4,591,927 |
| **Total current assets** | | **72,098,688** | 60,016,004 |
| **Total assets** | | **262,224,030** | 228,143,805 |

| | Note | 2019<br>*RMB'000* | 2018<br>*RMB'000* |
|---|---|---|---|
| **EQUITY** | | | |
| **Equity attributable to the equity holders of the Company** | | | |
| Share capital | | **12,259,529** | 10,216,274 |
| Reserves | | **23,100,147** | 12,669,939 |
| | | **35,359,676** | 22,886,213 |
| Non-controlling interests | | **33,765,561** | 33,466,676 |
| **Total equity** | | **69,125,237** | 56,352,889 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Long-term borrowings | | **92,525,212** | 80,244,198 |
| Lease liabilities | | **25,411,032** | – |
| Provisions and other liabilities | | **338,514** | 351,172 |
| Put option liability | | **1,518,793** | – |
| Pension and retirement liabilities | | **429,201** | 305,517 |
| Derivative financial liabilities | | **61,935** | 50,499 |
| Deferred income tax liabilities | | **2,342,980** | 1,985,569 |
| **Total non-current liabilities** | | **122,627,667** | 82,936,955 |
| **Current liabilities** | | | |
| Trade and other payables and contract liabilities | *10* | **34,233,284** | 29,698,425 |
| Derivative financial liabilities | | **22,387** | 59,786 |
| Short-term borrowings | | **16,252,030** | 48,220,619 |
| Current portion of long-term borrowings | | **11,099,640** | 8,730,823 |
| Current portion of lease liabilities | | **7,410,950** | – |
| Current portion of provisions and other liabilities | | **26,391** | 2,393 |
| Taxes payable | | **1,267,185** | 897,482 |
| Liabilities directly associated with assets classified as held for sale | *12* | **159,259** | 1,244,433 |
| **Total current liabilities** | | **70,471,126** | 88,853,961 |
| **Total liabilities** | | **193,098,793** | 171,790,916 |
| **Total equity and liabilities** | | **262,224,030** | 228,143,805 |
| **Net current assets/(liabilities)** | | **1,627,562** | (28,837,957) |
| **Total assets less current liabilities** | | **191,752,904** | 139,289,844 |

*NOTES:*

## 1 General information

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 address of its registered office is 2nd Floor, 12 Yuanhang Business Center, Central Boulevard and East Seven Road Junction, Tianjin Port Free Trade Zone, Tianjin,the PRC. The H-Shares and A-Shares of the Company are listed on the Main Board of the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange respectively.

The businesses of the Company and its subsidiaries (the "Group") included the provisions of a range of container shipping, managing and operating container terminals services on a worldwide basis.

On 6 July 2018, Orient Overseas (International) Limited ("OOIL") and Faulkner Global Holdings Limited ("Faulkner Global"), which are subsidiaries of the Company, amongst others entered into the National Security Agreement pursuant to which the Group and the Company committed to divest the Long Beach Container Terminal ("U.S. Terminal Business"). A Sale and Purchase Agreement ("SPA") was entered on 29 April 2019 and the sale was completed on 24 October 2019. The U.S. Terminal Business is accounted for as discontinued operation under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

On 24 January 2019, the Company has completed the procedures for registration of the new A-shares issued under the Proposed Non-public Issuance of A Shares with China Securities Depository and Clearing Company Limited (Shanghai Branch). Upon completion of the Proposed Non-public Issuance of A Shares, the total number of Shares increased from 10,216,274,357 shares to 12,259,529,227 shares, and the total number of A-shares increased from 7,635,674,357 A-shares to 9,678,929,227 A-shares.

These consolidated financial statements have been approved for issue by the Directors on 30 March 2020.

## 2 Basis of preparation and Significant accounting policies

The annual results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2019 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 ("HKFRS") 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 on a going concern basis and under the historical cost convention except for certain financial assets and liabilities (including derivative 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.

## 2 Basis of preparation and Significant accounting policies (Continued)

### (a) New standard and amendments to standards which are effective in 2019 and adopted by the Group

The following new standard and amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2019:

**New standard and amendments**

| | |
|---|---|
| HKFRS 16 | Leases |
| HKFRS 9 (Amendments) | Financial instruments – Prepayment features with negative compensation |
| HKAS 28 (Amendments) | Long term interests in associates and joint ventures |
| HKAS 19 | Employee benefits – Plan amendment, curtailments or settlement |
| HK(IFRIC)23 | Uncertainty over income tax |

**Annual Improvements 2015 – 2017**

| | |
|---|---|
| HKFRS 3 | Business combinations |
| HKFRS 11 | Joint arrangements |
| HKAS 12 | Income taxes |
| HKAS 23 | Borrowing costs |

The adoption of the above new standard, amendments, improvement and interpretation to existing HKFRSs do not have a material impact on the Group, except for HKFRS 16 "Leases" as set out below.

The Group has adopted HKFRS 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019.

(i) Adjustments recognized on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.84% per annum.

For leases previously classified as finance leases, the Group recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date.

At 31 December 2018, the Group had non-cancellable operating lease commitments for continuing operation of RMB51,313,312,000. As part of the transition, the Group assessed and applied following adjustments before discounting lease payments at the lessee's incremental borrowing rate:

- Service components included in vessels' time charter rates are not included as part of the lease liability. These costs will be recognised in the income statement as incurred;
- Low value leases which will continue to be recognized on straight-line basis as expenses;
- Short-term leases which will continue to be recognized on straight-line basis as expenses;

## 2 Basis of preparation and Significant accounting policies (Continued)

### (a) New standard and amendments to standards which are effective in 2019 and adopted by the Group (Continued)

(i) Adjustments recognized on adoption of HKFRS 16 (Continued)

The associated right-of-use assets were measured on a modified retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relate to the following types of assets:

| | **As at 31 December 2019** *RMB'000* | **As at 1 January 2019** *RMB'000* |
|---|---|---|
| Container vessels | 25,318,408 | 31,488,247 |
| Concession | 4,874,997 | 4,406,202 |
| Land use rights | 2,050,945 | 2,273,525 |
| Others | 2,966,721 | 2,472,928 |
| Total right-of-use assets | 35,211,071 | 40,640,902 |

The adjustments on the consolidated balance sheet as at 1 January 2019 are summarized below:

| **Consolidated balance sheet (extract)** | **31 December 2018** *RMB'000* | **Effect of adoption of HKFRS 16** *RMB'000* | **1 January 2019** *RMB'000* |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 115,385,537 | (18,847,882) | 96,537,655 |
| Right-of-use assets | – | 40,640,902 | 40,640,902 |
| Leasehold land and land use rights | 2,273,525 | (2,273,525) | – |
| Investments in associates | 18,991,354 | (351,134) | 18,640,220 |
| Deferred income tax assets | 1,060,469 | 250 | 1,060,719 |
| Other non-current assets | 1,490,185 | (288,668) | 1,201,517 |
| **Total non-current assets** | 168,127,801 | 18,879,943 | 187,007,744 |
| **Current assets** | | | |
| Trade and other receivables and contract assets | 14,852,027 | (18,657) | 14,833,370 |
| Assets classified as held for sale | 4,591,927 | 5,621,877 | 10,213,804 |
| **Total current assets** | 60,016,004 | 5,603,220 | 65,619,224 |
| **Total assets** | 228,143,805 | 24,483,163 | 252,626,968 |

## 2 Basis of preparation and Significant accounting policies (Continued)

### (a) New standard and amendments to standards which are effective in 2019 and adopted by the Group (Continued)

(i) Adjustments recognized on adoption of HKFRS 16 (Continued)

| **Consolidated balance sheet (extract)** | **31 December 2018** *RMB'000* | **Effect of adoption of HKFRS 16** *RMB'000* | **1 January 2019** *RMB'000* |
|---|---|---|---|
| **EQUITY** | | | |
| Reserves | 12,669,939 | (1,771,146) | 10,898,793 |
| Non-controlling interests | 33,466,676 | (562,385) | 32,904,291 |
| **Total equity** | 56,352,889 | (2,333,531) | 54,019,358 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Long-term borrowings | 80,244,198 | (15,358,963) | 64,885,235 |
| Lease liabilities | – | 30,411,185 | 30,411,185 |
| **Total non-current liabilities** | 82,936,955 | 15,052,222 | 97,989,177 |
| **Current liabilities** | | | |
| Trade and other payables and contract liabilities | 29,698,425 | (75,130) | 29,623,295 |
| Current portion of long-term borrowings | 8,730,823 | (1,449,455) | 7,281,368 |
| Current portion of lease liabilities | – | 7,506,742 | 7,506,742 |
| Liabilities directly associated with assets classified as held for sale | 1,244,433 | 5,782,315 | 7,026,748 |
| **Total current liabilities** | 88,853,961 | 11,764,472 | 100,618,433 |
| **Total liabilities** | 171,790,916 | 26,816,694 | 198,607,610 |
| **Total equity and liabilities** | 228,143,805 | 24,483,163 | 252,626,968 |

## 2 Basis of preparation and Significant accounting policies (Continued)

### (a) New standard and amendments to standards which are effective in 2019 and adopted by the Group (Continued)

(i) Adjustments recognized on adoption of HKFRS 16 (Continued)

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous;
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- The use of recognition exemption to leases for which the underlying asset is of low value;
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 Determining whether an Arrangement contains a Lease.

(ii) The Group's leasing activities and how these are accounted for

The Group leases various container vessels, concession, land use rights, containers, buildings and others. Rental contracts are typically made for fixed periods of 1 to 40 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

## 2 Basis of preparation and Significant accounting policies (Continued)

### (a) New standard and amendments to standards which are effective in 2019 and adopted by the Group (Continued)

(ii) The Group's leasing activities and how these are accounted for (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payment that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise containers, IT-equipment, small items of office furniture and others.

Some leases on concession contain variable payment terms that are linked to revenue generated from a port. For individual ports, lease payments are on the basis of variable payment terms with a wide range of percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for port operations. Variable lease payments that depend on revenue are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

## 2 Basis of preparation and Significant accounting policies (Continued)

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

The HKICPA has issued certain new standards, interpretation and amendments to existing standards which are not yet effective for the year ending 31 December 2019 and have not been early adopted by the Group. The Group will apply these standards, interpretation and amendments to existing standards as and when they become effective. None of these is expected to have a significant impact on the consolidated financial statements of the Group.

## 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 business

– Container terminal business

– 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 investments in joint ventures, investments in associates, loans to joint ventures and associates, financial assets at fair value through other comprehensive income ("FVOCI"), financial assets at fair value through profit or loss ("FVPL"), financial assets at amortized cost and assets classified as held for sale 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 taxes recoverable and deferred income tax assets. Unallocated liabilities consist of taxes payable and deferred income tax liabilities.

Addition to non-current assets comprises additions to property, plant and equipment, investment properties, intangible assets and right-of-use assets.

## 3 Revenues and segment information (Continued)

### Operating segments (Continued)

| | Year ended 31 December 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Continuing operation | | | | | | | |
| | Container shipping business [#] *RMB'000* | Container terminal business *RMB'000* | Corporate and other operations *RMB'000* | Inter-segment elimination *RMB'000* | Sub-total *RMB'000* | Discontinued operation *RMB'000* | Elimination *RMB'000* | Group *RMB'000* |
| **Income statement** | | | | | | | | |
| Total revenues | 144,806,308 | 7,217,232 | – | (1,482,949) | 150,540,591 | 1,533,505 | (1,017,413) | 151,056,683 |
| Comprising: | | | | | | | | |
| – Inter-segment revenues | 7,276 | 1,475,673 | – | (1,482,949) | – | 1,017,413 | (1,017,413) | – |
| – Revenues (from external customers) | 144,799,032 | 5,741,559 | – | – | 150,540,591 | 516,092 | – | 151,056,683 |
| **Revenues from contracts with customers:** | | | | | | | | |
| At a point in time | 9,197,817 | – | – | – | 9,197,817 | – | – | 9,197,817 |
| Over time | 135,608,491 | 7,217,232 | – | (1,482,949) | 141,342,774 | 1,533,505 | (1,017,413) | 141,858,866 |
| | 144,806,308 | 7,217,232 | – | (1,482,949) | 150,540,591 | 1,533,505 | (1,017,413) | 151,056,683 |
| **Segment profit** | 5,651,202 | 1,504,273 | 67,359 | – | 7,222,834 | 521,243 | – | 7,744,077 |
| Finance income | 631,100 | 85,570 | 320,214 | (186,984) | 849,900 | 8,255 | – | 858,155 |
| Finance costs | (3,637,915) | (814,763) | (1,807,967) | 186,984 | (6,073,661) | (245,741) | – | (6,319,402) |
| Share of profits less losses of | | | | | | | | |
| – joint ventures | 99,023 | 595,186 | – | – | 694,209 | – | – | 694,209 |
| – associates | 119,035 | 1,247,098 | – | – | 1,366,133 | – | – | 1,366,133 |
| Profit/(loss) before income tax | 2,862,445 | 2,617,364 | (1,420,394) | – | 4,059,415 | 283,757 | – | 4,343,172 |
| Income tax expenses | (744,236) | (231,337) | (2,994) | – | (978,567) | – | – | (978,567) |
| Profit/(loss) after income tax | 2,118,209 | 2,386,027 | (1,423,388) | – | 3,080,848 | 283,757 | – | 3,364,605 |
| Profit on disposal of a subsidiary | – | – | – | – | – | 6,829,712 | – | 6,829,712 |
| Profit/(loss) for the year | 2,118,209 | 2,386,027 | (1,423,388) | – | 3,080,848 | 7,113,469 | – | 10,194,317 |
| Gain/(loss) on disposals of plant and equipment,net | 7,939 | (9,718) | 75 | – | (1,704) | – | – | (1,704) |
| Depreciation and amortization | 10,733,523 | 1,305,755 | 26,037 | – | 12,065,315 | – | – | 12,065,315 |
| Additions to non-current assets | 11,534,193 | 2,106,759 | 37 | – | 13,640,989 | 118,308 | – | 13,759,297 |

(#) Revenues for container shipping business include respective crew service income and other related income, and are recognized at a point in-time or over-time.

## 3 Revenues and segment information (Continued)

### Operating segments (Continued)

| | Year ended 31 December 2018 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Continuing operation | | | | | | | |
| | Container shipping business [#] RMB'000 | Container terminal business RMB'000 | Corporate and other operations RMB'000 | Inter-segment elimination RMB'000 | Sub-total RMB'000 | Discontinued operation RMB'000 | Elimination RMB'000 | Group RMB'000 |
| **Income statement** | | | | | | | | |
| Total revenues | 114,844,680 | 6,634,745 | – | (1,137,141) | 120,342,284 | 992,965 | (589,939) | 120,745,310 |
| Comprising: | | | | | | | | |
| – Inter-segment revenues | 6,121 | 1,131,020 | – | (1,137,141) | – | 589,939 | (589,939) | – |
| – Revenues (from external customers) | 114,838,559 | 5,503,725 | – | – | 120,342,284 | 403,026 | – | 120,745,310 |
| **Revenues from contracts with customers:** | | | | | | | | |
| At a point in time | 8,350,340 | – | – | – | 8,350,340 | – | – | 8,350,340 |
| Over time | 106,494,340 | 6,634,745 | – | (1,137,141) | 111,991,944 | 992,965 | (589,939) | 112,394,970 |
| | 114,844,680 | 6,634,745 | – | (1,137,141) | 120,342,284 | 992,965 | (589,939) | 120,745,310 |
| **Segment profit/(loss)** | 3,754,881 | 1,652,108 | (408,192) | – | 4,998,797 | 206,480 | – | 5,205,277 |
| Finance income | 344,590 | 16,009 | 505,839 | (295,387) | 571,051 | 2,374 | – | 573,425 |
| Finance costs | (2,305,385) | (484,209) | (1,503,801) | 295,387 | (3,998,008) | (12,899) | – | (4,010,907) |
| Share of profits less losses of | | | | | | | | |
| – joint ventures | 94,478 | 602,772 | – | – | 697,250 | – | – | 697,250 |
| – associates | 45,801 | 1,334,476 | – | – | 1,380,277 | – | – | 1,380,277 |
| Profit/(loss) before income tax | 1,934,365 | 3,121,156 | (1,406,154) | – | 3,649,367 | 195,955 | – | 3,845,322 |
| Income tax expenses | (271,772) | (386,035) | (161,154) | – | (818,961) | – | – | (818,961) |
| Profit/(loss) for the year | 1,662,593 | 2,735,121 | (1,567,308) | – | 2,830,406 | 195,955 | – | 3,026,361 |
| Gain on disposals of plant and equipment,net | 115,420 | 1,272 | 375 | – | 117,067 | 630 | – | 117,697 |
| Depreciation and amortization | 3,238,360 | 953,681 | 12,077 | – | 4,204,118 | – | – | 4,204,118 |
| Additions to non-current assets | 61,832,108 | 2,427,618 | 523 | – | 64,260,249 | 5,748 | – | 64,265,997 |

[#] Revenues for container shipping business include respective service income and other related income, and are recognized at a point in-time or over-time.

## 3 Revenues and segment information (Continued)

### Operating segments (Continued)

| | As at 31 December 2019 | | | | |
|---|---|---|---|---|---|
| | **Container shipping business** | **Container terminal business** | **Corporate and other operations** | **Inter-segment elimination** | **Total** |
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** |
| **Balance sheet** | | | | | |
| Segment operating assets | **179,839,153** | **39,917,140** | **13,436,674** | **(10,295,339)** | **222,897,628** |
| Investments in joint ventures | **1,188,725** | **8,924,131** | **–** | **–** | **10,112,856** |
| Investments in associates | **1,434,076** | **19,215,632** | **–** | **–** | **20,649,708** |
| Loans to joint ventures and associates | **–** | **1,167,153** | **–** | **–** | **1,167,153** |
| Financial assets at FVOCI | **887,757** | **1,209,499** | **–** | **–** | **2,097,256** |
| Financial assets at FVPL | **1,066,819** | **–** | **–** | **–** | **1,066,819** |
| Financial assets at amortized cost | **1,334,589** | **–** | **–** | **–** | **1,334,589** |
| Assets classified held for sale | **–** | **1,896,904** | **–** | **–** | **1,896,904** |
| Unallocated assets | | | | | **1,001,117** |
| Total assets | | | | | **262,224,030** |
| Segment operating liabilities | **119,077,725** | **31,665,701** | **48,881,282** | **(10,295,339)** | **189,329,369** |
| Liabilities directly associated with assets classified as held for sale | **–** | **159,259** | **–** | **–** | **159,259** |
| Unallocated liabilities | | | | | **3,610,165** |
| Total liabilities | | | | | **193,098,793** |

| | As at 31 December 2018 | | | | |
|---|---|---|---|---|---|
| | Container shipping business | Container terminal business | Corporate and other operations | Inter-segment elimination | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Balance sheet** | | | | | |
| Segment operating assets | 151,173,935 | 31,980,354 | 12,846,864 | (10,338,900) | 185,662,253 |
| Investments in joint ventures | 1,174,995 | 8,711,117 | – | – | 9,886,112 |
| Investments in associates | 1,294,215 | 17,697,139 | – | – | 18,991,354 |
| Loans to joint ventures and associates | – | 1,194,537 | – | – | 1,194,537 |
| Financial assets at FVOCI | 825,867 | 1,257,771 | – | – | 2,083,638 |
| Financial assets at FVPL | 2,596,055 | 499,442 | – | – | 3,095,497 |
| Financial assets at amortized cost | 1,530,208 | – | – | – | 1,530,208 |
| Assets classified held for sale | – | 4,641,462 | – | (49,535) | 4,591,927 |
| Unallocated assets | | | | | 1,108,279 |
| Total assets | | | | | 228,143,805 |
| Segment operating liabilities | 107,559,286 | 21,290,002 | 48,739,119 | (9,924,975) | 167,663,432 |
| Liabilities directly associated with assets classified as held for sale | – | 1,707,893 | – | (463,460) | 1,244,433 |
| Unallocated liabilities | | | | | 2,883,051 |
| Total liabilities | | | | | 171,790,916 |

## 3 Revenues and segment information (Continued)

### 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, within Mainland China, 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) |
| Mainland China | Within Mainland China |
| Other international market | Trans-Atlantic and others |

For the geographical information, freight revenues from container shipping are analysed based on trade lanes for container shipping operations.

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

| | **Year ended 31 December 2019** | | |
|---|---|---|---|
| **Continuing operation** | **Total revenue** *RMB'000* | **Inter-segment revenue** *RMB'000* | **External revenue** *RMB'000* |
| Container shipping business | | | |
| – America | **41,529,421** | **–** | **41,529,421** |
| – Europe | **30,742,462** | **–** | **30,742,462** |
| – Asia Pacific | **35,445,695** | **–** | **35,445,695** |
| – Mainland China | **18,246,286** | **(7,276)** | **18,239,010** |
| – Other international market | **18,842,444** | **–** | **18,842,444** |
| Container shipping business | **144,806,308** | **(7,276)** | **144,799,032** |
| – Mainland China | **3,293,314** | **(780,563)** | **2,512,751** |
| – Europe | **3,885,314** | **(695,110)** | **3,190,204** |
| – Others | **38,604** | **–** | **38,604** |
| Container terminal business, corporate and other operations | **7,217,232** | **(1,475,673)** | **5,741,559** |
| Total | **152,023,540** | **(1,482,949)** | **150,540,591** |
| **Discontinued operation** | | | |
| – America | **1,533,505** | **(1,017,413)** | **516,092** |

3 **Revenues and segment information (Continued)**

**Geographical information (Continued)**

(a) Revenues (Continued)

| **Continuing operation** | Year ended 31 December 2018<br>Total revenue<br>*RMB'000* | Inter-segment revenue<br>*RMB'000* | External revenue<br>*RMB'000* |
|---|---|---|---|
| Container shipping business | | | |
| – America | 33,197,843 | – | 33,197,843 |
| – Europe | 23,750,637 | – | 23,750,637 |
| – Asia Pacific | 25,875,227 | – | 25,875,227 |
| – Mainland China | 17,736,450 | (6,121) | 17,730,329 |
| – Other international market | 14,284,523 | – | 14,284,523 |
| Container shipping business | 114,844,680 | (6,121) | 114,838,559 |
| Container terminal business, corporate and other operations | | | |
| – Mainland China | 3,053,406 | (594,918) | 2,458,488 |
| – Europe | 3,581,339 | (536,102) | 3,045,237 |
| Container terminal business, corporate and other operations | 6,634,745 | (1,131,020) | 5,503,725 |
| Total | 121,479,425 | (1,137,141) | 120,342,284 |
| **Discontinued operation** | | | |
| – America | 992,965 | (589,939) | 403,026 |

(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, intangible assets, right-of-use assets, investments in joint ventures, investments in associates and other non-current assets.

The container vessels and containers (included in property, plant and equipment) are primarily utilized across geographical markets for shipment of cargoes throughout the world. Accordingly, it is impractical to present the locations of the container vessels and containers by geographical areas and thus the container 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 2019**<br>***RMB'000*** | As at 31 December 2018<br>*RMB'000* |
|---|---|---|
| **Unallocated** | **112,951,417** | 96,618,551 |
| **Remaining assets** | | |
| – China | **42,187,964** | 40,959,523 |
| – Outside China | **29,352,444** | 24,013,741 |

## 4 Other income and other expenses

| | 2019 | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Dividend income | **91,205** | 26,999 |
| Government grants and other subsidies | **907,058** | 1,520,665 |
| Gain on disposal of property, plant and equipment | **105,241** | 131,481 |
| Gain on disposal of associates | **242,323** | 20,157 |
| Gain on financial instrument at FVPL | **336,040** | 32,678 |
| Gain on disposal of subsidiaries | **–** | 25,066 |
| Interest income from financial instrument at FVPL | **79,168** | 47,681 |
| Interest income from investments at amortized cost | **66,735** | 33,544 |
| Exchange gain | **462,989** | 514,492 |
| Others | **31,884** | 101,507 |
| **Other income** | **2,322,643** | 2,454,270 |
| Loss on disposal of property, plant and equipment | **(106,945)** | (14,414) |
| Loss on disposal of intangible assets | **(23,130)** | – |
| Loss on deemed disposal of an associate | **(155,438)** | – |
| Loss on financial instrument at FVPL | **(186)** | (106,708) |
| Others | **(181,143)** | (95,314) |
| **Other expenses** | **(466,842)** | (216,436) |

## 5 Finance income and costs

| | 2019<br>*RMB'000* | 2018<br>*RMB'000* |
|---|---|---|
| **Finance income** | | |
| Interest income from: | | |
| – deposits in related parties | **106,250** | 108,674 |
| – loans to joint ventures and associates | **32,188** | 34,848 |
| – other financial institutions | **711,462** | 427,529 |
| | **849,900** | 571,051 |
| **Finance costs** | | |
| Interest expenses on: | | |
| – loans from third parties | **(3,353,148)** | (2,180,137) |
| – loans from related parties | **(403,103)** | (307,791) |
| – loans from non-controlling shareholders of subsidiaries | **(25,755)** | (29,943) |
| – lease liabilities | **(1,284,365)** | (301,007) |
| – notes/bonds | **(583,447)** | (786,154) |
| | **(5,649,818)** | (3,605,032) |
| Transaction costs arising from borrowings | **(570,451)** | (290,876) |
| Less: amount capitalized in construction in progress | **187,096** | 170,046 |
| **Net related exchange loss** | **(40,488)** | (272,146) |
| | **(6,073,661)** | (3,998,008) |
| **Net finance costs** | **(5,223,761)** | (3,426,957) |

## 6 Income tax expenses

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current income tax *(note a)* | | |
| – PRC corporate income tax | **409,993** | 404,481 |
| – Hong Kong profits tax | **73,640** | 6,784 |
| – Overseas taxation | **375,542** | 258,528 |
| (Over)/under provision in prior years | **(16,747)** | 11,242 |
| | **842,428** | 681,035 |
| Deferred income tax | **136,139** | 137,926 |
| | **978,567** | 818,961 |

*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 3% to 46% (2018: 10% to 46%).

The statutory rate for PRC corporate income tax is 25% and certain PRC companies enjoy preferential tax treatment with the reduced rates ranging from 0% to 20% (2018: 0% to 15%).

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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 2019 (2018: Nil).

## 8 Earnings per share

### (a) Basic

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

| | **2019** | 2018 |
|---|---|---|
| Profit from continuing operation attributable to equity holders of the Company (RMB) | **1,355,004,000** | 1,083,059,000 |
| Profit from discontinued operation attributable to equity holders of the Company (RMB) | **5,335,102,000** | 146,967,000 |
| | **6,690,106,000** | 1,230,026,000 |
| Weighted average number of ordinary shares in issue | **12,089,257,988** | 10,216,274,357 |
| Basic and diluted earnings per share (RMB) | | |
| From continuing operation | **0.11** | 0.11 |
| From discontinued operation | **0.44** | 0.01 |
| | **0.55** | 0.12 |

### (b) Diluted

The outstanding share options granted by the Company and COSCO SHIPPING Ports Limited ("COSCO SHIPPING Ports", subsidiary of the Company), did not have any dilutive effect on the earnings per share for the year ended 31 December 2019.

The outstanding share options granted by COSCO SHIPPING Ports did not have significent dilutive effect on the earnings per share for the year ended 31 December 2018.

## 9 Trade and other receivables and contract assets

| | **2019** *RMB'000* | 2018 *RMB'000* |
|---|---|---|
| Trade receivables *(note a)* | | |
| – third parties | **7,919,573** | 8,161,389 |
| – fellow subsidiaries | **151,727** | 140,135 |
| – joint ventures | **14,732** | 29,922 |
| – other related companies | **130,904** | 113,346 |
| | **8,216,936** | 8,444,792 |
| Bills receivable *(note a)* | **297,657** | 289,594 |
| Contract assets *(note a)* | **179,273** | 161,769 |
| | **8,693,866** | 8,896,155 |
| Prepayments, deposits and other receivables *(note b)* | | |
| – third parties | **5,297,465** | 4,776,775 |
| – fellow subsidiaries | **307,239** | 379,704 |
| – joint ventures | **342,862** | 202,207 |
| – associates | **114,269** | 407,322 |
| – other related companies | **28,557** | 189,864 |
| | **6,090,392** | 5,955,872 |
| Total | **14,784,258** | 14,852,027 |

*Notes:*

(a) Trade receivables with related parties are unsecured 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 voyage-related receivables. As at 31 December 2019, the ageing analysis of trade and bills receivables and contract assets on the basis of the dates of relevant invoice or demand note is as follows:

| | **2019** *RMB'000* | 2018 *RMB'000* |
|---|---|---|
| 1-3 months | **8,450,346** | 8,470,666 |
| 4-6 months | **229,422** | 384,713 |
| 7-12 months | **143,048** | 180,032 |
| Over 1 year | **191,866** | 152,267 |
| Trade, bills receivables and contract assets, gross | **9,014,682** | 9,187,678 |
| Less: provision for impairment | **(320,816)** | (291,523) |
| | **8,693,866** | 8,896,155 |

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

## 10 Trade and other payables and contract liabilities

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade payables *(note a)* | | |
| – third parties | **8,977,021** | 7,473,217 |
| – fellow subsidiaries | **968,653** | 1,480,888 |
| – joint ventures | **166,575** | 178,891 |
| – associates | **29,200** | 108,183 |
| – other related companies | **117,917** | 101,949 |
| | **10,259,366** | 9,343,128 |
| Bills payable *(note a)* | **167,900** | 57,500 |
| | **10,427,266** | 9,400,628 |
| Other payables and accruals *(note b)* | **21,438,827** | 17,748,736 |
| Contract liabilities | **472,536** | 366,069 |
| Due to related companies | | |
| – fellow subsidiaries | **155,052** | 269,095 |
| – joint ventures | **430,612** | 246,069 |
| – associates | **120,083** | 104,777 |
| – other related companies | **1,188,908** | 1,563,051 |
| | **1,894,655** | 2,182,992 |
| Total | **34,233,284** | 29,698,425 |

*Notes:*

(a) As at 31 December 2019, the ageing analysis of trade and bills payables on the basis of the date of relevant invoice or demand note is as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 1-6 months | **10,158,308** | 9,155,770 |
| 7-12 months | **142,848** | 152,697 |
| 1-2 years | **48,499** | 25,983 |
| 2-3 years | **16,403** | 13,553 |
| Above 3 years | **61,208** | 52,625 |
| | **10,427,266** | 9,400,628 |

(b) Accruals mainly include accruals for voyages costs of RMB11,400,746,000 (2018: RMB10,151,417,000).

## 11 Discontinued operation

The U.S. Terminal Business was classified as discontinued operation as at 31 December 2018 pursuant to the divestment mentioned in note 1.

On 29 April 2019, OOIL and its subsidiaries entered into the SPA with Olivia Holdings, LLC relating to the sale and purchase of the entire interests in LBCT LLC, a wholly owned subsidiary of OOIL which operates the U.S. Terminal Business, for a consideration of USD1,780 million (equivalent to approximately RMB12,268 million), and subject to certain post-completion adjustment.

The transaction was completed on 24 October 2019. After transaction costs and taxation, the net profit arising on the disposal was approximately RMB6,830 million which has been recognized in the consolidated income statement for the year ended 31 December 2019.

On completion of the disposal, a terminal services agreement was entered with Olivia Holdings, LLC and LBCT LLC to which OOIL committed to place, or procure the placement of an annual minimum number of vessel lifts (「MVC」) for 20 years. OOIL expects the MVC is achievable.

Analysis of the results and cash flows of the U.S. Terminal Business is as follows:

| | **2019** *RMB'000* | For the period from 13 July 2018 (date of acquisition) to 31 December 2018 *RMB'000* |
|---|---|---|
| **Results** | | |
| Revenues | **1,533,505** | 992,695 |
| Other operating expense | **(1,012,262)** | (786,215) |
| **Operating profit** | **521,243** | 206,480 |
| Finance income | **8,255** | 2,374 |
| Finance costs | **(245,741)** | (12,899) |
| **Profit after income tax** | **283,757** | 195,955 |
| Profit on disposal of a subsidiary | **6,829,712** | - |
| **Profit from discontinued operation** | **7,113,469** | 195,955 |
| **Cash flows** | | |
| Operating cash flows | **471,491** | 61,511 |
| Investing cash flows | **12,555,292** | (3,346) |
| Financing cash flows | **(805,316)** | (53,642) |
| **Total cash flows** | **12,221,467** | 4,523 |

Revenue and other operating expense above includes intra-group revenue and other operating expense which have been eliminated in the consolidated income statement.

## 12 Assets classified as held for sale/Liabilities directly associated with assets classified as held for sale

(i) On 18 September 2019, COSCO SHIPPING Ports entered into agreements in respect of the disposal of COSCO Ports (Yangzhou) Limited and Win Hanverky Investments Limited together with their equity investments. The disposals completed on 10 February 2020 with details set out in note 14. Assets and liabilities of such disposed entities were reclassified as assets classified as held for sale and liabilities directly associated with assets classified as held for sale as at 31 December 2019.

| | **2019** |
|---|---|
| | ***RMB'000*** |
| **Assets classified as held for sale** | |
| Property, plant and equipment | **1,306,182** |
| Right-of-use assets | **299,858** |
| Intangible assets | **1,437** |
| Other non-current assets | **86,323** |
| Trade and other receivables and contract assets | **59,632** |
| Cash and cash equivalents | **75,016** |
| Other assets | **68,456** |
| Total assets | **1,896,904** |
| **Liabilities directly associated with assets classified as held for sale** | |
| Trade and other payables and contract liabilities | **128,989** |
| Other liabilities | **30,270** |
| Total liabilities | **159,259** |

## 12 Assets classified as held for sale/Liabilities directly associated with assets classified as held for sale (Continued)

(ii) As mentioned in note 1, the U.S. Terminal Business is accounted for as discontinued operation under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations." Analysis of assets and liabilities of the U.S. Terminal Business is as follows:

| | 2018 |
|---|---|
| | *RMB'000* |
| **Assets classified as held for sale** | |
| Property, plant and equipment | 2,598,222 |
| Intangible assets | 944,644 |
| Trade and other receivables and contract assets | 291,642 |
| Cash and cash equivalents | 368,780 |
| Other assets | 438,174 |
| Total assets (before intra-group elimination) | 4,641,462 |
| Less: Intra-group elimination | (49,535) |
| **Total assets** | 4,591,927 |
| **Liabilities directly associated with assets classified as held for sale** | |
| Trade and other payables and contract liabilities | 619,457 |
| Other liabilities | 1,088,436 |
| Total liabilities (before intra-group elimination) | 1,707,893 |
| Less: Intra-group elimination | (463,460) |
| **Total liabilities** | 1,244,433 |

## 13 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 2019, the Group was 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 2019.

## 14 Subsequent events

On 10 February 2020, the Group completed the disposals of all the shares in COSCO Ports (Yangzhou) Limited ("CP (Yangzhou)") together with its 51% interest in Yangzhou Yuanyang Terminal International Ports Co., Ltd. ("Yangzhou Yuanyang Terminal") and all the shares in Win Hanverky Investments Limited ("Win Hanverky") together with its 51% interest in Zhangjiagang Win Hanverky Container Terminal Co., Ltd. ("Zhangjiagang Terminal") and 4.59% interest in Yangzhou Yuanyang Terminal to Shanghai International Port Group (HK) Co., Limited ("SIPG (HK)") at considerations of approximately RMB316 million and approximately RMB381 million respectively.

On 10 March 2020, the Group entered into contracts to construct five units of 23,000 TEU container vessels at a consideration of US$778 million (equivalent to RMB5,430 million) which are expected to deliver in year 2023.

After the outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the world and has affected the business and economic activities to some extent. With the increasing market uncertainty regarding the impact of COVID-19 outbreak, the Group will pay close attention to the development of the COVID-19 outbreak and evaluate the impact on its future financial position and operating results. As at the date on which this set of financial statements were authorized for issue, the Group was not aware of any material adverse effects on the 2019 financial statements as a result of the COVID-19 outbreak.

*The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out above in this preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.*

## MANAGEMENT DISCUSSION AND ANALYSIS

**Results for the Reporting Period prepared under the Hong Kong Financial Reporting Standards.**

| | **Period from 1 January to 31 December 2019** ***RMB'000*** | Period from 1 January to 31 December 2018 *RMB'000* | Difference *RMB'000* | Percentage of Change *(%)* |
|---|---|---|---|---|
| Revenue from continuing operations | **150,540,591** | 120,342,284 | 30,198,307 | 25.09% |
| Operating profit from continuing operation | **7,222,834** | 4,998,797 | 2,224,037 | 44.49% |
| Profit before income tax from continuing operation | **4,059,415** | 3,649,367 | 410,048 | 11.24% |
| Profit after income tax from continuing operation | **3,080,848** | 2,830,406 | 250,442 | 8.85% |
| Profit after tax from discontinued operation | **7,113,469** | 195,955 | 6,917,514 | 3530.15% |
| Profit for the period | **10,194,317** | 3,026,361 | 7,167,956 | 236.85% |
| Profit attributable to equity holders of the Company | **6,690,106** | 1,230,026 | 5,460,080 | 443.90% |
| Basic earnings per share (RMB) | **0.55** | 0.12 | 0.43 | 358.33% |

### I. Discussion and Analysis of the Board on the Operation of the Group during the Reporting Period

In 2019, the global economic and trade situation faced severe challenges. Economic growth had hit a new low since the financial crisis, and the demand growth in container shipping had slowed year-on-year. However, in the face of challenges, COSCO SHIPPING Holdings adhered to the guiding principle of "outperform the market, drive innovation, and lead the era" and the Ocean & Plus strategy, to deeply facilitate various work including globalization, quality, digitalization and end-to-end business development. Through the collaboration of the dual-brand fleets and the cooperation between port and shipping operations, the Company continued to improve quality and efficiency, and realized synergies in various aspects, which significantly improved the Company's operating performance. During the Reporting Period, the net profit attributable to equity holders of the Company amounted to RMB6,690million, representing a year-on-year increase of RMB5,460 million or 443.9%, and the basic earnings per share amounted to RMB0.55 per share.

The operating performance of the Company's container shipping business improved significantly year-on-year. Earning before interest and tax ("**EBIT**") of container shipping business reached RMB6,620 million (equivalent to US$960 million), representing a year-on-year increase of 65.1%, and EBIT Margin of container shipping business increased to 4.6% from 3.5% of 2018. Orient Overseas (International) Limited (OOIL), a subsidiary of the Company, completed the sale of LBCT LLC, which generated a one-time net income, achieved good shareholder returns, and recovered a large amount of cash. In addition, the Company raised approximately RMB7.7 billion through the A-share non-public offering in January 2019. As at 31 December 2019, the Company's net debt to total equity ratio decreased to 101.54% from 185.2% as at the end of 2018.

In 2019, for the container shipping business, the Company handled shipping volume of 25.739 million TEUs, up by 18.1% as compared to 21.792 million TEUs in 2018 (if on the comparable basis, representing a year-on-year increase of 2.7%). Among which, COSCO SHIPPING Lines handled the shipping volume of 18.785 million TEUs, representing a year-on-year increase of 2.3%, and Orient Overseas Container Line Limited (OOCL) handled the shipping volume of 6.954 million TEUs (on the comparable basis, representing a year-on-year increase of 3.8%). COSCO SHIPPING Ports achieved a total throughput of 123.78 million TEU in terminal business, representing a year-on-year increase of 5.5%.

During the Reporting Period, the Company's shipping capacity increased moderately. A total of 10 large container vessels, with total capacity of 179 thousand TEUs, were delivered and were put into operation in Asia-Northwest Europe, the US East Coast and the Middle East routes. As at 31 December 2019, the container fleet operated by two liner companies under COSCO SHIPPING Holdings had 507 vessels, with the total shipping capacity reached 2,967,932 TEUs, representing a growth of 7.6% as compared to the end of 2018. The capacity scale continued to rank the third in the world. COSCO Shipping Ports operated 197 container berths in 36 ports worldwide with an annual designed handling capacity of 113 million TEUs.

**Adhering to the globalization strategy, actively dealing with the impact of China-U.S. trade friction and promoting the risk resistance capability**

In 2019, COSCO SHIPPING Holdings adhered to the globalization strategy and continued to increase its shipping capacity in emerging markets, non-China markets and regional markets, on the basis of maintaining the competitive advantages of the major east-west services, which was in line with the changes in the global economic and trade pattern. The optimization and adjustment of its capacity allocation structure and cargo structure effectively helped to deal with the uncertainty brought about by the China-U.S. trade friction. As compared to 2018, the percentage of the Company's two brands capacity in Transpacific routes to overall capacity was reduced from 23.6% to 19.6%, and the percentage of the volume in Transpacific routes to total volume was reduced from 19.3% to 18.0%. The cargo volume of the Company's two brands in emerging markets and non-China markets increased by 7.0% and 7.9% year-on-year respectively, much higher than the overall volume growth rate. The ratio of the Company's two brands' non-China cargo volume to the total foreign trade volume (i.e. volume excluding China domestic routes) increased from 35.5% in 2018 to 37.0%. The Company further consolidated its foundation for global development and enhanced its ability to resist local risks.

At the beginning of April 2019, OCEAN Alliance successfully launched the "DAY3" route product, covering 39 routes with a total shipping capacity of 322 ships and 3.82 million TEUs, representing a leading position in the industry in terms of route networks, scale of service and coverage, which enabled the Company to provide customers with stable, reliable services and competitive products. The cooperation period of OCEAN Alliance has been extended to 2027.

In respect of the terminal business, as the world's leading ports operator, COSCO SHIPPING Ports, a subsidiary of the Company, actively optimized the global terminal network and improved the operation quality and service level of terminal companies in which it has controlling stakes. COSCO SHIPPING Ports Abu Dhabi Terminal, as the Company's core terminal for independent investment, construction, operation and management in the Middle East, successfully entered into formal commercial operations and aims to become a major container gateway port and important hub in the Middle East. In 2019, COSCO SHIPPING Ports successfully acquired 60% equity interest in Chancay Terminal in Peru, which is the first terminal project in South America controlled by the Company, as well as a milestone for the Company to build a global port network.

**Returning to the service essence of shipping and practicing the customer-oriented concept to enhance market competitiveness**

In 2019, on a customer-oriented basis, the Company focused on solving the pain points of customers to constantly improve service quality and achieve a new leap in quality development, which effectively enhanced market competitiveness.

COSCO SHIPPING Lines launched "Quality Wins 2019", an activity in customer service, which focused on customers' pain points of service reflected in the customer satisfaction survey, studied and found the cause one by one, and implemented the improvement plan. At the same time, with the help of OOCL's leading IT system, COSCO SHIPPING Lines improved its booking platform functions, transshipment operations and schedule management, and therefore greatly improved its service reliability. In terms of optimizing slot management and booking operations, its global 2-hour slot booking confirmation rate has been increased from 95% in 2018 to 98%; its global timely documentation rate has exceeded 99%; in all China domestic and 23 key overseas subsidiary companies, 98% of the notice of arrival has been sent to customers at least one day before the arrival of cargo.

According to the index of Global Carrier Schedule Performance (GCSP) launched by the Shanghai Shipping Exchange. Both COSCO SHIPPING Lines and OOCL ranked among the top 3 liner companies in the world in terms of the overall on-schedule rate in 2019.

**Realizing better-than-expected synergies with the implementation of the dual-brand strategy**

In 2019, the Company took the advantages of the scale and synergies after the acquisition of OOIL, and further tapped potentials in route network optimization, container management, supplier procurement, and IT system construction. The dual-brand strategy achieved significant results, and the total synergies realized in 2019 exceeded the target set at the beginning of the year.

During the year, COSCO SHIPPING Lines and OOCL strengthened the overall arrangement of shipping capacity to optimize vessel types deployed for each route. Through the exchange of several vessels of different types by chartering, the fleet resources were fully utilized. The Company achieved dual-brand complementary advantages in route planning. The intra-regional routes in Europe are managed and operated by COSCO SHIPPING Lines, and the Transatlantic routes are managed and operated by OOCL. The OOCL brand has entered the African and South American markets, covering 10 Far East-Africa routes and 5 Far East-South America routes. All feeder services and shipping agency services of COSCO SHIPPING Lines have opened up the use to OOCL, effectively extending and upgrading the respective service areas and capabilities of the two brands. In addition, the two liner companies coordinated the management of the containers, shared the container inventory information of both parties through the IT system, and coordinated the arrangement of empty box reposition, which effectively improved the efficiency of container use.

The "dual-brand" synergy effectively improved the profitability of COSCO SHIPPING Holdings' container shipping business. Both COSCO SHIPPING Lines and OOCL achieved good operating results in 2019. EBIT of COSCO SHIPPING Lines reached RMB3,890 million (equivalent to US$560 million), representing a year-on-year increase of 40.0%, and its net profit was RMB1,160 million, representing a year-on-year increase of 19.6%. EBIT of OOIL reached US$450 million (equivalent to RMB3,120 million), representing a year-on-year increase of 44.2%.

**Promoting the digitalized development with conforming to the trend of information era**

In July 2019, the subsidiaries of COSCO SHIPPING Holdings announced the execution of Global Shipping Business Network (GSBN) services agreements with other maritime industry operators. Under these agreements, each signatory commits to establish the GSBN, a non-profit joint venture to accelerate the digital transformation of the shipping industry. Upon its establishment, the GSBN intends to provide a platform for all shipping supply chain participants to work collaboratively to accelerate technology innovation and develop solutions through trusted and secure data exchange platforms. The GSBN can unlock underlying value and create exciting new opportunities for all shipping supply chain participants in a more open and transparent way. In early 2020, the GSBN Shareholder Agreements were signed, which clearly stipulated the governance structure and business nature of GSBN. GSBN will be formally established and put into operation after completing all the regulatory approval procedures. CargoSmart, a subsidiary of OOIL, will provide technical solutions and platform operation services for GSBN. At the same time, the Company actively developed the blockchain-based digital products, such as the products for the approval of the shipping of dangerous cargoes, which have been piloted in the Company's dual-brand fleet. The Company and Shanghai International Port Group jointly developed the blockchain-based products for cargo discharge, which had been tested and piloted.

COSCO SHIPPING Lines improved its customer service experience and operation efficiency of its self-operated e-commerce platform, and the transaction volume kept increasing. In September 2019, the Company's visual shipping e-commerce platform Syncon Hub was newly launched, providing a full-process online integrated logistics solution. In the full year of 2019, at the Company's domestic e-commerce platform, the container volume increased by 14% year-on-year, and the transaction volume exceed RMB1.3 billion. The Company's foreign trade e-commerce business continued to expand and covered all foreign trade routes, with the total container volume year-on-year increase of over 150%.

After nearly half a year technical preparations of the Company's dual-brand IT team, in August 2019, COSCO SHIPPING Lines started to upgrade its IT system from the IRIS2 system to the IRIS4 system used by OOCL, and the system switch was completed route by route under the global online situation. The successful upgrade of the system further improved the efficiency of internal management, which laid a solid foundation for improving the customer service experience.

COSCO SHIPPING Ports actively promoted the "5G Smart Port Lab", and built the world's first 5G signal full coverage terminal port at Xiamen Ocean Gate Terminal, to provide high-quality wireless communication service for existing production operations, office operations, warehousing and logistics, and external services.

**Innovating business model to further expand end-to-end business**

Developing end-to-end business is not only an important way for container shipping industry to mitigate risk of operation, broaden profit channels and provide high-quality services, but also an effective way to create value for customers.

In 2019, COSCO SHIPPING Lines successfully implemented a global logistics solution represented by Tesla transportation project, marking new development in the full-service capabilities of the Company and forming a new model of value marketing.

The rapid development of new international intermodal transportation businesses, represented by the China-Europe railway services and the China-Europe Sea-rail Express, means that China's Belt and Road Initiative is becoming a new driver for the Company's implementation of its business development strategies. In 2019, the Company launched 26 new China-Europe railway liner service routes, totaling 34 routes, and completed 719 container freights with a total cargo volume increase of 173%. For the China-Europe Sea-rail Express, the Company completed 1,365 container freights with a total cargo volume increase of 64.3%.

**Making reform of system and mechanism to further stimulate the vitality of enterprises**

On 30 May 2019, the Share Option Incentive Scheme of COSCO SHIPPING Holdings was approved at the annual general meeting and the registration of the first grants was completed at the end of July. The participants under the Share Option Incentive Scheme include senior to mid-level management personnel and key employees of COSCO SHIPPING Holdings and its major subsidiaries, among whom a total of 460 participants were granted with an aggregate of 190,182,200 A Share Options of the Company at the exercise price of RMB4.1 per share. Through the implementation of Share Option Incentive Scheme, the Company's mid to long term incentive plan is further improved, which is beneficial to promote the Company's value enhancement and long term development.

In addition, COSCO SHIPPING Lines also promoted the reform of personnel mechanism and system, including the reform of professional manager system at the senior management level and the reform on three systems of employment, personnel and allocation at the headquarters staff lever, so as to stimulate the efficiency of employees from various dimensions.

**Actively fulfilling social responsibilities and leading the sustainable development of the industry**

The Company vigorously develops green shipping, smart ports, and smart vessels, and fully implements emission reduction regulations including the IMO2020 low sulphur cap, and plays an exemplary role in the industry in energy conservation, environmental protection and technological innovation.

In 2019, the Company continued to promote and use various advanced energy-saving and emission reduction technologies, and effectively reducing fuel consumption through management measures such as optimizing fleet structure, optimizing shipping routes, and improving ship operation efficiency in ports, thereby reduced the impact of business operations on environmental and carbon emission. With the Company's dual-brand fleet capacity growth of 7.6% in 2019, the annual fuel consumption volume of the Company reduced by 1.0% as compared with the volume in 2018.

In response to the new regulation on limiting sulphur emission implemented worldwide by International Maritime Organization (IMO) in 2020, the Company proactively studied and compared various solutions, and decided to use low-sulphur fuel that complies with the standards and install scrubbers on a small number of vessels to meet the requirement of new regulation. As at the end of 2019, a total of 7 vessels of the Company's dual-brand fleet were retrofitted with scrubbers and put into operation. In the fourth quarter of 2019, the Company's all other vessels in operation were scheduled for tank cleaning and first filling of low-sulphur fuel on a route by route, ship by ship and tank by tank basis so as to ensure that all the vessels in operation satisfy with the new requirements before 1 January 2020.

Through continuous efforts of the Company in serving the development of global economy and trade and fulfilling social responsibilities, the brand image and market recognition of the Company have been further enhanced. In July 2019, the Company was included in FORTUNE China 500, ranking the 75th in the list. In September 2019, the shares of the Company were selected as a constituent stock of the Hang Seng Corporate Sustainability Index Series for the second successive year. In January 2020, the Company won the "Best Listed Company with Social Responsibility" for the second successive year in the Golden Hong Kong Stock Award.

Since the beginning of 2020, facing the sudden outbreak of COVID-19, COSCO SHIPPING Holdings has actively fulfilled its social responsibilities and made every effort in the epidemic prevention and control. The Company immediately initiated the emergency response plan, adopted a series of active and effective prevention and control measures and strictly complied with the control policies on epidemic prevention made by different countries and regions, which effectively protected the life, health and safety of its on-shore and off-shore employees and ensured the smooth and orderly business operation. Furthermore, for the purpose of actively making contribution to the battle against the epidemic, the Company coped with the difficult situation to give priority to ensure the transportation of supplies for epidemic prevention and the living in the epidemic areas and opened the "Green Channel", which fully demonstrated its strong commitment to prudence and responsibility. The overseas subsidiaries of the Company actively donated epidemic prevention supplies to local hospitals and government agencies to contribute to the overseas fight against the epidemic.

Looking forward to 2020, overall, the sluggish global economic growth is accompanied by increasing uncertainties, the long-term stability of the Chinese economy and the short-term superimposed pressures coexist, and the relief of the shipping capacity growth pressure and the increased risk go hand in hand.

On the one hand, it is expected by many authorities that the global economic growth in 2020 will be at a low level since the financial crisis, and international geopolitics and local social turmoil could bring uncertainties to the global economy. The sudden outbreak of COVID-19 will have a material impact on China's economy in the short term and may pose a threat to global economic and trade growth if it spreads globally. However, on the other hand, there are also some positive factors that should be noted. China and the United States have reached the first phase economic and trade agreement, which proves that the cooperation is still the current mainstream of global economic development. The Chinese government has quickly and efficiently promoted the epidemic prevention and control, and has increased counter-cyclical policy adjustments against the impact of the epidemic, which will effectively alleviate downward pressure on the global economy. Coupled with China's continuous economic transformation, expansion and upgrading of the domestic market demand, continuous improvement of the business environment and obvious advantages in the industrial chain, China's economy will continue to maintain stable growth in the medium and long term, and will continue to be an important stabilizer for the global economic growth, thereby supporting the development of global shipping industry.

As a global leading container liner company and terminal operator, facing the challenges and opportunities in the shipping market, COSCO SHIPPING Holdings will adhere to the "Three Focuses", namely focus on high-quality development, focus on breakthrough development and focus on integrated development, with the sense of urgency, and promote to achieve higher quality and more sustainable development in accordance with the established strategies.

**Focus on high-quality development to enhance core competitiveness**

COSCO SHIPPING Holdings will pay more attention to the transition from high-speed growth to high-quality development while maintaining moderate scale growth.

In respect of the container shipping business, the Company will firmly advance the global route network layout to enhance global competitiveness and further adjust and optimize the route capacity structure. Meanwhile, the Company will consolidate its global sales network and increase its ability to create value in order to continuously improve service quality and customer experience. Moreover, the Company will continue to improve the onshore supporting logistics network, taking the China-Europe Land and Sea Express as a model, to strengthen the channel construction, extend the service value chain and improve the design and construction of end-to-end service channels, so as to provide customers with more competitive full-service products.

In respect of the terminal business, the Company will continue to strengthen the construction and structural adjustment of its global terminal network and actively expand logistics industry chain in order to build a comprehensive port service platform.

**Focus on breakthrough development to promote digital innovation**

The Company will grasp the new opportunities that digitalization will boost the development of global trade and logistics industry, by promoting digital innovation and practice along the industrial chain. The Company will strengthen digital network construction to improve service-integrating capabilities. The Company will make full use of the advantages of the IRIS4 system to comprehensively improve our support for customer service. All business processes will be standardized, concreted and digitized, and the "long distance and wide coverage" business model of global container liner business can be effectively connected in the system.

The Company will also continue to work with all parties to promote the development of the GSBN blockchain alliance, and use data to realize digital collaboration to promote digital innovation in the shipping industry. Meanwhile, the Company will accelerate the commercial application of the Internet of Things (IoT) technology and the development of shipping e-commerce platforms to provide customers with more convenience.

**Focus on integrated development to promote the release of synergies**

The Company will adhere to efficient coordination of the two brands by highlighting their complementary advantages of the global operation and enhancing the global value-added service capabilities. Relying on the advantages of scale, the dual-brand fleet will build a more comprehensive service network according to customer needs and further realize synergies in various aspects.

The Company will continue to promote industrial chain collaboration. In respect of synergy between ports and shipping businesses, the Company will set the successful development of the container terminals in Piraeus Port in Greece as a model and actively promote the construction and development of the Abu Dhabi terminal and the Chancay terminal in Peru, in accordance with the win-win integrated development model of fleet and terminal cooperation.

In short, the current situation of the industry is very challenging, and we must carefully analyze the market conditions and actively seize market opportunities. We firmly believe that in 2020, there are challenges, but also more opportunities; there are difficulties, but also greater hopes. Looking back on what we have gone through in the past, we always find opportunities for balance in the imbalance, and achieve possible leap forward in the impossible. The development of our industry and enterprises is just like our huge ship sailing in the sea. She always experiences strong winds and waves and can always reach the destination in the end.

In the new year, as the most significant component of core businesses, listed platform of the container shipping service supply chain and listed flagship of China COSCO SHIPPING Group, COSCO SHIPPING Holdings will adhere to "Three Focuses" and value creation, seize the day and never lose the time, and endeavor to build the Company as a world class integrated container shipping service provider, to provide customers with better services and to create greater value for shareholders.

## (I) Major Profit and Loss Items and Cash Flow Analysis

In 2019, the Group generated revenue of RMB150,540,591,000, representing an increase of RMB30,198,307,000 or 25.09% as compared to last year. In 2019, profit attributable to equity holders of the Company was RMB6,690,106,000, representing an increase of RMB5,460,080,000 as compared to last year.

### *1. Table of analysis for the items in the consolidated income statement and consolidated cash flow statements*

| Item | **For the year ended 31 December 2019** *RMB'000* | For the year ended 31 December 2018 *RMB'000* | Difference *RMB'000* | Percentage of Change *(%)* |
|---|---|---|---|---|
| Revenue | **150,540,591** | 120,342,284 | 30,198,307 | 25.09% |
| Cost of services and inventories sold | **(135,211,892)** | (110,725,942) | (24,485,950) | 22.11% |
| Other income | **2,322,643** | 2,454,270 | (131,627) | -5.36% |
| Other expense | **(466,842)** | (216,436) | (250,406) | 115.70% |
| Selling, administrative and general expenses | **(9,941,754)** | (6,816,932) | (3,124,822) | 45.84% |
| Finance income | **849,900** | 571,051 | 278,849 | 48.83% |
| Finance costs | **(6,073,661)** | (3,998,008) | (2,075,653) | 51.92% |
| Net cash flows generated from operating activities | **21,202,372** | 8,130,776 | 13,071,596 | 160.77% |
| Net cash flows used in investing activities | **4,028,710** | (39,343,548) | 43,372,258 | -110.24% |
| Net cash flows generated from financing activities | **(9,537,865)** | 37,566,702 | (47,104,567) | -125.39% |

### *2. Revenue*

**Overview**

In 2019, the revenues of the Group amounted to RMB150,540,591,000, representing an increase of RMB30,198,307,000 or 25.09% as compared to last year. The total revenue from operations increased 7.45% as compared to last year on a comparable basis (by consolidating the revenues of OOIL since the beginning of last year).

### Revenue from container shipping and related business

In 2019, revenue from container shipping and related business amounted to RMB144,806,308,000, representing an increase of RMB29,961,628,000 or 26.09% as compared to last year, of which COSCO SHIPPING Lines generated revenues of RMB98,562,896,000 from container shipping and related business, representing an increase of RMB7,196,610,000 or 7.88% as compared to last year.

### Revenue from terminal and related business

In 2019, revenue generated from the terminal business amounted to RMB7,217,232,000, representing an increase of RMB582,487,000 or 8.78% as compared to last year, which was mainly due to the growth of terminal business.

### Major customers

Total sales to the top five customers of the Group in 2019 amounted to RMB6,369,247,000, accounting for 4.22% of the total sales for the year.

## *3. Costs*

### Cost analysis

| **Business segment** | **Components of cost** | **From 1 January to 31 December 2019** *RMB'000* | From 1 January to 31 December 2018 *RMB'000* | Difference *RMB'000* | Percentage of change *(%)* |
|---|---|---|---|---|---|
| Container shipping and related business | Equipment and cargo transportation costs | **68,823,907** | 52,972,808 | 15,851,099 | 29.92% |
| | Voyage costs | **30,910,352** | 26,015,232 | 4,895,120 | 18.82% |
| | Vessel costs | **23,233,647** | 20,952,083 | 2,281,564 | 10.89% |
| | Other related business costs | **8,351,853** | 6,988,231 | 1,363,622 | 19.51% |
| | Subtotal | **131,319,759** | 106,928,354 | 24,391,405 | 22.81% |
| Container terminal and related business | Container terminal and related business costs | **5,190,955** | 4,669,129 | 521,826 | 11.18% |
| Other business | Other business costs | **–** | 61,579 | (61,579) | -100.00% |
| | Elimination between different businesses | **(1,476,852)** | (1,130,516) | (346,336) | 30.64% |
| | Tax and surcharges | **178,030** | 197,396 | (19,366) | -9.81% |
| | Total operating costs | **135,211,892** | 110,725,942 | 24,485,950 | 22.11% |

**Overview**

In 2019, the operating cost of the Group amounted to RMB135,211,892,000, representing a year-on-year increase of RMB24,485,950,000 or 22.11%. The operating costs increased 3.79% as compared to last year on a comparable basis.

**Container shipping business cost**

In 2019, due to the rising volume of container shipping business the container shipping business cost amounted to RMB131,319,759,000, representing an increase of RMB24,391,405,000 or 22.81% as compared to last year, of which, the container shipping and related business cost incurred by COSCO SHIPPING Lines in 2019 amounted to RMB90,615,241,000, representing an increase of RMB4,148,056,000 or 4.8% as compared to last year.

**Terminal business cost**

In 2019, the terminal business cost amounted to RMB5,190,955,000, representing an increase of RMB521,826,000 or 11.18% as compared to last year, which was mainly due to the rising volume of terminal business. For detailed information, please refer to (IV) Industry Operation Information – Terminal business.

4. ***Other profit or loss items***

**Other income**

The other income of the Group in 2019 was RMB2,322,643,000, representing an decrease of RMB131,627,000 as compared to last year. It was mainly because subsidies for the demolition of vessels did not exist in 2019 when there was an increase in the gain on the disposal of the affiliated terminal and the gain on the relevant financial assets.

**Other expense**

In 2019, the other expense of the Group amounted to RMB466,842,000, representing a year-on-year increase of RMB250,406,000. During the period, Qingdao Port International, our joint venture, issued additional shares following the listing of its A shares that caused a dilution to our equity interests and a net loss of RMB155,438,000 from such dilution.

**Selling, administrative and general expenses**

In 2019, the selling, administrative and general expenses of the Group amounted to RMB9,941,754,000, representing an increase of RMB3,124,822,000 or 45.84% as compared to last year, mainly due to consolidation of OOIL into the financial statements of COSCO SHIPPING Holdings from 1 July 2018 and, the administrative expenses increased as compared to last year as a result of the expanding scale and business.

**Finance income**

In 2019, the finance income of the Group amounted to RMB849,900,000, representing an increase of RMB278,849,000 or 48.83% as compared to last year. It was mainly due to the consolidation of OOIL into the financial statements of COSCO SHIPPING Holdings from 1 July 2018 and due to an increase in the balance of average monetary assets in 2019 as compared to last year.

**Finance costs**

In 2019, the finance costs of the Group amounted to RMB6,073,661,000, representing an increase of RMB2,075,653,000 as compared to last year. The increase in the balance of interest-bearing liabilities (including lease liabilities) and the corresponding increase in the interest expenses were mainly due to the consolidation of OOIL into the financial statements of COSCO SHIPPING Holdings from 1 July 2018, the adoption of HKFRS 16 Lease from 1 January 2019 and the rise in the USD to RMB exchange rate.

**Share of profits of joint ventures and associated companies**

The Group's share of profits of joint ventures and associated companies in aggregate amounted to RMB2,060,342,000 in 2019, representing a decrease of RMB17,185,000 as compared to last year, which was mainly due to a decrease in the gain on investment in the affiliated terminals as compared to last year.

**Income tax expenses**

Income tax expenses of the Group in 2019 amounted to RMB978,567,000, representing an increase of RMB159,606,000 as compared to last year.

**Major suppliers**

Total purchases from the top five suppliers of the Group in 2019 amounted to RMB19,278,973,000, accounting for 14.30% of the total purchases for the year.

**Analysis of discontinued operation during the Reporting Period**

In 2019, the Group recorded profit after tax from discontinued operations of RMB7,113 million, including an operating profit of RMB284 million realized before the sales of the Long Beach Container Terminal, representing an increase of RMB88 million, and the net gain after tax of RMB6,829 million on the disposal of the Long Beach Container Terminal.

### *5. Cash flow*

As at the end of 2019, the cash and cash equivalents amounted to RMB49,764,800,000, representing an increase of RMB16,558,291,000 or 49.86% from the beginning of the year. The cash and cash equivalents of the Group were principally denominated in RMB and US dollar, and the rest were denominated in Euro, Hong Kong dollar and other currencies.

**(1) Net cash flow from operating activities**

In 2019, the cash inflow from operating activities amounted to RMB21,202,372,000, representing an increase of RMB13,071,596,000 or 160.77% as compared to last year. It was mainly due to the improvement of operating results, the change in consolidation scope and the effects brought by the adoption of the New Leases Standards.

**(2) Net cash flow from investing activities**

In 2019, the net cash inflow from investing activities amounted to RMB4,028,710,000, as compared to the net cash outflow of RMB39,343,548,000 of last year, which included the cash inflow for the consideration of disposal of LBCT amounted to RMB12,670,528,000 and the net cash outflow from the consideration for acquisition of OOIL amounted to RMB21,033,989,000 for the last year. Excluding the effect of these factors, the net cash outflow decreased by RMB9,667,741,000 as compared to last year.

**(3) Net cash flow from financing activities**

In 2019, the net cash outflow from financing activities amounted to RMB9,537,865,000 as compared to the net cash inflow of RMB37,566,702,000 of last year, which included net cash inflows from the borrowings for the acquisition of OOIL amounted to US$4,443,958,000.

**(4) Impact of changes in exchange rate on cash and cash equivalents**

As at the end of 2019, the balance of cash and cash equivalents increased by RMB865,074,000, primarily due to the rise in the USD to RMB exchange rate at the end of 2019 as compared to the end of last year.

## (II) Working Capital, Financial Resources and Capital Structure

**Overview**

As of 31 December 2019, the total assets of the Group amounted to RMB262,224,030,000, representing an increase of RMB34,080,225,000 or 14.94% from the end of last year. The total liabilities amounted to RMB193,098,793,000, representing an increase of RMB21,307,877,000 or 12.40% from the end of last year.

Due to the restated figures for the beginning of 2019 as a result of the adoption of HKFRS 16 Lease from 1 January 2019, the total assets of COSCO SHIPPING Holdings increased by RMB24,483,163,000 and the total liabilities increased by RMB26,816,694,000 at the beginning of 2019.

As of 31 December 2019, the total outstanding borrowings of the Group were RMB119,876,882,000. After deducting the cash and cash equivalents, the net amount was RMB70,187,098,000, representing a decrease of RMB34,170,813,000 or 32.74% as compared to that at the end of last year. As of 31 December 2019, the net current assets of the Group were RMB1,627,562,000 as compared to the net current liabilities of RMB28,837,957,000 at the end of last year.

As of 31 December 2019, the net debt to equity ratio was 101.54%, representing a decrease of 83.65% as compared to that at the end of last year.

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. Cash of the Group has been and is expected to be utilized for various purposes such as payment of operating costs, purchases of container vessels, investments in terminals and repayment of loans.

**Debt analysis** ***(excluding discontinued operation)***

| Categories | **As of 31 December 2019** ***RMB'000*** | As of 31 December 2018 *RMB'000* |
|---|---|---|
| Short-term borrowings | **16,252,030** | 48,220,619 |
| Long-term borrowings | **103,624,852** | 88,975,021 |
| Among which: Less than one year | **11,099,642** | 8,730,823 |
| one to two years | **17,336,277** | 14,102,082 |
| three to five years | **36,959,286** | 41,809,934 |
| Over five years | **38,229,647** | 24,332,182 |
| Total of long-term and short-term borrowings | **119,876,882** | 137,195,640 |

**Borrowings by categories**

As of 31 December 2019, the Group had bank borrowings of RMB89,827,205,000, notes and bonds payable of RMB19,508,308,000 and other borrowings of RMB10,541,369,000, representing 74.93%, 16.28% and 8.79% of the total borrowings, respectively. Of the bank borrowings, secured borrowings amounted to RMB34,824,611,000 and unsecured borrowings amounted to RMB55,002,594,000, representing 29.05% and 45.88% of the total borrowings, respectively. Most of the borrowings of the Group bear interest at floating rate.

**Borrowings by currency**

The borrowings of the Group denominated in US dollar amounted to RMB80,505,257,000, borrowings denominated in RMB amounted to RMB31,166,212,000, borrowings denominated in Euro amounted to RMB5,786,806,000, and borrowings denominated in Hong Kong dollar amounted to RMB2,418,607,000, representing 67.16%, 26.00%, 4.83% and 2.02% of the total borrowings, respectively.

**Secured borrowings**

Certain properties, plant and equipment of the Group with net book value of RMB52,383,376,000 (as at 31 December 2018: RMB53,203,080,000) were mortgaged to banks and financial institutions as collaterals for borrowings in the total amount of RMB34,881,411,000 (as at 31 December 2018: RMB37,751,000,000, representing 50.28% of the total value of the property, plant and equipment (as at 31 December 2018: 46.11%).

**Group's guarantees** ***(excluding discontinued operation)***

As at 31 December 2019, the Group had provided guarantees in the amount of RMB43,949,868,000 to subsidiaries.

**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 in pledge supervision business.

As at 31 December 2019, the Group was 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 were of the opinion that the relevant claims amounts should not have material effect on the Group's consolidated financial statements for the year ended 31 December 2019.

**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 bank balances, receivable and payable balances and bank borrowings denominated in non-functional currencies. The management monitors the exposure to foreign exchange risks and will consider hedging certain foreign currency risks with derivative financial instruments should the need arise.

**Capital commitments *(excluding discontinued operation)***

As of 31 December 2019, the Group had no container vessel under construction. The capital commitments for future construction of container vessels is nil.

As at 31 December 2019, the Group's containers under construction amounted to 27,000 TEUs in aggregate. The capital commitments for future construction of containers amounted to RMB306,854,000.

As at 31 December 2019, the Group's capital commitments for investment in terminals amounted to RMB4,462,357,000 in aggregate, of which the commitments for purchasing fixed assets amounted to RMB2,072,173,000 and the equity investment commitment of terminals amounted to RMB2,390,184,000.

### Facilities and financing plans

***Facilities***

As of 31 December 2019, the unutilized bank loan facilities of the Group were RMB38,965,239,000. The Group pay close attention to the potential financial risks of the loan facilities, and has strengthened the monitoring of liabilities and gearing ratio of its subsidiaries and repaid bank loans in full as scheduled.

***Financing plans***

The Group will take its material capital expenditure for 2020 into consideration, including the construction of vessels and containers and the construction and investment for terminals, to manage financing arrangements, to enhance capital management, to optimize the utilization efficiency of funds and to control the scale of debts effectively.

## (III) Investment analysis

### *1. Analysis of external equity investments*

As at the end of 2019, the total balance of the Group's equity investments in associated companies and joint ventures amounted to RMB30,762,564,000, representing an increase of RMB1,885,098,000 from the end of last year. In 2019, the Group has 12 new associated companies and joint ventures and closed down 3 of them.

**Significant equity investments**

Increase in significant equity investments during the year:

Unit: RMB'000

| Invested Companies | Shareholding at the beginning of the period (%) | Shareholding at the end of the period(%) | Increase in investment costs during the year |
|---|---|---|---|
| Tianjin Port Container Terminal Co., Ltd | – | 16.01 | 530,577 |
| Beibu Gulf Port Co., Ltd. | 4.34 | 10.65 | 1,526,259 |
| Qingdao Port International Co., Ltd. | 18.14 | 18.46 | 404,291 |

*Note:*

In 2019, Beibu Gulf Port Co., Ltd. became an associate of COSCO SHIPPING Holdings.

### *2. Financial assets at fair value*

Unit: RMB'000

| Item | Shareholding at the end of the period (%) | Opening carrying amount | Closing carrying amount | Effect on current profit | Change in carrying amount during the reporting period |
|---|---|---|---|---|---|
| Investment portfolio including shares, bonds and funds | – | 2,596,055 | 1,066,819 | 208,551 | -1,529,236 |
| Beibu Gulf Port Co., Ltd. | – | 499,442 | – | 168,049 | -499,442 |
| Guangzhou Port Co., Ltd. | 3.98 | 976,465 | 944,409 | 8,630 | -32,056 |
| Shanghai Tianhongli Asset Management Co., Ltd. | 19.00 | 462,448 | 482,271 | 1,896 | 19,823 |
| Ocean Hotel Shanghai Co., Ltd. | 10.00 | 111,651 | 112,257 | – | 606 |
| Yantai Port Co., Ltd. | 3.90 | 198,837 | 198,837 | – | – |
| Hui Xian Holdings Ltd. | 7.90 | 158,542 | 109,249 | 54,447 | -49,293 |
| Qinhuangdao Port Co., Ltd. | 0.88 | 74,132 | 57,933 | 3,408 | -16,199 |
| Other financial assets at fair value | – | 101,563 | 192,300 | 2,718 | 90,737 |
| **Total** | **–** | **5,179,135** | **3,164,075** | **447,699** | **-2,015,060** |

## (IV) Industry Operation Information

### (1) Container shipping business

Containers shipped by the Group (TEU)

| Routes | Current period | Same period last year | Percentage of Change(%) |
|---|---|---|---|
| Trans-Pacific | 4,636,818 | 3,876,190 | 19.62 |
| Asia and Europe (including the Mediterranean) | 4,907,352 | 3,837,750 | 27.87 |
| Asia Region (including Australia) | 7,985,493 | 6,279,399 | 27.17 |
| Other international region (including the Atlantic) | 2,473,322 | 2,049,362 | 20.69 |
| Mainland China | 5,736,118 | 5,749,210 | -0.23 |
| **Total** | **25,739,103** | **21,791,911** | **18.11** |

Containers shipped by COSCO SHIPPING Lines (a subsidiary of the Group) (TEU)

| Routes | Current period | Same period last year | Percentage of Change(%) |
|---|---|---|---|
| Trans-Pacific | 2,669,999 | 2,865,479 | -6.82 |
| Asia and Europe (including the Mediterranean) | 3,484,236 | 3,173,218 | 9.80 |
| Asia Region (including Australia) | 4,898,993 | 4,746,125 | 3.22 |
| Other international region (including the Atlantic) | 1,995,615 | 1,832,076 | 8.93 |
| Mainland China | 5,736,118 | 5,749,210 | -0.23 |
| **Total** | **18,784,961** | **18,366,108** | **2.28** |

### (2) Revenue from routes

Revenue from routes by the Group (RMB' 000)

| Routes | Current period | Same period last year | Percentage of change (%) |
|---|---|---|---|
| Trans-Pacific | 40,758,236 | 32,631,650 | 24.90 |
| Asia and Europe (including the Mediterranean) | 28,953,172 | 22,475,742 | 28.82 |
| Asia Region (including Australia) | 34,076,924 | 24,899,781 | 36.86 |
| Other international region (including the Atlantic) | 18,867,048 | 14,227,550 | 32.61 |
| Mainland China | 12,314,994 | 11,844,798 | 3.97 |
| **Total** | **134,970,374** | **106,079,521** | **27.24** |

Of which: revenue from routes by COSCO SHIPPING Lines (a subsidiary of the Group) (RMB' 000)

| Routes | Current period | Same period last year | Percentage of change (%) |
|---|---|---|---|
| Trans-Pacific | 23,452,383 | 23,592,255 | -0.59 |
| Asia and Europe (including the Mediterranean) | 20,542,565 | 18,351,718 | 11.94 |
| Asia Region (including Australia) | 20,967,181 | 18,538,991 | 13.10 |
| Other international region (including the Atlantic) | 14,919,651 | 12,386,755 | 20.45 |
| Mainland China | 12,394,230 | 11,844,798 | 4.64 |
| **Total** | **92,276,010** | **84,714,517** | **8.93** |

Revenue from routes by the Group (equivalent to US$' 000)

| Routes | Current period | Same period last year | Percentage of change (%) |
|---|---|---|---|
| Trans-Pacific | 5,913,847 | 4,881,476 | 21.15 |
| Asia and Europe (including the Mediterranean) | 4,200,983 | 3,372,270 | 24.57 |
| Asia Region (including Australia) | 4,944,417 | 3,727,407 | 32.65 |
| Other international region (including the Atlantic) | 2,737,529 | 2,138,388 | 28.02 |
| Mainland China | 1,786,853 | 1,787,589 | -0.04 |
| **Total** | **19,583,629** | **15,907,129** | **23.11** |

Of which: revenue from routes by COSCO SHIPPING Lines (a subsidiary of the Group) (equivalent to US$' 000)

| Routes | Current period | Same period last year | Percentage of change (%) |
|---|---|---|---|
| Trans-Pacific | 3,402,841 | 3,560,487 | -4.43 |
| Asia and Europe (including the Mediterranean) | 2,980,639 | 2,769,598 | 7.62 |
| Asia Region (including Australia) | 3,042,249 | 2,797,861 | 8.73 |
| Other international region (including the Atlantic) | 2,164,778 | 1,869,380 | 15.80 |
| Mainland China | 1,798,350 | 1,787,589 | 0.60 |
| **Total** | **13,388,858** | **12,784,914** | **4.72** |

## (3) Major performance indicators

Major performance indicators of the container shipping business of the Group (RMB)

| Items | Current period | Same period last year | Difference |
|---|---|---|---|
| Revenue from container shipping business (RMB' 000) | 144,806,308 | 114,844,680 | 29,961,628 |
| Including: Revenue from routes (RMB' 000) | 134,970,374 | 106,079,521 | 28,890,853 |
| EBIT (RMB' 000) | 6,617,250 | 4,007,654 | 2,609,596 |
| EBIT margin | 4.57% | 3.49% | 1.08% |
| Net profit (RMB' 000) | 2,354,690 | 1,554,142 | 800,549 |

Among which: major performance indicators of the container shipping business of COSCO SHIPPING Lines, a subsidiary of the Group (RMB)

| Items | Current period | Same period last year | Difference |
|---|---|---|---|
| Revenue from container shipping business (RMB' 000) | 98,562,896 | 91,366,286 | 7,196,610 |
| Including: Revenue from routes (RMB' 000) | 92,276,010 | 84,714,517 | 7,561,494 |
| EBIT (RMB' 000) | 3,890,937 | 2,778,678 | 1,112,259 |
| EBIT margin | 3.95% | 3.04% | 0.91% |
| Net profit (RMB' 000) | 1,157,526 | 967,896 | 189,630 |

Major performance indicators of the container shipping business of the Group (USD equivalent)

| Items | Current period | Same period last year | Difference |
|---|---|---|---|
| Revenue from container shipping business (USD' 000) | 21,010,782 | 17,219,702 | 3,791,080 |
| Including: Revenue from routes (USD' 000) | 19,583,629 | 15,907,129 | 3,676,500 |
| Revenue per TEU from international routes (USD/TEU) | 889.71 | 880.12 | 9.59 |
| EBIT (USD' 000) | 960,135 | 598,950 | 361,185 |
| Net profit (USD' 000) | 341,656 | 231,745 | 109,911 |

Among which: major performance indicators of the container shipping business of COSCO SHIPPING Lines, a subsidiary of the Group (USD equivalent)

| Items | Current period | Same period last year | Difference |
|---|---|---|---|
| Revenue from container shipping business (USD' 000) | 14,301,059 | 13,788,783 | 512,275 |
| Including: Revenue from routes (USD' 000) | 13,388,858 | 12,784,914 | 603,944 |
| Revenue per TEU from international routes (USD/TEU) | 888.24 | 871.64 | 16.60 |
| EBIT (USD' 000) | 564,558 | 419,352 | 145,207 |
| Net profit (USD' 000) | 167,952 | 146,073 | 21,879 |

*Notes:*

① OOIL was consolidated into the Group's combined financial statements from 1 July 2018. As such, the shipping volume, revenue from routes and major performance indicators of the container shipping business of the Group are the combined figures of the container shipping businesses of both COSCO SHIPPING Lines and OOIL in the current period (2019), while they included the figures of COSCO SHIPPING Lines (2018) and OOIL (the second half of 2018) in the same period of last year.

② The revenue from routes and major performance indicators above were translated into US dollars at an average exchange rate of: RMB6.8920: USD1 in 2019; RMB6.6261: USD1 for COSCO SHIPPING Lines in 2019; and RMB6.8429: USD1 for OOCL in the second half of 2018, respectively.

**Terminal business**

The total throughput of the container terminal business of the Group

| **Location of terminal** | **Current period (TEU)** | **Same period last year (TEU)** | **Percentage of change (%)** |
|---|---|---|---|
| Bohai Rim Region | 45,610,386 | 40,722,435 | 12.00 |
| Yangtze River Delta Region | 20,238,468 | 19,808,646 | 2.17 |
| Southeast Coast and others | 5,783,821 | 5,699,718 | 1.48 |
| Pearl River Delta Region | 27,469,330 | 27,388,896 | 0.29 |
| Southwest Coast | 1,638,621 | 1,371,051 | 19.52 |
| Overseas | 29,244,408 | 25,562,041 | 14.41 |
| Total | 129,985,034 | 120,552,787 | 7.82 |
| Of which: Controlled terminals | 26,354,207 | 23,301,493 | 13.10 |
| Non-controlled terminals | 103,630,827 | 97,251,294 | 6.56 |

*Notes:*

① OOIL was consolidated into the Group's combined financial statements from 1 July 2018. As such, the total throughput of the container terminal business of the Group was the combined throughput of the terminal businesses of COSCO SHIPPING Ports and OOIL in the current period (2019), while it included the throughput of COSCO SHIPPING Ports (2018) and OOIL (the second half of 2018) in the same period of last year.

② In 2019, the total throughput of COSCO SHIPPING Ports amounted to 123,784,300 TEUs, representing an increase of 5.47% as compared to last year, of which, the throughput of controlled terminals amounted to 25,104,300 TEUs, representing an increase of 11.54% as compared to last year; the throughput of non-controlled terminals amounted to 98,680,100 TEUs, representing an increase of 4.03% as compared to last year.

## SUBSEQUENT EVENTS:

Save as disclosed in Note 14 of consolidated financial statements in this announcement, there is no other material subsequent event.

## II. 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*

After the previous round of reorganization and integration in the industry, mainstream shipping liners have basically realized economies of scale, and the combining capability and first-mover advantages of industry leaders were further demonstrated. With increasingly stringent global environmental protection standards, the entry and competition barriers of the container transportation market were elevating. Allied operation was consistently examining, with gradual expansion in the scope of allied cooperation, allied operation will continue to develop in future. At present, the container liner market has diversified perspectives of attention, with highly standardized and homogenized services in the shipping segment, mainstream shipping liners will extend transportation services to both ends of the shipping segment, by upgrading the land logistics network and accelerating the development of a digitized network for digitized shipping, integrated and differentiated service capabilities will be formed together with the shipping network.

*Market outlook*

On the demand side, the progress of globalization was facing challenges in recent years, global economic growth was weakening, and the growth in demand for container transportation was slow and flat. On the supply side, the shipping capacity of fleets in the container market will remain in a slow growing trend in the near future, which will be conducive for improving the balance of demand and supply in the industry. Meanwhile, with higher concentration in the industry, market competition will be more rational. Under the trend of gradually transforming container transportation service into a whole-process logistics service, the future development of the industry will show more resilience.

*Development trend*

In recent years, the global economy is on a winding path to recovery and the international landscape is deeply changing. With new changes in global economic and trade conditions, the direction of trade flows facing greater adjustments, emerging markets and regional markets will continue to lead the growth in demand. In future, the market competitors may exist in both global and regional levels, and accordingly the container fleets may have polarized development towards huge size or flexibility and convenience. As trade becomes more fragmented with a widening participation level, new ideas on collaboration among global industries are advocated, and they bring more challenges to the timeliness, organizing ability and professional ability of transportation logistics for the whole process. The rapid development of more efficient trading sectors, such as building land and sea passages for international trade and China-Europe railway lines, will drive the traditional transportation model towards entire process and intermodal development. Operation strategies of mainstream shipping liners gradually change from maritime transportation service to entire process logistics services. Industry consolidation deepens further, the trend of consolidation gradually changes from horizontal integration between peers to vertical integration between upstream and downstream industries to promote synergies among industries. Digitization will become a new driving force for industrial development. New technologies such as block chain, cloud computing, big data and artificial intelligence will be acting as a bridge to connect internal and external resources, bringing innovative ideas and efficiency enhancement to container liners to accelerate and drive industrial transformation and development.

*Terminal market*

Efforts of cooperation among global terminal operators are also expanding and deepening. On the one hand, this is conducive to enhance the competitiveness of the terminal business and respond to pressure from alliances; on the other hand, this is also conducive to lower operating costs and operating risks for terminal operators. The deep cooperation among global terminal operators will generate a multiple-winner situation, which is beneficial for the continuous, stable and healthy development of the terminal industry.

In 2019, many terminal operators have participated in the entire supply chain business, striving to realize diversified sources of income, and associating transportation with cargo owners more closely. This has become a main point for terminal operators to enhance bargaining power of pricing at the ports and to enhance competitiveness. In order to effectively respond to the rising bargaining power of shipping alliances, and to enhance terminal operation capabilities and service quality effectively, the pace of consolidation among port enterprises in the world has been increasing rapidly, with closer cooperation and deeper understanding of competition.

Efforts of horizontal cooperation between port enterprises and shipping enterprises are also increasing, synergies exist not only between parent company and subsidiaries, but also between port enterprises and shipping enterprises. While the benefits, efficiency and effectiveness of synergies continue to increase, the potential of a multiple-winner landscape is also deepening and expanding. Terminal operators with a shipping company background will exert more efforts on synergy and are expected to have an advantage in the competition for cargo sources.

Investment in terminals will continue to focus on emerging markets, and will move from the traditional node of east-west shipping routes to the node of north-south shipping routes. In future, the pace of growth in north-south shipping routes is expected to surpass that in east-west shipping routes. As such, while focusing investment on emerging markets, major terminal operators also move their focal investment regions to Africa, Southeast Asia and Americas to grasp development opportunities. Large size container vessels have commenced operations successively, the network of global trunk routes has been undergoing a new round of adjustment and optimization. Meanwhile, the port industry has been developing along the trends of digitization, automation, block chain technology, intelligent port and green and low-carbon port, utilizing artificial intelligence and consolidating maritime shipping and highway services to generate synergies and provide comprehensive services for cargo owners. This will become a catalyst for enterprise transformation and upgrading in response to development in the new era.

**(II) Development strategy**

The Group will continue to focus on the target of building a world class integrated container shipping service provider by promoting the strategies and business synergies of both the container shipping segment and terminal operation management segment with full efforts, enhancing comprehensive competitiveness continuously, and promoting high-quality development. On the container shipping segment, the Group will fully implement the strategies that focus on "globalization, dual brands, digitization and end-to-end", turning gradually from scale development back to the nature of shipping, enhancing service quality, and continuous building of a world class line company with international competitiveness. On the terminal operation management segment, the Group will continue to implement the three strategies of "global terminal network, synergies with the fleet of parent company and maritime alliances, enhancing management and efficiency of port and terminal business", continue to improve the layout of global terminal network, strive to build a global equity holding network meaningful to users and create a win-win and sharing platform for upstream and downstream industries of the shipping sector with maximized value, to approach the goal of becoming a world class port operator.

The Group will continue to strengthen and develop container shipping, terminal operation management and related businesses by improving the shipping value chain. Through collaborated and refined management, and continuous enhancing the comprehensive competitiveness of container shipping and port services, the healthy, stable and sustainable development of the core business will be further promoted to provide better quality service for customers and realize corporate benefits, enterprise value and maximized return for shareholders.

## (III) Operation plan

### *Container shipping business*

The Company will continue to deepen the integration of internal and external resources to pursue higher quality development and establish core competitiveness under the new industrial landscape for building a world class shipping liner.

The Company will continue to proceed with globalization, improve the layout of its own shipping network and enhance its global competitiveness. Meanwhile, the global sales network will be upgraded constantly with a customer-oriented direction, and changes in international economic and trade conditions will be handled positively with flexibility and contingency capabilities. By focusing on the nature of service, emphasis will be placed on quality development, establishing a global service network and creating value for customers.

Internal and external resources will be integrated to continue reinforcing the building of an end-to-end passage, control over ancillary facilities and resources will be strengthened to build a more competitive end-to-end service network to enhance the transportation capability for the overall process. The Company will centre on customer demand to promote digitized innovations in the shipping industry. The establishment of a digitized network will be reinforced to increase the integrated service capabilities for enhancing the intelligent level of customer service comprehensively.

The Company will continue to adhere to the "dual brand" strategy and maintain efficiency and synergy of dual brands in the container business segment. By fully utilizing the differentiation advantages of the global shipping routes network and the complementary advantages of operation, the capability to provide global valuable services will be enhanced and synergies will be released continuously. Meanwhile, various measures have been adopted to comply with the new regulation of IMO2020 on sulphur limit in fuel oil to realize the goals of "compliance with regulation, ensuring supply and cost control".

### *Terminal business*

The Company will fully utilize the advantages of internal synergies to capture the huge market share of maritime alliances by strengthening service capabilities for shipping alliances and improving the Company's global container hub network continuously. Meanwhile, the Company will keep on maintaining close cooperative partnership and good relationship with port groups, terminal operators and international liner companies.

In respect of terminal investments, when selecting investment and merger projects, the Company emphasizes the control over terminals and considers whether it is helpful to increase the returns to the shareholders, and assesses the impact on the value of the overall layout of its terminal network. In order to further improve the layout of its global terminal network, the ports of the Company will utilize its own competitive edges to seek investment opportunities in ports in Southeast Asia, Africa, Americas and boost its terminal projects in due course. Meanwhile, the ports of the Company will also proactively seize the strategic opportunities to participate in the restructuring of important domestic port groups, and expand the scale and increase the influence of the Company's ports in China.

It is one of the strategic plans of the Company to extend services to downstream and upstream of the terminal industrial chain. The ports of the Company will accelerate the development of terminal extended business to further improve its profitability. The Company plans to develop terminal extended services first in the Pearl River Delta by effectively utilizing the Group's existing resources in the region, and also plans to gradually expand its terminal extended business to other terminals. in the future.

As a world leading terminal operator, COSCO SHIPPING Ports continued enhancing operational management capabilities, reinforcing customer service experience, and the application of the Navis N4 system will be utilized by its terminals in future. In 2019, the Company proactively trained internal employees to apply the Navis N4 operating system. At present, Zeebrugge Terminal and Lianyungang New Oriental Terminal have successfully connected online with the Navis N4 system to further improve the operational efficiency of the terminals.

The Company will follow its five-year strategic plan, seek opportunities and continue to implement the concept of "the Ports for All" to build a win-win and shared platform that created maximum value for all parties. Meanwhile, brand building and influence of the Group will be further enhanced to strengthen enforcement, optimization of terminal assets and operational efficiency, and to improve the overall profitability of the Company.

## OTHER INFORMATION

### Closure of Register of Members

The register of members of the Company will be closed from Saturday, 18 April 2020 to Monday, 18 May 2020, 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 Friday, 17 April 2020 at 4:30 p.m. are entitled to attend and vote at the annual general meeting of the Company to be held on Monday, 18 May 2020.

### 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 has 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 2019.

## 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 Issuer (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 2019.

## Board Committees

The Company has established a strategy and development committee, a risk control 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 three independent non-executive Directors. It is chaired by Mr. ZHOU Zhonghui and the other two members are Mr. YANG, Liang Yee Philip and Mr. WU Dawei. All members of the Audit 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.

## 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 ShineWing Certified Public Accountants as the international and domestic auditors of the Company respectively for the year ended 31 December 2019. PricewaterhouseCoopers has conducted the audit of the Group's financial statements which are prepared in accordance with HKFRS. Resolutions for the re-appointment of PricewaterouseCoopers and Shine Wing Certified Public Accountants, LLP as the international and PRC auditors of the Company respectively will be proposed at the forthcoming annual general meeting of the Company to be held on Monday, 18 May 2020.

## PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

The performance and the results of operation of the Group contained in 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 in 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.hold.coscoshipping.com). An annual report for the year ended 31 December 2019 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 2020

*As at the date of this announcement, the directors of the Company are Mr. XU Lirong[1] (Chairman), Mr. WANG Haimin[1] (Vice Chairman), Mr. YANG Zhijian[1], Mr. FENG Boming[1], Mr. YANG, Liang Yee Philip[2], Mr. WU Dawei[2], Mr. ZHOU Zhonghui[2] and Mr. TEO Siong Seng[2].*

[1] *Executive director*
[2] *Independent non-executive director*

* *For identification purpose only*