中遠海運控股股份有限公司

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 REPORT

2019

Important notice

The Board of Directors (the "**Board**"), the Supervisory Committee (the "**Supervisory Committee**"), the directors (the "**Directors**"), the supervisors (the "**Supervisors**") and senior management of COSCO SHIPPING Holdings Co., Ltd. (the "**Company**" or "**COSCO SHIPPING Holdings**", together with its subsidiaries, the "**Group**") declare that there are no false information, misleading statements or material omissions in this annual report, and collectively and individually accept full responsibility for the truthfulness, accuracy and completeness of the information contained herein.

All Directors attended the Board meeting held on 30 March 2020.

ShineWing Certified Public Accountants, LLP and PricewaterhouseCoopers have issued standard and unqualified auditor's reports for the Company.

The authorized person of the Company, Mr. Xu Lirong (chairman), Mr. Yang Zhijian (executive Director and general manager), Mr. Zhang Mingwen (person-in-charge of accounting) and Mr. Xu Hongwei (head of the accounting department), declare that they confirm the truthfulness, accuracy and completeness of the financial reports in this report.

Proposals for profit distribution and reserves capitalization during the year ended 31 December 2019 (the "**Reporting Period**") as considered by the Board:

Pursuant to the audited financial statements of the Company for the year 2019, which were prepared in accordance with Hong Kong Financial Reporting Standards, the profit attributable to equity holders of the Company for 2019 was RMB6.690 billion. Since total net profit attributable to owners of the parent company of COSCO SHIPPING Holdings for the year was used to recover previous years' losses, the aggregate undistributed profit was negative. According to the relevant requirements under the Company Law (the "**Company Law**") of the People's Republic of China (the "**PRC**"), no profit shall be distributed provided that the aggregate undistributed profit of a company is negative. After due consideration, the Board recommended that no profit should be distributed for 2019.

The proposal will be submitted to the 2019 annual general meeting for consideration.

Is there any occupancy of non-operating funds by controlling shareholders or its related parties?

No.

Are there any guarantees provided to a third-party in violation of stipulated procedures?

No.

Forward-looking statements

None of the forward-looking statements including future plan in this annual report constitutes a commitment by the Company to the investors. Investors are advised to be aware of the investment risks.

Material risk warning

Investors are advised to read the "Potential risks" of "Management Discussion and Analysis" as set out in this annual report carefully.

Miscellaneous

For details, please refer to the sub-section headed "Other Significant Events" in the section headed "Management Discussion and Analysis" of this annual report.

Contents

Company's Basic Information

I. Company's Information

Legal Chinese name	中遠海運控股股份有限公司
Legal Chinese stock short name	中遠海控
English name	COSCO SHIPPING Holdings Co., Ltd.
English stock short name	COSCO SHIP HOLD
Legal representative	XU Lirong

II. Contact Persons and Methods

	Secretary to Board of Directors	**Representative of securities affairs**
Name	GUO Huawei	XIAO Junguang, ZHANG Yueming
Contact address	8/F, No. 658 Dong Da Ming Road, Shanghai, the PRC	8/F, No. 658 Dong Da Ming Road, Shanghai, the PRC
Telephone	(8621) 60298619	(8621) 60298619
Facsimile	(8621) 60298618	(8621) 60298618
E-mail	guo.huawei@coscoshipping.com	xiao.junguang@coscoshipping.com zhang.yueming@coscoshipping.com

III. Basic Profile

Registered address	2nd Floor, 12 Yuanhang Business Centre, Central Boulevard and East Seven Road Junction, Tianjin Port Free Trade Zone, Tianjin, the PRC
Postal code	300461
Place of business	8/F, No. 658 Dong Da Ming Road, Shanghai, the PRC
Postal code	200080
Company's website	http://hold.coscoshipping.com
Company's email	investor@coscoshipping.com

IV. Information Disclosure and Inspection

Designated newspapers for disclosure of the Company's information	Shanghai Securities News, China Securities Journal, Securities Times, Securities Daily
Website designated by the China Securities Regulatory Commission ("**CSRC**") for publishing the annual report	www.sse.com.cn
Place for inspection of annual report	8/F, No. 658 Dong Da Ming Road, Shanghai, the PRC

V. Information on the Company's Shares

		Shares of the Company		
Type of share	**Place of listing**	**Stock short name**	**Stock code**	**Stock short name before change**
A Shares	Shanghai Stock Exchange	COSCO SHIP HOLD	601919	China COSCO
H Shares	Hong Kong Stock Exchange	COSCO SHIP HOLD	01919	China COSCO

Company's Basic Information

VI. Other Information

Domestic auditor engaged by the Company	Name:	ShineWing Certified Public Accountants, LLP
	Office address:	8/F, Block A, Fu Hua Mansion, No. 8 Chao Yang Men Bei Da Jie, Dongcheng District, Beijing, the PRC
	Name of signing auditor:	Wang Hui, Wang Jinli
International auditor engaged by the Company	PricewaterhouseCoopers *Certified Public Accountants* *Registered Public Interest Entity Auditor* 22nd Floor, Prince's Building, Central, Hong Kong	

Other information

Place of business in Hong Kong
48/F, COSCO Tower, 183 Queen's Road Central, Hong Kong

Major bankers
Bank of China, Agricultural Bank of China,
China Merchants Bank, etc

Legal advisers as to Hong Kong law
Paul Hastings
Address: 21/F-22/F, Bank of China Tower, 1 Garden Road, Hong Kong

Legal advisers as to PRC law
Commerce and Finance Law Offices
Address: 6th Floor, NCI Tower, A12 Jianguomenwai Avenue,
Beijing, the PRC

Domestic A share registrar and transfer office
China Securities Depository and Clearing Corporation Limited,
Shanghai Branch
Address: 36th Floor, China Insurance Building, 166 Lujiazui
Road East, Pudong New District, Shanghai, the PRC

Hong Kong H share registrar and transfer office
Computershare Hong Kong Investor Services Limited
Address: 17M Floor, Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong

Chairman's Statement

Dear Shareholders,

First of all, on behalf of the Board and the management of COSCO SHIPPING Holdings, I would like to express my sincere gratitude to all our shareholders and customers around the world for their continuous attention and support to COSCO SHIPPING Holdings. Meanwhile, I would also like to thank all of our staff, onshore and offshore, for their diligence and tenaciousness. Thanks to the joint efforts of everyone, COSCO SHIPPING Holdings achieved outstanding results over the past year.

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 RMB6,690 million, 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 179,000 TEUs, were delivered and were put into operation in Asia-Northwest Europe, the US East Coast and the Middle East routes. As at the end of 2019, the container fleet operated by two liner companies under COSCO SHIPPING Holdings had 507 vessels, with the total shipping capacity recording 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.

Chairman’s Statement

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 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.

Chairman's Statement

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.

Chairman's Statement

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.

XU Lirong

30 March 2020

Summary of Accounting Data

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

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000	Change in Amount RMB'000
Revenue from continuing operations	**150,540,591**	120,342,284	30,198,307
Profit before income tax from continuing operations	**4,059,415**	3,649,367	410,048
Profit after income tax from continuing operations	**3,080,848**	2,830,406	250,442
Profit for the year from discontinued operation	**7,113,469**	195,955	6,917,514
Profit for the period	**10,194,317**	3,026,361	7,167,956
Profit attributable to equity holders of the Company	**6,690,106**	1,230,026	5,460,080
Basic and diluted earnings per share (RMB)	**0.55**	0.12	0.43
Final dividend per share (RMB)	**–**	–	0%
Final dividend payout ratio	**–**	–	0%
Total assets	**262,224,030**	228,143,805	34,080,225
Total liabilities	**193,098,793**	171,790,916	21,307,877
Non-controlling interests	**33,765,561**	33,466,676	298,885
Equity attributable to equity holders of the Company	**35,359,676**	22,886,213	12,473,463
Net debt to equity ratio	**101.54%**	185.19%	-83.65%
Gross profit margin	**10.18%**	7.99%	2.19%

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 operations	**7,222,834**	4,998,797	2,224,037	44.49
Profit before income tax from continuing operations	**4,059,415**	3,649,367	410,048	11.24
Profit after income tax from continuing operations	**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

Management Discussion and Analysis

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

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 generated from/(used in) investing activities	**4,028,710**	(39,343,548)	43,372,258	-110.24
Net cash flows generated from/(used in) 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**	7,049,810	1,302,043	18.47
	Subtotal	**131,319,759**	106,989,933	24,329,826	22.74
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	**–**	–	–	–
	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	**11,099,640**	8,730,823
one to two years	**17,336,279**	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 Company 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.	18.41	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

Container shipping business

(1) containers

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 2018; 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 48 of consolidated financial statements in this annual report, 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.

(IV) Potential risks

1. Risk of Covid-19

Risk description

With the outbreak of Covid-19 disease in other countries and regions around the world, material adverse effects on the global and PRC economies may be resulted. The shipping logistics industry as a fundamental industry will be facing challenges in various aspects directly brought by the disease.

Causes of risk and impact analysis

(1) Shipping and logistics enterprises and their employees may not have effective protection in place after resuming work from home office, and may cause disruption in the operation of the enterprise directly in the short run;

(2) The dual impact of Covid-19 and trade conflicts between China and US enables the accelerated reconfiguration of the global supply chains of various industries, the manufacturing exports of China will be subject to continuous impact, and may cause a transfer of shipping demand to other regions; and

(3) The preventive and control measures adopted against the disease of Covid-19 have caused disruption of work in enterprises, disruption in supply chain and obstruction in transportation and logistics causing a direct decline in shipping demand in the short run. In the medium to long run, the disease will further aggravate the PRC economy and may even cause a downturn of the global economy. The difficulties encountered in the recovery of the manufacturing industry may increase, the industrial chain and large volume of orders may transfer to other places, foreign trade and demand will decrease further, and in turn may cause a decline in the domestic volume of goods and throughput.

Responsive strategies to risk and recommendations

(1) Strengthen and refine the implementation of measures to prevent and control the epidemic and ensure all employees have taken effective precautions to avoid being infected by others or clustering infection. Raise the employees' awareness to prevent and control the disease while carry out the regulatory management of public area to ensure the normal and safe operation of the Company;

(2) Respond actively, make deployment quickly and adjust shipping capacity, frequency of shipment and terminal operation in a timely manner to facilitate production, operation and resumption of production;

(3) During the period when the epidemic lasts, we shall first ensure the transportation of materials needed to combat Covid-19. Secondly, we shall sort out the implementation of existing contracts and orders so as to provide a customized service to our clients by addressing their needs after gaining a better understanding of the present market and having effective contacts and communications with them, cushioning the impact of the epidemic on the supply end;

(4) Deploy in advance and increase the developing efforts for third-country markets, raise the weighting of volume of goods from third-country markets and alleviate market volatility risk; and

(5) Collect assessments on the current situation of containing the disease, capture the right timing for preparation, pay close attention to market movements, particularly on the shipping capacity, freight and shipping volume on branch shipping routes and in sub-regions, adopt effective measures to avoid short-term operation risks and plan for the arrangements for shipping capacity, shipping routes and production after the disease has passed.

2. Investment decision risk

Risk description

The Company may participate in various types of investment business involving overseas merger and acquisition, equity investment, infrastructure construction, information system, technology research and development and financial business, the fulfilment of goals in various types of investment projects may be affected by different kinds of internal and external uncertainties.

Causes of risk and impact analysis

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

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

(3) No unified assessment criteria for investment projects. The Company may not develop a unified assessment criteria for investment projects, or the assessment of the investment project standards may not be based on the actual situation of research and analysis and dynamic adjustment, which may lead to the failure of the assessment criteria to effectively guide the development of investment decisions, leading to the wrong investment decision.

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

Responsive strategies to risk and recommendations

(1) To formulate and improve the investment management system. For project preparation, general investment project decision-making, major investment project decision-making and post-investment assessment of projects, the Company should specify the investment decision-making, approval, implementation and supervision of the authority and work processes through formulating and improving the "Rules of Procedure of Investment and Strategic Planning Committee", "Investment Management Measures", "Project Development Management Regulations" and other investment management systems.

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

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

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

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

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

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

3. Costs and expenses management risk

Risk description

Caused by factors in various aspects, including compliance with low sulphur fuel oil regulations, compliance with low carbon emissions, depreciation of new vessels, interest, insurance and salaries, the Company may be facing greater pressure from cost increases in 2020.

Causes of risk and impact analysis

The pressure from cost raise potentially facing the Company in 2020 lies in:

(1) Increase in VLSF price resulted from the stable supply of light sweet crude oil and the imbalance between and need of Ultra-low sulphur fuel and low sulphur fuel in short term;

(2) Impact on capital expense, fuel cost, security maintenance fees from various options and portfolio strategically made in compliance with environmental protection regulations such as 2020 Rules of IMO on Low Sulphur Fuel and initiative of low-carbon practice and emission reduction, which include installation of scrubbers, direct use of VLSFO, mixed use of LSFO, use of LNG and other biomass fuel;

(3) Rise in operating costs of H&M insurance, P&I insurance and labour force;

(4) Inadequate capability to manage and control cost and expense, such as inaccuracy in the target cost management (including fuel unit consumption index and voyage consumption quota) and insufficiency in responsibility cost control (including speed control, daily cost monitoring, and review on large expenditure and administration expense).

Responsive strategies to risk and recommendations

(1) Collect or adjust fuel surcharge according to the actual conditions of each shipping route in response to this additional cost;

(2) Through optimizing refuel ports and combining various procurement methods organically to lower the purchasing costs;

(3) By managing the potential fuel consumption and through the adoption of diversified monitoring and control measures to optimize the shipping routes and lowering the costs of fuel consumption;

(4) Implement refined management and optimize cost management and control items. Through refinement and standardization of the operation process, the target cost is determined and budgeting is used as a tool to exercise strict control and restraint functions on the utilization of budgeted amounts, and carry out cost monitoring and control, analysis and optimization on regular basis.

III. Profit Distribution of Ordinary Shares or Capitalization of Surplus Reserves Proposals

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

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

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

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

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

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

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

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

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

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

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

The Group recorded profit attributable to equity holders of the Company of RMB6.690 billion in 2019. Since total net profit attributable to owners of the parent company of COSCO SHIPPING Holdings for the year was used to recover previous years' losses, the aggregate undistributed profit was negative. According to the relevant requirements of the Company Law, no profit can be distributed provided that the aggregate undistributed profit of a company is negative. The Board does not recommend distributing any cash dividends.

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

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

Unit: RMB

Year of Distribution	Number of bonus shares for every 10 shares (share)	Dividend for every 10 shares (RMB) (tax inclusive)	Number of scrip shares for every 10 shares (share)	Cash dividend (tax inclusive)	Net profit/(net loss) attributable to shareholders of the listed company in consolidated financial statements of the bonus distribution year	Ratio to net profit attributable to shareholders of the listed company in consolidated financial statements (%)
2019	0.00	0.00	0.00	0.00	6,764,104,771.48	0.00
2018	0.00	0.00	0.00	0.00	1,230,026,418.28	0.00
2017	0.00	0.00	0.00	0.00	2,661,935,871.40	0.00

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

Not applicable

(IV) During the Reporting Period, if the earnings and profits available for distribution to holders of ordinary shares of parent company were positive, but there was no proposed distribution of profit in cash for ordinary shares, the Company shall disclose the reasons and uses and proposed uses of undistributed profits in detail.

Not applicable

Significant Events

I. If there is an earning forecast as regard to the assets or projects of the Company and the Reporting Period remains in the earning prediction period, the Company will give an explanation as to the achievement of the original forecast as regard to the assets or projects and the relevant reasons

Not applicable

II. Material litigation and arbitration

Litigation and arbitration which had not been disclosed in annual report or had subsequent change

Not applicable

III. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

(I) Trust, contracting and leasing

Not applicable

(II) Guarantees

Unit: Yuan Currency: RMB

Guarantor	Relationship of the Guarantor with the Company	Beneficiary	Amount of the guarantee	Date of guarantee (Date of agreement)	Commencement Date of guarantee	End date of Guarantee	Type of guarantee	Whether the guarantee is discharged	Whether the guarantee is overdue	Amount of overdue guarantee	Whether there is any counter guarantee	Whether it is a connected party guarantee	Connected relationship
External guarantees provided by the Company (excluding guarantees provided for its subsidiaries)													
Nil													
Total amount of guarantees provided during the Reporting Period (excluding guarantees provided for subsidiaries)													0.00
Total outstanding guarantee amount as at the end of the Reporting Period (A) (excluding guarantees provided for subsidiaries)													0.00
Guarantees provided by the Company and its subsidiaries for its subsidiaries													
Total amount of the guarantees provided to subsidiaries during the Reporting Period													-1,701,645,781.72
Total outstanding guarantee amount of the guarantees provided to subsidiaries as at the end of the Reporting Period (B)													43,949,868,266.23
Total amount of the guarantees provided by the Company (including guarantees for subsidiaries)													
Total amount of guarantees (A+B)													43,949,868,266.23
Total amount of guarantees as a percentage to the net assets of the Company (%)													63.58
Of which:													
Amount of guarantees provided to shareholders, ultimate controller and its connected parties (C)													
Amount of guarantees directly or indirectly provided for liability of parties with a gearing ratio exceeding 70% (D)													43,457,003,646.23
The portion of total amount of guarantee in excess of 50% of the net assets (E)													9,387,249,940.44
Total amount of the above three categories of guarantees (C+D+E)													52,844,253,586.67
Explanation on outstanding guarantees which may cause several and joint liability													None
Explanation on guarantees													None

(III) Other material contracts

On 27 November 2019, Shanghai China Shipping Terminal Development Co., Ltd. ("**Shanghai Terminal**"), a wholly-owned subsidiary of COSCO SHIPPING Ports entered into the Share Transfer Agreement with Beibu Gulf Port Co., Ltd.("**Beibu Gulf Port**") in relation to the sale and purchase of 92,518,231 Beibu Gulf Port Sale Shares (representing approximately 5.66% of the total issued share capital of Beibu Gulf Port) at the consideration of RMB799,357,515.84. In accordance with the relevant requirements under Measures for the Supervision and Administration of State-owned Shares of Listed Companies, Rules Governing the Listing of Shares on Shenzhen Stock Exchange and Detailed Implementation Rules of Shenzhen Stock Exchange on Reduction of Shareholdings by Shareholders, Directors, Supervisors and Senior Executives of Listed Companies, the price of each Beibu Gulf Port Share was RMB8.64 per Beibu Gulf Port Share, which shall be the highest of the following:

(1) the average daily weighted arithmetic average price of each Beibu Gulf Port Share for the 30 trading days before Beibu Gulf Port publishes an indicative announcement on share transfer;

(2) the audited net asset value per Beibu Gulf Port Share attributable to the ordinary shareholders of Beibu Gulf Port as at 31 December 2018; and

(3) 90% of the closing price of each Beibu Gulf Port Share on the trading day prior to the date of the Share Transfer Agreement.

Upon completion of the transaction under the above agreement, Shanghai Terminal held a total of 163,461,686 shares in Beibu Gulf Port, representing approximately 10% of the total issued share capital of Beibu Gulf Port. On 31 December 2019, Shanghai Terminal held a total of 174,080,311 shares in Beibu Gulf Port (including 10,618,625 shares purchased on open market), representing approximately 10.65% of the total issued share capital of Beibu Gulf Port.

As of the Reporting Period, Beibu Gulf Port was an associate of COSCO SHIPPING Ports.

IV. OTHER SIGNIFICANT EVENTS

1. After consideration and approval by the fifth meeting of the fifth session of the Board and after approval by the third extraordinary general meeting of 2017, the first A Share class meeting of 2017 and the first H Share class meeting of 2017 of the Company, the Company proposed the non-public issuance of a maximum of 2,043,254,870 A Shares (the "**Proposed Non-public Issuance of A Shares**") to not more than 10 specific investors (including China COSCO SHIPPING) at a price not lower than 90% of the average trading price of the Company's A Shares during the 20 trading days immediately preceding the price determination date and not less than the latest audited net asset value per share of the Company before the Proposed Non-public Issuance of A Shares, which would raise gross proceeds of up to RMB12,900,000,000. The net proceeds after deducting all applicable costs and expenses incurred will be used for the payment of the consideration for 20 container vessels under construction. The Proposed Non-public Issuance of A Shares was approved by the Issuance Approval Committee of the CSRC on 26 June 2018, and on 20 August 2018, the Company received the formal approval issued by the CSRC.

As disclosed in the circulars dated 30 October 2017 and 1 December 2017, the resolutions on the Proposed Non-public Issuance of A Shares (the "**Shareholders' Resolutions**") and the mandate granted to the Board of Directors and its authorized persons to handle all matters relating to the Proposed Non-public Issuance of A Shares (the "**Mandate**") had expired on 17 December 2018. On 17 December 2018, the Company convened an extraordinary general meeting, A Share class meeting and H Share class meeting of the Company for approving and passing the special resolutions respectively, and the valid period of such Shareholders' Resolutions were further extended by 12 months and the valid period of the Mandate was further extended by 12 months. The market price of A Shares on 10 January 2019 was RMB4.56.

As at 24 January 2019, a total of 2,043,254,870 A Shares were issued to specific investors through non-public issuance under the Proposed Non-public Issuance of A Shares at the issue price of RMB3.78 per A Share, gross proceeds in the amount of RMB7,723,503,408.60 (after deduction of issuing costs of RMB20,929,325.49 (including value-added tax)) and net proceeds in the amount of RMB7,702,574,083.11 were received, and the registration procedure for the new A Shares issued under the Proposed Non-public Issuance of A Shares was completed at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited (CSDC) on 24 January 2019. The subscribers other than COSCO SHIPPING include qualified investors in compliance with applicable laws and regulations such as industry investors and financial institutions. Upon the completion of the Proposed Non-public Issuance, China COSCO SHIPPING directly held 1,021,627,435 A Shares of COSCO SHIPPING Holdings, and held 4,645,229,644 Shares of the Company through China Ocean Shipping Company Limited ("**COSCO**") and its subsidiaries, held 5,666,857,079 Shares of the Company in aggregate, representing approximately 46.22% of the enlarged total issued share capital of the Company upon the completion of this issuing.

For details of the Proposed Non-public Issuance of A Shares, please refer to the announcements of the Company dated 30 October 2017, 15 December 2017, 5 March 2018, 26 June 2018, 20 August 2018, 26 September 2018, 30 October 2018, 10 December 2018, 17 December 2018 and 25 January 2019, and the circulars of the Company dated 1 December 2017 and 30 November 2018.

2. After obtaining authorization at the general meeting of the Company and approval by the twenty-third meeting of the fifth session of the Board of the Company, modifications were made to the relevant provisions in the Articles of Association according to the result of issuance under the Proposed Non-public Issuance of A Shares upon completion of the Proposed Non-public Issuance of A Shares, and the relevant industrial and commercial registration or filing procedures in respect of the amendments to the Articles of Association were handled. The amendments to the Articles of Association have taken effect after completion of the registration and filing with the relevant industrial and commercial authority of the PRC. For details, please refer to the announcement of the Company dated 6 March 2019.

V. FULFILLMENT OF SOCIAL RESPONSIBILITIES

(I) Poverty alleviation work of the Company

1. Targeted poverty alleviation plan

According to the overall plans, comprehensive deployment and specific requirements for targeted poverty alleviation at various government levels, we cooperated actively with the local government to carry out poverty alleviation work at designated locations. According to the national requirements of the "Five Ways of Poverty Alleviation", by combining with the industrial advantages of COSCO SHIPPING Holdings, poverty alleviation work at designated areas was actively proceeded to implement poverty alleviation projects, arrange for poverty alleviation funds and ensure the effectiveness of poverty alleviation.

2. Summary of targeted poverty alleviation work for the year

By learning earnestly the spirit developed by the central authority at the conference of poverty alleviation in designated areas, fully streamlining the national policy requirements of poverty alleviation in designated areas in recent years, fulfilling deeply and persistently the SASAC requirements on poverty alleviation and development work for central enterprises, and summarizing the achievements in poverty alleviation in designated areas by the Company over the years, the line of thought for poverty alleviation in designated areas was determined, the working principles were clarified, the organization structure was improved and the duties and responsibilities were confirmed to carry out poverty alleviation in designated areas effectively.

3. Results in targeted poverty alleviation

Unit: RMB0'000

Index	Quantity and development status
Overall situation	
Funds	1,687.95

4. Subsequent targeted poverty alleviation work

According to the overall deployment of the central committee of the CPC and the State Council, the spirit of SASAC on poverty alleviation development was fully practised and the concepts of targeted poverty alleviation and targeted poverty elimination were diligently implemented. The Company further fulfilled the responsibilities of poverty alleviation by specifying the allocation and use of poverty alleviation funds and clarifying the responsibilities, rights and obligations involved in the implementation and supervision of poverty alleviation projects to help the local people in poverty practically to benefit from the poverty alleviation projects effectively; targets of poverty alleviation were specified to ensure that the registered poverty-stricken households were able to realize sustainable elimination of poverty; and poverty alleviation projects were implemented by allocating funds according to the progress of the projects to ensure project implementation, poverty alleviation in designated areas were promoted constantly to facilitate sustainable and effective implementation, making positive contributions to the economic development and social development of the respective alleviated areas.

(II) Social responsibilities

In 2019, COSCO SHIPPING Holdings continued performing the obligations of the United Nations Global Compact comprehensively by fulfilling various undertakings provided in the Global Compact, especially the principles in various areas, including environmental protection, labor, human rights and anti-corruption. Green, low-carbon and sustainable development concepts were established internally in the enterprise, striving to achieve coordinated harmony between socio-economic development and the population, resources and environment within the enterprise by increasing the utilization level of resources continuously and strongly enhancing the awareness of conservation, environmental protection and ecology within the enterprise. Continuous improvements were made to governance measures to support the sustainable development of the enterprise to ensure suitable regulatory and management procedures for business were implemented to perform the social responsibility of COSCO SHIPPING Holdings.

The environmental, social and governance report of the Company for 2019 in accordance with Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (http://hold.coscoshipping.com) no later than three months after the publication of this annual report.

(III) Environmental protection

Companies which are not key pollutant discharge units

COSCO SHIPPING Holdings emphasized on green operation and environmental protection, strictly complied with international convention, local and international laws, regulations and various provisions and requirements relating to environmental protection, and actively fulfilled various applicable international and local proposed standards, regulations and relevant requirements relating to environmental protection. Technological improvements were actively adopted to protect limited resources, and effective measures were taken to reduce negative impact on the environment. Its subsidiaries, COSCO SHIPPING Lines, COSCO SHIPPING Ports and OOIL, had dedicated personnel to monitor the latest changes in the domestic and international environmental protection trends, new requirements and new standards were assimilated continuously into the responsive policies and administrative measures for environmental protection. Meanwhile, ISO140001 and ISO50001 were followed as guidelines to establish and operate an environment and energy management system, through audits conducted on the internal and external environment and energy management system, sustainable and continuous improvements were made to the environment and energy management mechanism. In 2019, COSCO SHIPPING Holdings had not violated against any environmental laws and regulations.

Changes in Equity and Shareholders' Information

I. Changes in Equity

(I) Changes in shares

After approvals were sought respectively from the Board and the Supervisory Committee of the Company, the SASAC of the State Council and the shareholders' general meeting of the Company, the Company completed the non-public issuance of A shares during the Reporting Period. As at 18 January 2019, the Company has issued a total number of 2,043,254,870 A shares to 9 targets of issuance, including China COSCO SHIPPING Corporation Limited, the indirect controlling shareholder. Share registration procedure for the newly issued shares has been completed at the Shanghai Branch of China Securities Depository and Clearing Company Limited on 24 January 2019. The non-public issued shares subscribed by China COSCO SHIPPING Corporation Limited are subject to a lock-up period of 36 months (the release date for the lock-up period is 24 January 2022, which will be postponed to the next trading day in case it is a non-trading day), the non-public issued shares subscribed by other investors are subject to a lock-up period of 12 months (the release date for the lock-up period is 24 January 2020, which will be postponed to the next trading day in case it is a non-trading day), the time for listing and trading of such shares will be the next trading day after the expiry date of the lock-up period. Upon completion of the issuance, the Company has 2,043,254,870 additional shares subject to selling restriction in circulation, its total share capital has increased to 12,259,529,227 shares. China COSCO SHIPPING Corporation Limited remains an indirect controlling shareholder of the Company holding 1,021,627,435 shares of the Company directly and holding 4,645,229,644 shares of the Company through China Ocean Shipping Company Limited and its subsidiaries, in aggregate it holds 5,666,857,079 shares of the Company, representing approximately 46.22% of the total share capital of the Company after completion of the issuance.

The other investors mentioned above have subscribed for a total number of 1,021,627,435 shares in the non-public issuance of shares, which have been released for trading in the market on 3 February 2020 after expiry of the lock-up period.

II. Shareholder and actual controller

(I) Total number of Shareholders:

Total number of ordinary Shareholders as at the end of the Reporting Period	264,418
Total number of ordinary Shareholders as at the end of February 2020	266,216

(II) Shareholdings of the top 10 Shareholders and top 10 holders of tradable shares (or shareholders not subject to selling restrictions) as the end of the Reporting Period

Unit: Share

Shareholdings of the top 10 Shareholders							
Name of Shareholder (In full)	Increase/ decrease during the Reporting Period	Number of shares held at the end of the period	Type	Percentage (%)	Number of shares subject to selling restrictions	Pledge or freezing Shares	Nature of shareholders
China Ocean Shipping Company Limited	0	4,557,594,644	A shares	37.18	0	Nil	State-owned legal person
HKSCC Nominees Limited	0	2,580,600,000	H shares	21.05	0	Unknown	Other
China COSCO SHIPPING Corporation Limited	1,021,627,435	1,021,627,435	A shares	8.33	1,021,627,435	Nil	State-owned legal person
China Securities Finance Corporation Limited	0	305,990,519	A shares	2.50	0	Nil	State-owned legal person
Wuhan Iron and Steel Corporation	0	250,000,000	A shares	2.04	0	Nil	State-owned legal person
Beijing Chengtong Financial Investment Co., Ltd.	-56,816,757	249,671,443	A shares	2.04	0	Nil	State-owned legal person
Eastern Airlines Industry Investment Co., Ltd.	224,867,724	224,867,724	A shares	1.83	224,867,724	Nil	State-owned legal person
China State Shipbuilding Corporation	0	204,000,000	A shares	1.66	0	Nil	State-owned legal person
Ningbo Meishan Bonded Port Area Xin Da Ying Xin Investment Partnership (Limited Partnership)	132,275,132	132,275,132	A shares	1.08	132,275,132	Nil	Domestic non-state-owned legal person
China Structural Reform Fund Corporation Limited	119,047,619	119,047,619	A shares	0.97	0	Nil	State-owned legal person

Changes in Equity and Shareholders' Information

The top ten shareholders holding shares not subject to trading moratorium			
Name of shareholder	Number of circulating shares not subject to trading moratorium held	Type and number of shares: Type	Number
China Ocean Shipping Company Limited	4,557,594,644	RMB-denominated ordinary shares	4,557,594,644
HKSCC Nominees Limited	2,580,600,000	Overseas listed foreign shares	2,580,600,000
China Securities Finance Corporation Limited	305,990,519	RMB-denominated ordinary shares	305,990,519
Wuhan Iron and Steel Corporation	250,000,000	RMB-denominated ordinary shares	250,000,000
Beijing Chengtong Financial Investment Co., Ltd.	249,671,443	RMB-denominated ordinary shares	249,671,443
China State Shipbuilding Corporation	204,000,000	RMB-denominated ordinary shares	204,000,000
China National Nuclear Corporation	72,000,000	RMB-denominated ordinary shares	72,000,000
Hong Kong Securities Clearing Company Limited	65,541,999	RMB-denominated ordinary shares	65,541,999
Central Huijin Asset Management Ltd.	54,466,500	RMB-denominated ordinary shares	54,466,500
China Merchants Bank Co., Ltd. – Bosera China Securities Central Enterprises Structural Adjustment Traded Open-end Index Securities Investment Fund	28,878,897	RMB-denominated ordinary shares	28,878,897
The explanations to the connected relationship or parties acting in concert among the aforesaid shareholders:	Unknown		
Description of preferential shareholders with restoration of voting rights and their shareholdings	Not applicable		

Note: As at the end of the Reporting Period, China Ocean Shipping Company Limited held 87,635,000 H shares through its subsidiaries, representing 3.40% of the issued H shares of the Company. The number of H shares was included in the total number of HKSCC Nominees Limited's holding. China COSCO SHIPPING Corporation Limited (by itself and through its subsidiaries) held approximately 46.22% of the total issued shares of the Company in aggregate.

III. Controlling shareholder and actual controller

(I) Specific description of controlling shareholder

1 Legal person

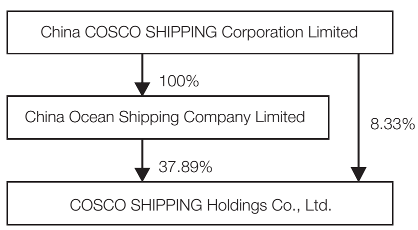
Details of direct controlling shareholder:

Name	China Ocean Shipping Company Limited
Person in charge or legal representative	Xu Lirong
Date of establishment	22 October 1983
Principal business	International freight; supporting international freight; procurement of ships, containers and maintenance and spare parts manufacturing business; ship escrowing business; domestic and foreign shipping business-related ship materials, spare parts, communications services; business operators, cargo agency business and seafarers assigned to the management of enterprises (the enterprise shall select operating items and operate autonomously according to law; international freight, supporting International freight and items that shall be approved according to law can be operated upon approval by relevant departments; the enterprise shall not engage in business activities prohibited by the industrial policies and restricted items of this city (note: Beijing).)
Control and shareholdings in other domestic or overseas listed companies during the Reporting Period	Controlling shareholdings: COSCO SHIPPING Specialized Carriers Co., Ltd. (600428) 50.94%; COSCO SHIPPING Ports (1199HK) 48.84%; COSCO SHIPPING International (Hong Kong) (0517HK) 66.12%; COSCO SHIPPING International (Singapore) (COS SP) 53.35%; Piraeus Port Authority S.A. (PPA GA) 51%; OOIL (0316HK) 75%; Major shareholdings: China Merchants Bank (600036, 3968HK) 6.46%; China Merchants Securities (600999, 6099HK) 6.25% etc.
Others	Nil

Details of indirect controlling shareholder:

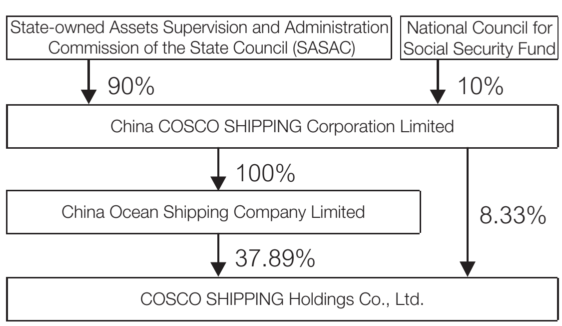
Name	China COSCO SHIPPING Corporation Limited
Person in charge or legal representative	Xu Lirong
Date of establishment	5 February 2016
Principal business	International freight, supporting International freight; import and export of goods and technology; agent of international freight by sea, road, and air; rental of self-owned ship; ship, container, steel sales; marine engineering equipment design; terminal and port investment; communications equipment sales, information and technical services; warehousing (except dangerous chemicals); technology development related to shipping, spare parts, technology transfer, technical advice, technical services, equity investment funds. (Business activities can only operate after being approved by the relevant departments in accordance with the law.)
Control and shareholdings in other domestic or overseas listed companies during the Reporting Period	Controlling shareholdings: COSCO SHIPPING Specialized Carriers Co., Ltd. (600428) 50.94%; COSCO SHIPPING Development (2866HK) 39.28%; COSCO SHIPPING Energy Transportation (1138HK) 38.56%; COSCO SHIPPING Ports (1199HK) 48.84%; COSCO SHIPPING Technology (002401) 50.01%; COSCO SHIPPING International (Hong Kong) (0517HK) 66.12%; COSCO SHIPPING International (Singapore) (COS SP) 53.35%; Piraeus Port Authority S.A. (PPA GA) 51%; OOIL (0316HK) 75%. Major shareholdings: China International Marine Containers (Group) Co., Ltd. (CIMC) (000039, 2039HK) 22.70%; China Merchants Bank (600036, 3968HK) 9.97%; China Merchants Securities (600999, 6099HK) 9.99%; Lanhai Medical Investment (600896) 9.11%; Shanghai International Port (Group) (600018) 15.067%; Guangzhou Port (601228) 7.92%.
Others	Nil

2 The relationship of the property and control between the Company and controlling shareholders



(II) Specific description of actual controller

1 The relationship of the property and control between the Company and the actual controller



Corporate Bonds

I. Overview of corporate bonds

Unit: 100 million Currency: US Dollar

Bonds Name	Bond code	Issuing date	Date of maturity	Balance of bonds	Interest rate	Repayment method of principal with interest	Stock exchange
COSCO Finance (2011) Ltd. 4.00% Credit Enhanced Bonds due 2022	04584	4 December 2012	3 December 2022	10.00	4%	Interest shall be payable in arrears equally and biannually on 3 June and 3 December. The bonds shall be redeemed on 3 December 2022	Hong Kong Stock Exchange
COSCO Pacific Finance Guaranteed Notes	5900	31 January 2013	31 January 2023	3.00	4.375%	Interest shall be payable twice a year while principal shall will be paid when the notes fall due	Hong Kong Stock Exchange

II. The corporate bonds trustees and credit rating agency

Bond trustee	Name	The Hongkong and Shanghai Banking Corporation Limited
	Name	Deutsche Bank AG, Hong Kong Branch
Credit rating agency	Name	Moody's Investors Service Hong Kong Ltd

Other information:

COSCO Finance (2011) Ltd. 4.00% Credit Enhanced Bonds due 2022:

Bond trustee: The Hongkong and Shanghai Banking Corporation Limited

Credit rating agency: Moody's Investors Service Hong Kong Ltd

COSCO Pacific Finance Guaranteed Notes:

Bond trustee: Deutsche Bank AG, Hong Kong Branch

Credit rating agency: Nil

Corporate Bonds

III. Use of proceeds raised from the public issuance of the Company's bonds

COSCO Finance Credit Enhanced Bonds:

The proceeds from the issuance of the bonds were lent to overseas subsidiaries of COSCO SHIPPING Holdings for their production and operation, including but not limited to replenishing working capital, repaying bank loans and making investments on fixed assets.

COSCO Pacific Finance Guaranteed Notes:

The proceeds were used to expand the equity capital of the Company's terminal business and container leasing business, repay the Company's existing debt and for other general business purposes.

IV. Credit rating agencies of the Company's bonds

COSCO Finance Credit Enhanced Bonds:

The credit rating agency: Moody's Investors Service Hong Kong Ltd

COSCO FINANCE (2011) LIMITED US$1 Billion Bond (ISN:XS0858461758).

Rating result: A1.

For the latest rating result of the bonds, please see www.moodys.com.

COSCO Pacific Finance Guaranteed Notes:

No rating result.

V. Credit enhancement mechanism, repayment plan and other related matters of the Company's bonds during the Reporting Period

COSCO Finance Credit Enhanced Bonds:

During the Reporting Period, there was no change in the credit enhancement mechanism of the the Company's bonds, which were secured by RMB denominated cross-border standby letter of credit issued by Bank of China, Beijing Branch.

COSCO Pacific Finance Guaranteed Notes:

During the Reporting Period, there was no change in the credit enhancement mechanism of the the Company's bonds, and credit guarantee is still offered by the COSCO SHIPPING Ports.

VI. Performance of trustees of corporate bonds

COSCO Finance Credit Enhanced Bonds:

During the Reporting Period, HSBC, as the trustee of the bonds, duly performed to protect the interests of holders of bonds in accordance with the trust deed.

COSCO Pacific Finance Guaranteed Notes:

During the Reporting Period, Deutsche Bank, as the trustee of the bonds, duly performed to protect the interests of holders of bonds in accordance with the debt escrow agreement.

VII. Accounting data and financial indicators of the Company during the last two years immediately before the end of the Reporting Period

Unit: Yuan Currency: RMB

Key indicator	2019	2018	Year-on-year increase or decrease (%)
EBITDA	30,051,750,083.65	11,625,515,239.18	158.50
Liquidity ratio	1.03	0.68	51.14
Quick ratio	0.94	0.61	54.71
Gearing ratio (%)	73.64	75.30	Decrease by 1.66 percentage point
All debt ratio of EBITDA	26.77%	9.66%	Increase by 17.11 percentage point
Interest coverage ratio	2.90	2.00	45.07
Cash interest coverage ratio	5.88	3.68	59.90
Interest coverage ratio of EBITDA	4.84	3.14	54.45
Loan repayment rate (%)	100.00	100.00	
Interest coverage (%)	100.00	100.00	

Note: The above accounting data and financial indicators are stated according to the audited financial statement of A shares of the Company prepared in accordance with PRC GAAP.

VIII. Interest payment of other bonds and debt financing instruments of the Company

As at the date of this report, the Company has paid interests in respect of the existing two medium-term notes without any default.

IX. Bank facilities of the Company during the Reporting Period

As at 31 December 2019, the loan facilities of the Group were approximately RMB148.5 billion, of which RMB109.535 billion was utilized and RMB38.965 billion was not utilized. The Group has highly emphasized on the potential financial risks of the loan facilities, strengthened the monitoring of liabilities and gearing ratio of its subsidiaries and repaid bank loans in full as scheduled.

X. Performance of the Company in respect of the covenants or undertakings specified in the prospectuses of corporate bonds during the Reporting Period

During the Reporting Period, the Company had strictly utilized the proceeds in accordance with the scope stated in the offering circulars of the corporate bonds.

XI. Major events and their impacts on the business operation and solvency of the Company

During the Reporting Period, major events had no impact on the solvency of the Group.

Directors, Supervisors and Senior Management

Mr. XU Lirong (許立榮)

Mr. Xu, aged 62, has been the chairman of the board and the party secretary of China COSCO SHIPPING (an indirect controlling shareholder of the Company) since January 2016. Since August 2018, Mr. Xu has been an executive Director and the chairman of the fifth session of the Board, an executive director, the chairman of the board of directors and the chairman of the executive committee of Orient Overseas (International) Limited, a non-wholly owned subsidiary of the Company listed on the Main Board of the Stock Exchange (stock code: 316). Mr. Xu started his career in March 1975. Mr. Xu was previously the deputy manager, the manager and the party secretary of COSCO Shanghai Freight Forwarding Company; the president and the party secretary of the Shanghai Shipping Exchange; the General Manager, member and deputy secretary of the Party Committee of COSCO Container Lines Co., Ltd.; the general manager, a member of the party committee and the deputy party secretary of COSCO SHIPPING Lines; the deputy general manager, a member of the party committee and the deputy secretary of the Company; the vice president, the chairman of the labor union and a member of the party committee of China Ocean Shipping (Group) Company (currently known as China Ocean Shipping Company Limited, the direct controlling Shareholder); a director, the general manager, a member of the party committee, the chairman of the board and the party secretary of China Shipping (Group) Company (currently known as China Shipping Group Company Limited, a subsidiary of China COSCO SHIPPING); and the chairman of the board of directors and the chairman of the executive committee of Orient Overseas Container Line Limited. Mr. Xu obtained an MBA degree from Shanghai Maritime University. He is a senior engineer.

Mr. HUANG Xiaowen[1] (黃小文)

Mr. Huang, aged 57, was the vice chairman of the Board and an executive director of the Company. Mr. Huang is also a deputy general manager and member of the party group of COSCO SHIPPING, and serves as director of certain subsidiaries of COSCO SHIPPING Group. Mr. Huang started his career in 1981 and had served as the section chief of the container shipping section of Guangzhou Ocean Shipping Company Limited (廣州遠洋運輸公司), general manager of container transportation department of China Ocean Shipping Company (formerly known as "**China Ocean Shipping (Group) Company**"), container business advisor of Shanghai Haixing Shipping Co., Ltd. (上海海興輪船股份有限公司), the vice chairman, executive director, executive deputy general manager, managing director and deputy party secretary of COSCO SHIPPING Development Co., Ltd. (中遠海運發展股份有限公司) ("**COSCO SHIPPING Development**") (formerly known as "**China Shipping Container Lines Co., Ltd**.", a company listed on the Stock Exchange (stock code: 2866) and the Shanghai Stock Exchange (stock code: 601866)), and the chairman of China Shipping Haisheng Co., Ltd. (中海(海南)海盛船務股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600896)). Mr. Huang had been the deputy general manager and a member of the party group of China Shipping. Mr. Huang Xiaowen formerly served as the chairman of the board of directors and non-executive director of COSCO SHIPPING Ports Limited (中遠海運港口有限公司) ("**COSCO SHIPPING Ports**") (a non-wholly owned subsidiary of the Company and a company listed on the Main Board of the Hong Kong Stock Exchange, stock code: 1199), the executive director and the chairman of the board of directors of COSCO SHIPPING Energy Transportation Co., Ltd., (中遠海運能源運輸股份有限公司) ("**COSCO SHIPPING Energy**") (a company listed on the Stock Exchange (stock code: 1138) and the Shanghai Stock Exchange (stock code: 600026)), and the executive director and CEO of OOIL. Mr. Huang has more than 30 years of experience in the shipping industry. Mr. Huang graduated from China Europe International Business School with an EMBA degree and is a senior engineer.

Mr. WANG Haimin[1, 2] (王海民)

Mr. Wang, aged 47, is currently the deputy general manager and a party committee member of China COSCO SHIPPING Corporation Limited, the vice chairman of the Board and executive Director of the Company, an executive director and chief executive officer of Orient Overseas (International) Limited (a wholly-owned subsidiary of the Company, which is listed in the main board of the Stock Exchange (stock code: 316)) and a director of Shanghai International Port (Group) Co., Ltd. He has held various positions including the deputy general manager of the corporation planning division and the general manager of the strategic development division of COSCO Container Lines Co., Ltd. (currently known as COSCO SHIPPING Lines Co., Ltd.), the general manager of the transportation division of China Ocean Shipping (Group) Company (currently known as China Ocean Shipping Co., Ltd.), the non-executive director, deputy general manager and deputy general manager (person in charge) of COSCO SHIPPING Ports, deputy general manager (person in charge), general manager and deputy party secretary of COSCO Container Lines Co., Ltd. (currently known as COSCO SHIPPING Lines Co., Ltd.) and the deputy general manager and a party committee member of the Company, the general manager and deputy party secretary of COSCO SHIPPING Lines Co., Ltd., the general manager and deputy party secretary of the Company, a non-executive director of COSCO SHIPPING Ports, a director, joint chief executive officer and a member of the executive committee of Orient Overseas Container Line Limited. Mr. Wang Haimin has over 20 years of experience in corporate operation and management in the shipping industry. He has extensive experience in container shipping, operation of terminal and enterprise management. Mr. Wang Haimin graduated from Shanghai Maritime University with major in transport economics, and graduated from Fudan University with a master degree in business administration and is an engineer.

Mr. ZHANG Wei[1] (張為)

Mr. Zhang, aged 46, is currently the Vice General Manager, member of the Party Committee of China COSCO SHIPPING Corporation Limited and a director of Qingdao Port International Co., Ltd. and was an executive Director, the deputy general manager and party secretary of the Company, the vice chairman of the board of directors, an executive director and the general manager of COSCO SHIPPING Ports and a director of certain subsidiaries, an executive director of OOIL. He previously served as the executive deputy general manager of the American trade division of COSCO SHIPPING Lines, the deputy general manager of the American Branch of COSCO SHIPPING Lines, the general manager of the strategy and development division of COSCO SHIPPING Lines, the general manager of the transportation division, the general manager of the operating management division and the executive deputy director of the integration management office of COSCO/the Company. Mr. Zhang has over 20 years of work experience in the shipping industry. He has extensive work experience in container shipping, strategic planning and enterprise management. Mr. Zhang graduated from Fudan University with a master degree in management and is an engineer.

Mr. YANG Zhijian[1, 2] (楊志堅)

Mr. Yang, aged 55, is currently the employee representative director of China COSCO SHIPPING Corporation Limited, an executive Director, the general manager and deputy party secretary of the Company, the chairman of the board, general manager and deputy party secretary of COSCO SHIPPING Lines Co., Ltd. (a wholly-owned subsidiary of the Company), an executive director of Orient Overseas (International) Limited (a non-wholly owned subsidiary of the Company listed on the Main Board of the Stock Exchange, stock code: 316), a director, chairman of the board, chief executive officer and chairman of the executive committee of Orient Overseas Container Line Limited (a non-wholly owned subsidiary of the Company). He previously held various positions including the head of Ocean Transportation Division of Shanghai Ocean Shipping Co., Ltd., the head of planning and cooperation office under the Corporate Planning Division and deputy general manager of marketing department of COSCO Container Lines Co., Ltd. (currently known as COSCO SHIPPING Lines Co., Ltd.), the deputy general manager of Hong Kong Ming Wah Shipping Co., Ltd., the general manager of the Trade Service Division and the general manager of the Asia-Pacific Trade Division of COSCO Container Lines Co., Ltd. (currently known as COSCO SHIPPING Lines Co., Ltd.), general manager and deputy party secretary of Shanghai PANASIA Shipping Company Limited, assistant to the general manager and deputy general manager of COSCO Logistics Co., Ltd. (currently known as COSCO SHIPPING Logistics Co., Ltd.), the deputy general manager, general manager and deputy party secretary of COSCO SHIPPING Bulk Co., Ltd. Mr. Yang has over 30 years of experience in the maritime industry and has extensive experience in container shipping, logistics and bulk shipping. Mr. Yang graduated from Shanghai Maritime University with EMBA degree. Mr. Yang is an economist.

Mr. FENG Boming[2, 3] (馮波鳴)

Mr. Feng, aged 50, is currently an executive Director of the Company, the chairman of the board of directors and an executive director of COSCO SHIPPING Ports Limited, an executive director of OOIL, a non-executive director of each of COSCO SHIPPING Development, COSCO SHIPPING Energy, COSCO SHIPPING International (Hong Kong) Co., Limited ("**COSCO SHIPPING International (Hong Kong)**") (a company listed on the Main Board of the Stock Exchange (stock code: 517)) and Piraeus Port Authority S.A. and a director of each of COSCO SHIPPING Bulk Co., Ltd., COSCO SHIPPING Financial Holding Co., Ltd., COSCO SHIPPING (Hong Kong) Co., Ltd., and certain subsidiaries of China COSCO SHIPPING. Mr. Feng has previously held various positions including the manager of the commercial section of the ministry of trade protection of COSCO Container Lines Co., Ltd. (currently known as COSCO SHIPPING Lines Co., Ltd.), the general manager of COSCO Container Hong Kong Mercury Co., Ltd., the general manager of the management and administration department of COSCO Holdings (Hong Kong) Limited, the general manager of COSCO International Freight (Wuhan) Co., Ltd./COSCO Logistics (Wuhan) Co., Ltd. the director of the strategic management implementation office of China Ocean Shipping Co., Ltd./the Company and a non-executive Director of the Company, and the general manager of the strategic and corporate management department of COSCO SHIPPING. Mr. Feng has over 20 years of work experience in the shipping industry. He has extensive experience in enterprise strategy management, business management, container shipping and management. Mr. Feng graduated from University of Hong Kong with a master of business administration degree and is an economist.

Mr. ZHANG Wei[3] (張煒)

Mr. Zhang, aged 53, was a non-executive Director of the Company and is currently the Deputy General Manager, member of the Party Committee of COSCO SHIPPING Lines Co., Ltd., a wholly-owned subsidiary of the Company, a non-executive director of COSCO SHIPPING Energy (a subsidiary of COSCO SHIPPING) and COSCO SHIPPING Ports, and a director of each of COSCO SHIPPING Specialized, COSCO SHIPPING Bulk, and COSCO SHIPPING Captive Insurance Co., Ltd. Mr. Zhang previously served as a deputy general manager of Asia-Pacific trade area and manager of Australia-New Zealand operation department of COSCO SHIPPING Lines. He was also a deputy general manager of European trade area of COSCO SHIPPING Lines, a deputy general manager of the enterprise information development department of COSCO SHIPPING Lines, a deputy general manager of Florens Container Holdings Limited (佛羅倫貨箱控股有限公司) (previously a subsidiary of the Company), and executive vice-president of Piraeus Container Terminal S.A. (比雷埃夫斯集裝箱碼頭有限公司) (a subsidiary of the Company), the general manager of operation and management department of China COSCO SHIPPING, and held various other positions. Mr. Zhang has nearly 30 years of work experience in shipping enterprises. He has extensive experience in container transportation marketing management and terminal operation management. Mr. Zhang graduated from Shanghai Maritime University with a master degree in business administration and is an engineer.

Mr. CHEN Dong[3] (陳冬)

Mr. Chen, aged 45, was a non-executive Director of the Company and is currently the general manager of financial management department of China COSCO SHIPPING and a non-executive director of COSCO SHIPPING Ports and COSCO SHIPPING International (Hong Kong), a director of each of COSCO SHIPPING Specialized, COSCO SHIPPING Bulk and a director of several subsidiaries of China COSCO SHIPPING. Mr. Chen previously served as the deputy head of risk control section under the planning and finance department of China Shipping, the deputy head of the finance section under planning and finance department of China Shipping, the senior manager of finance and taxation management office of China Shipping, the assistant to the general manager of the finance department of China Shipping, and the deputy general manager of the finance department of China Shipping and held various other positions. Mr. Chen has over 20 years of work experience in shipping enterprises. He has extensive experience in risks control, taxation management and finance. Mr. Chen graduated from Shanghai University of Finance and Economics with a master degree in economics and is a senior accountant.

Directors, Supervisors and Senior Management

Mr. YANG, Liang Yee Philip (楊良宜)

Mr. Yang, aged 71, is an independent non-executive Director of the Company and an independent non-executive director of OOIL. Mr. Yang is an arbitrator in international commercial and maritime arbitration. He is the honorary chairman of Hong Kong International Arbitration Centre, a member of Expert Committee of China International Commercial Court. Mr. Yang previously served as the chairman of Hong Kong International Arbitration Centre, the vice chairman of the documentary committee of the Baltic and International Maritime Council, the chairman of Asia-Pacific Regional Arbitration Group and the Hong Kong representative of the International Chamber of Commerce. He was also the guest professor of more than ten universities in the PRC such as Dalian Maritime University and Shanghai Maritime University. Mr. Yang has extensive experience in cases related to international commercial maritime law. He has also devoted himself to the educational research activities in respect of commercial maritime law in various law schools in the PRC and has made invaluable contribution to maintaining close connection between legal education in the PRC and the development of international commercial law as well as the training of legal practitioners specialized in English commercial maritime law.

Mr. WU Dawei[4] (吳大衛)

Mr. Wu, aged 66, is an independent non-executive Director of the Company. Mr. Wu previously served as the deputy head of Huaneng Shanghai Shidongkou No. 2 power plant (華能上海石洞口第二電廠), the deputy general manager of Huaneng International Power Development Company (Shanghai Branch) (華能國際電力開發公司上海分公司) (person in charge), the head of Huaneng Shanghai Shidongkou No. 2 power plant (華能上海石洞口第二電廠), the deputy general manager, a party member and director of Huaneng Power International Co., Ltd. (華能國際電力股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600011)), and the chairman of Huaneng Weihai power plant (威海電廠), Xindian power plant (辛店電廠), Rizhao power plant (日照電廠) and Xinhua power plant (新華電廠). He was also the party secretary and a director of Shanghai Times Shipping Company Limited (上海時代航運有限公司), the deputy chief engineer of China Huaneng Group and the general manager and party secretary of China Huaneng Group (East China Branch), the general manager and deputy party secretary (responsible for leading the work of party group) of Huaneng International Power Development Company, the chief economist of China Huaneng Group, the chairman of Huangneng Shanghai Gas Turbine Power Generation Co., Ltd. and a director of Huaneng International Power Development Company. Mr. Wu has more than 20 years' experience in corporate management and extensive experience in corporate governance of listed companies. Mr. Wu previously studied at China Europe International Business School and Cheung Kong Graduate School of Business and has received EMBA degree. He is also a researcher-level senior engineer. Mr. Wu currently serves as an independent director of Zhejiang Jinlihua Electric Co., Ltd. (浙江金利華電氣股份有限公司) (a company listed on the ChiNext of the Shenzhen Stock Exchange (stock code: 300069)) and an independent director of Jiangsu Zhongtian Technology Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600522)) and has obtained an independent director qualification certificate issued by the Shanghai Stock Exchange in February 2013.

Mr. ZHOU Zhonghui (周忠惠)

Mr. Zhou, aged 72, is an independent non-executive Director of the Company. Mr. Zhou is a member of the chief financial officer professional committee of the China Association for Public Companies and a member of the consultative committee of the China Appraisal Society, he is a post-graduate and has a doctorate degree, and he is a certified public accountant. He previously worked at Shanghai University of Finance and Economics, School of Accountancy as a lecturer, associate professor and professor. He also served as the chief financial officer of Hongkong Xinlong Co., Limited (香港鑫隆有限公司), the general manager and chief accountant of PricewaterhouseCoopers Zhong Tian LLP, the chief accountant of the CSRC, a member of the International Advisory Committee of the CSRC, a member of the Auditing Standards Committee of the Chinese Institute of Certified Public Accountants and an executive member of the China Association of Chief Financial Officers. Mr. Zhou previously served as an independent non-executive director of China

Pacific Insurance (Group) Co., Ltd. (中國太平洋保險（集團）股份有限公司) (a company listed on the Stock Exchange (stock code: 2601) and the Shanghai Stock Exchange (stock code: 601601)), an independent nob-executive director of Juneyao Airlines Co., Ltd. (上海吉祥航空股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 603885)) and an independent non-executive director of BesTV New Media Co.,Ltd. (百視通新媒體股份有限公司) (stock code: 600637). Mr. Zhou concurrently serves as an independent non-executive director of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (上海復旦張江生物醫藥股份有限公司) (stock code: 01349)) and an independent non-executive director of S.F. Holding Co., Ltd. (順豐控股股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002352)) and the independent non-executive director of CITIC Securities Company Limited (a company listed on the Stock Exchange (stock code: 6030) and the Shanghai Stock Exchange (stock code: 600030)). Mr. Zhou has served as an external supervisor of Shanghai Oriental Pearl Group Co., Ltd. (上海東方明珠新媒體股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600637)) since June 2015.

Mr. TEO Siong Seng[2] (張松聲)

Mr. Teo, aged 65, is an independent non-executive Director of the Company. Mr. Teo currently serves as the executive chairman of the Pacific International Lines Pte Ltd ("**Pacific International Lines**"), and the chairman and chief executive officer of Singamas Container Holdings Limited (勝獅貨櫃企業有限公司) (a company listed on the Stock Exchange (stock code: 716)). Mr. Teo currently serves as chairman of Singapore Business Federation, honorary president of Singapore Chinese Chamber of Commerce & Industry, committee member of Committee on the Future Economy, co-chair of Subcommittee on Future Corporate Capabilities and Innovation, the Pro-Chancellor of National University of Singapore and an industry consultant of the China-Singapore (Chongqing) Demonstration Initiative on Strategic Connectivity. Mr. Teo also served as the president of Singapore Shipping Association, the chairman of Singapore Maritime Foundation (SMF), and the president of Lloyd's Register Asia Shipowners' Committee. Mr. Teo previously served as an independent non-executive director of the Company and COSCO SHIPPING Development. He is also currently an independent non-executive director of COSCO SHIPPING Energy, an independent non-executive director of Keppel Corporation Limited (新加坡吉寶企業有限公司), an independent non-executive director of Wilmar International Limited (新加坡豐益國際集團) and the chairman of china-Singapore Nanning International Logistics Park. Mr. Teo has extensive experience in corporate governance in terms of shipping companies and listed companies. Mr. Teo graduated from Glasglow University with a First Class Honours Degree in Naval Architecture & Ocean Engineering.

Mr. FU Xiangyang[3] (傅向陽)

Mr. Fu, aged 52, was a Supervisor and the chairman of the supervisory committee of the Company. He has been the secretary of the board of directors of COSCO SHIPPING since 2016. Mr. Fu assumed various positions such as the deputy head of officer department of Shanghai Ocean Shipping Co., Ltd. (上海遠洋運輸有限公司), the deputy general manager of the human resources department of COSCO SHIPPING Lines and the deputy general manager of Shanghai Ocean Industrial Company (上海遠洋實業總公司) (in charge of operation). He was also the deputy head of the organization department, the deputy general manager of the human resources department, the head of the operation division of the party members' group, the deputy party secretary and the secretary of the league committee of COSCO, and the head of corporate culture department of the Company. Mr. Fu has served as a director of COSCO and the chairman of its labour union and held other positions since October 2011. Mr. Fu has more than 20 years of experience in the shipping industry and has extensive experience in corporate management. Mr. Fu graduated from Fudan University majoring in business administration and Missouri State University in the United States of America majoring in the same. Mr. Fu has obtained a master degree and is an economist.

Directors, Supervisors and Senior Management

Mr. HAO Wenyi[3] (郝文義)

Mr. Hao, aged 57, was a Supervisor. He is currently a supervisor and the deputy chief of the disciplinary team of the communist party committee of China COSCO SHIPPING, a supervisor of COSCO SHIPPING Development, a supervisor of COSCOL, a supervisor of COSCO SHIPPING Heavy Industry Company Limited (中遠海運重工有限公司), a supervisor of COSCO SHIPPING Technology Co., Ltd. and supervisors of certain subsidiaries. Mr. Hao previously served as the deputy department head of the general department of the general office, head of the office and head of the ministerial office of the supervision department under the CPC Central Commission for Discipline Inspection, deputy chief of the disciplinary team of the communist party committee, the head of the supervision and audit department and secretary to discipline inspection work committee for overseas enterprises of China Shipping. Mr. Hao has more than 20 years of work experience in the discipline inspection and has been awarded personal second-class merit by the Ministry of Personnel and collective second-class merit by the supervision department under the CPC Central Commission for Discipline Inspection. Mr. Hao graduated from the economics postgraduate course of Beijing Administrative College (北京市委黨校) and is a senior political scientist.

Mr. FANG Meng[3] (方萌)

Mr. Fang, aged 61, was an employee Supervisor of the Company. He has served as a party secretary, an executive Director and a deputy managing director of COSCO SHIPPING Ports. He previously served as a deputy general manager of the enterprise managing division of China Shipping Group, the general manager and a member of the Party committee of China Shipping International Trading Co., Ltd., the general manager, a member of the Party committee of China Shipping Terminal Development Co., Ltd., and the general manager, a member of the Party committee and others positions of China Shipping Ports Development Co. Ltd. Mr. Fang has over 30 years of experience in shipping industry, and has extensive experience in ship management, terminal operation and corporate management. Mr. Fang graduated from Shanghai Jiao Tong University majoring in ship engineering in February 1982 and graduated from the "Senior Manager (EMBA) Master Research programme" jointly organised by Shanghai University/San Francisco USA in April 1995. He is a senior engineer.

Mr. DENG Huangjun[5] (鄧黃君)

Mr. Deng, aged 58, is currently an employee Supervisor, the executive director and deputy general manager of COSCO SHIPPING Ports and the director of several subsidiaries. Mr. Deng joined China Ocean Shipping Company Limited (a direct controlling shareholder) in 1983, he had previously been the section manager of the cost section of finance department of Shanghai Ocean Shipping Company, the deputy manager of finance department and head of settlement department of COSCO SHIPPING Lines, the deputy general manager and the general manager of the finance department and chief financial officer of COSCO SHIPPING Lines, and the chief financial officer of the Company. Mr. Deng graduated from Shanghai Maritime Transportation Institute, majoring in shipping accounting. He is a senior accountant.

Mr. MENG Yan (孟焰)

Mr. Meng, aged 64, is currently an independent Supervisor. Mr. Meng has been working at the Central University of Finance and Economics since 1982 and was the deputy director and the director of its Accounting Department and the dean of its Faculty of Accounting. He is currently a professor and a tutor of doctorate students of the Faculty of Accounting of Central University of Finance and Economics, the executive member of the Accounting Society of China and the China Society for Finance and Accounting. Mr. Meng is also an independent director of Beijing Bashi Media Co., Ltd., Sinotrans Limited, Jolimark Holdings Limited, Beijing Capital Co., Ltd. and China Isotope and Radiation Corporation (中國同輻股份有限公司). Mr. Meng graduated from the Research Institute for Fiscal Science of the Ministry of Finance and obtained a doctorate degree in economics (accounting). He has been entitled to the governmental special allowance from the State Council of the PRC since 1977. He was named the National Outstanding Teacher in 1993 and was given the Higher Education National Level Teaching Award of by Ministry of Education of the PRC in 2011.

Directors, Supervisors and Senior Management

Mr. ZHANG Jianping (張建平)

Mr. Zhang, aged 54, is currently an independent Supervisor. He is a professor of the International Business School and the director of the Capital Market and Investment and Financing Research Center of the University of International Business and Economics. Mr. Zhang assumed various positions such as the director of the Department of Teaching and Research, the dean and the vice president of the International Business School of the University of International Business and Economics. He is currently an independent director of Hunan Valin Steel Co., Ltd. (湖南華菱鋼鐵股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 000932), Shen Zhen Worldunion Properties Consultancy Co., Ltd. (深圳世聯地產顧問股份有限公司)(a company listed on the Shenzhen Stock Exchange, stock code: 002285), China First Heavy Industries Co., Ltd. (中國第一重型機械股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code:601106), and Cinda Securities Company Limited (信達證券股份有限公司), respectively. Mr. Zhang graduated from the University of International Business and Economics with a doctorate degree of transnational business management.

Ms. CHEN Xiang (陳翔)

Ms. Chen, aged 55, was previously a deputy general manager of the Company and is currently the director and executive committee member of OOCL. She joined the Group in July 1985, and had been the deputy director, director and deputy general manager of the marketing department of COSCO Container Lines Co., Ltd., general manager of corporate communication and development department, and deputy general manager of COSCO Container Lines Co., Ltd. Ms. Chen graduated from the shipping management department of Shanghai Maritime Transportation Institute with major in transportation management system engineering, she was a postgraduate of master program and a senior economist.

Mr. YAO Erxin (姚爾欣)

Mr. Yao, aged 63, is currently the deputy general manager of the Company, the director of the corporate operation, corporate market, global regional management and route network management centre and a member of executive committee of Orient Overseas Container Line Limited. Mr. Yao joined OOIL in 1993 and served in various capacities of OOIL for 25 years, he was the executive vice president of OOCL Logistics and head of corporate services department, the managing director of Orient Overseas Container Line (China) Co., Ltd. and OOCL Logistics (China) Limited, and the president and the head of corporate planning and corporate administration department of OOCL (USA) Inc.. Mr. Yao was awarded the Bachelor of Arts degree from Toronto/Fudan University joint program and a Master of International Affairs degree from Columbia University.

Mr. ZHU Jiandong[1] (朱建東)

Mr. Zhu, aged 55, was the deputy general manager of the Company. Mr. Zhu joined the Group in August 1984, he had been the second officer and the deputy head of the shipping section of Shanghai Ocean Shipping Co., Ltd., deputy manager of container shipping division I and deputy manager of container shipping division II at the container shipping head office of China COSCO SHIPPING Corporation Limited, manager of container shipping division I, general manager of marketing department and general manager of America trade region of COSCO Container Lines Co., Ltd., vice president of European branch of COSCO Container Lines Co., Ltd., executive vice president of American branch of COSCO Container Lines Co., Ltd., executive vice president of COSCO Americas Inc., deputy general manager of COSCO Container Lines Co., Ltd., deputy general manager of COSCO SHIPPING Lines Co., Ltd. and a director and a member of the executive committee of Orient Overseas Container Line Limited. Mr. Zhu graduated from the University of Hong Kong with major in management and was a postgraduate of master program.

Directors, Supervisors and Senior Management

Mr. Stephen NG[6] (伍紹裘)

Mr. Ng, aged 61, was the deputy general manager of the Company. He joined OOIL in 1987, and worked in various capacities including the head of corporate planning, the head of pacific shipping routes and the official spokesman of OOCL, and a director and a member of the executive committee of COSCO SHIPPING Lines Co., Ltd.. Mr. Stephen Ng holds a Bachelor of Social Sciences degree from the University of Hong Kong and a Master of Business Administration degree from the Chinese University of Hong Kong.

Mr. ZHANG Mingwen (張銘文)

Mr. Zhang, aged 41, is the chief financial officer (總會計師) of the Company (the "**Chief Financial Officer**"), the chief financial officer of OOIL, and a director, the chief financial officer and the member of the executive committee of OOCL. Mr. Zhang previously served as the deputy section chief and vice director of the capital centre of the planning and finance department of China Shipping (Group) Company (currently known as China Shipping Group Company Limited), the assistant to the general manager of the planning and finance department of China Shipping (Group) Company and the assistant to the general manager of the financial capital department of China Shipping (Group) Company, and the deputy chief financial officer (副總會計師) and the chief financial officer (總會計師) of COSCO SHIPPING Development. Mr. Zhang has nearly 20 years of working experience in the shipping industry and has extensive experience in areas including finance and capital management, shipping finance and capital operation. Mr. Zhang graduated from the Faculty of Finance of Shanghai University of Finance and Economics majoring in investment economics and from the Antai College of Economics & Management of Shanghai Jiao Tong University majoring in business administration, and obtained a bachelor 's degree in economics and a master 's degree in business administration. Mr. Zhang is a Chartered Financial Analyst (CFA) and a senior accountant.

Mr. Steve SIU (蕭啟豪)

Mr. Siu, aged 62, is currently the deputy general manager of the Company, the deputy general manager of COSCO SHIPPING Lines Co., Ltd., and the chief information officer, a director of the corporate services department and a member of the executive committee of Orient Overseas Container Line Limited. He has been appointed as the chief executive officer of CargoSmart since January 2002. Mr. Siu joined OOIL in 1987 and served in various capacities of OOIL for 30 years. Mr. Steve Siu holds a Bachelor of Science degree and a Master of Science degree from University of Essex, UK, and a Master of Business Administration degree jointly awarded by Northwestern University and the Hong Kong University of Science and Technology.

Mr. CHEN Shuai (陳帥)

Mr. Chen, aged 44, is currently the deputy general manager of the Company, deputy general manager of COSCO SHIPPING Lines and a director of the corporation planning division and a member of the executive committee of OOCL. Mr. Chen joined the Group in July 1995, had served in various capacities, including the assistant to manager and the deputy manager of container shipping division I of China Shipping Container Lines Co., Ltd., the assistant to general manager of China Shipping Container Lines (Hong Kong) Co., Ltd., the general manager of America division of China Shipping Container Lines Co., Ltd., and the assistant to general manager and deputy general manager of China Shipping Container Lines Co., Ltd. Mr. Chen graduated from Shanghai Maritime Academy with major in marine engineering management.

Mr. GUO Huawei (郭華偉)

Mr. Guo, aged 54, is currently the secretary to the Board and company secretary of the Company, and the chairman of the labour union of the Company. Mr. Guo was the deputy department head (in charge of the work) of the enterprises restructure department of the management division, the deputy general manager and the deputy general manager (in charge of the work) of the capital operation division of COSCO, the general manager of the investor relationship department and the strategic development department of COSCO Corporation (Singapore) Limited. Mr. Guo has extensive experience in the shipping industry and in capital operation and is currently a fellow member of The Hong Kong Institute of Chartered Secretaries. Mr. Guo graduated from Northern Jiaotong University, majoring in transportation economics. He holds a doctorate degree and is a senior economist.

Notes:

1. With effect from 30 August 2019: (i) Mr. Huang Xiaowen resigned as the vice chairman of the Board and an executive Director of the Company; (ii) Mr. Wang Haimin resigned as the general manager of the Company and was appointed as the vice chairman of the Board of the Company; (iii) Mr. Yang Zhijian was appointed as the general manager of the Company; (iv) Mr. Zhang Wei resigned as an executive Director and the deputy general manager of the Company; and (v) Mr. Zhu Jiandong resigned as the deputy general manager of the Company. For details, please refer to the announcement of the Company dated 30 August 2019.

2. With effect from 9 October 2019: (i) Mr. Wang Haimin resigned as a member of the Strategic Development Committee, the chairman of the Risk Control Committee and a member of the Nomination Committee; (ii) Mr. Yang Zhijian was appointed as an executive Director, a member of the Strategic Development Committee, the chairman of the Risk Control Committee and a member of the Nomination Committee; (iii) Mr. Feng Boming was appointed as an executive Director and a member of the Remuneration Committee; and (iv) Mr. Teo Siong Seng was appointed as a member of the Risk Control Committee. For details, please refer to the announcement of the Company dated 9 October 2019.

3. With effect from 17 April 2019: (i) Mr. Feng Boming resigned as a non-executive Director and a member of the Remuneration Committee; (ii) Mr. Zhang Wei resigned as a non-executive Director and a member of the Risk Control Committee; and (iii) Mr. Chen Dong resigned as a non-executive Director and a member the Audit Committee; (iv) Mr. Fu Xiangyang resigned as the Supervisor representing the Shareholders and the chairman of the supervision committee; (v) Mr. Hao Wenyi resigned as the Supervisor representing the Shareholders; and (vi) Mr. Fang Meng resigned as the Supervisor representing the employees. For details, please refer to the announcement of the Company dated 17 April 2019.

4. With effect from 12 July 2019, Mr. Wu Dawei was appointed as a member of the Audit Committee of the Company. For details, please refer to the announcement of the Company dated 12 July 2019.

5. On 30 January 2019, at the employee representatives' conference held by the Company, Mr. Deng Huangjun was elected as a Supervisor representing the employees. For details, please refer to the announcement of the Company dated 30 January 2019.

6. On 1 April 2019, Mr. Stephen Ng resigned as a deputy general manager of the Company.

7. On 22 August 2019, Ms. Chen Xiang resigned as a deputy general manager of the Company.

Note: *This section was prepared based on the information available on 20 April 2020, being the latest practicable date before printing of this annual report for ascertaining certain information herein.*

Corporate Governance Report

I. Corporate Governance

During the Reporting Period, the Company strictly complied with the requirements of laws and regulations, including Company Law, Code of Corporate Governance for Listed Companies, Guidance on the Establishment of Independent Director System in Listed Companies, Rules of Shareholders' General Meeting of Listed Companies and Guidance for Articles of Association of Listed Companies, and constantly improved the corporate governance and the standard operating level. The Company focused on the roles and functions of the board and the professional committees. In light of the reform and restructuring progress of the Company, the Company has revised its corporate governance rules and regulations, including the Administrative Measures for Related Transactions, Administrative Measures for Information Disclosure, Operation Rules of the Remuneration Committee of the Board, Rules of Procedures of the Risk Management Committee of the Board, Operation Rules of the Nomination Committee of the Board, and has made full use of the functions of the Board and the professional committees to ensure that the functions and responsibilities of the shareholders' general meetings, meetings of the board of directors and supervisory committee are fully fulfilled and to protect the interests of shareholders and the Company.

During the Reporting Period, the Company attempted to meet the best standards of governance and strengthened internal governance by improving the corporate governance structure to promote the construction of a long-term mechanism of compliance management and standardize "the operation of the three meetings" to improve operational efficiency; establishing a communication platform to set up a mechanism for collaborated working process and operation to enhance the planning efficiency and foresight of various works; improving the internal control system and risk management process to clarify the main responsibility and management responsibilities to distinguish accountability and ensure the effectiveness of measures; and through improvements of on-the-job training, updates of regulatory regulations, management of equity information, regular report of information and on-site research and inspection, the functions of independent directors and intermediary institutions were fully utilized to promote the performance of duties and responsibilities of the directors, supervisors and senior management were effectively.

At the 15th Golden Round Table Awards for Listed Companies in China presentation organized by the "Board of Directors" Magazine as lead organizer and co-organized by Beijing Association for Listed Companies, Shenzhen Association for Listed Companies and the Associations for Listed Companies of more than 20 provinces including Shanghai and Guangdong, the Company emerged from numerous listed companies to be the winner of the "Golden Round Table Award – Excellent Board of Directors Prize" that highlighted the legal and compliant operation of the Company, and our steady improvement in governance level was generally recognized by the industry.

II. Model Code for Securities Transactions by Directors

Since the listing of the Company on the Main Board of the Hong Kong Stock Exchange in 2005, the Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code for the dealings in securities transactions by the Directors. Having made specific enquiries with all Directors and Supervisors, they have confirmed that they complied with the required standards set out in the Model Code throughout the year ended 31 December 2019.

III. Report on the Company's compliance with the Corporate Governance Code

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 as set out in Appendix 14 to the Listing Rules. The Board has reviewed the daily corporate governance of the Company according to the relevant provisions of the Code of Corporate Governance set out in Appendix 14 to the Listing Rules and considered that the Company has operated according to the code provisions during the Reporting Period, and complied with the requirements of the provisions of the Corporate Governance Code, with an effort to carry out the recommended best practices.

To the knowledge of the Directors, there is no information that would reasonably indicate that the Company had not complied with the Corporate Governance Code at any time during the year ended 31 December 2019.

A. Directors

A1. The Board

Principle of the Code • *The board should assume responsibility for its leadership and control of the issuer and be collectively responsible for directing and supervising the issuer's affairs. Directors should take decisions objectively in the best interests of the issuer.* • *The board should regularly review the contribution required from a director to perform his responsibilities to the issuer, and whether he is spending sufficient time performing them.*
The corporate governance situation of the Company • The Board fully represents the Shareholders' interests and has set up development strategies of the Company within the scope of powers as provided under the Articles of Association. The Board monitors and implements the Company's operation management, so as to achieve a steady return of long term results. • Directors attend Board meetings as scheduled and carefully review materials of the meetings and actively fulfill their responsibilities. Independent non-executive Directors regularly inspect the management of connected transactions of the Company.

Compliance procedures of the Corporate Governance Code – Code provisions

<table>
<tr><th>Code provisions</th><th>Compliance</th><th>Procedures of Corporate Governance</th></tr>
<tr><td>• The board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. It is expected regular board meetings will normally involve the active participation, either in person or through electronic means of communication, of a majority of directors entitled to be present. So, a regular meeting does not include obtaining board consent through circulating written resolutions

• To disclose the attendance of each director, by name, at the board and general meetings pursuant to the mandatory disclosure requirements under the Corporate Governance Report</td><td>Yes</td><td>In 2019, the Company convened 16 Board meetings. Attendance of members of the Board at Board meetings in 2019 was near to 100% and details of the attendance of Board meetings and general meetings are listed as follows:

<table>
<tr><th></th><th colspan="4">(Number of meetings attended/ Number of meetings which should be attended)</th></tr>
<tr><th></th><th>Board meetings</th><th>Attendance</th><th>General meetings</th><th>Attendance</th></tr>
<tr><td>XU Lirong</td><td>16/16</td><td>100%</td><td>1/4</td><td>25%</td></tr>
<tr><td>HUANG Xiaowen</td><td>12/12</td><td>100%</td><td>0/2</td><td>0%</td></tr>
<tr><td>WANG Haimin</td><td>16/16</td><td>100%</td><td>3/4</td><td>75%</td></tr>
<tr><td>YANG Zhijian</td><td>3/3</td><td>100%</td><td>1/1</td><td>100%</td></tr>
<tr><td>ZHANG Wei (張為)</td><td>11/12</td><td>92%</td><td>2/2</td><td>100%</td></tr>
<tr><td>FENG Boming</td><td>7/7</td><td>100%</td><td>1/1</td><td>100%</td></tr>
<tr><td>ZHANG Wei (張煒)</td><td>4/4</td><td>100%</td><td>0/0</td><td>0%</td></tr>
<tr><td>CHEN Dong</td><td>4/4</td><td>100%</td><td>0/0</td><td>0%</td></tr>
<tr><td>YANG Liang Yee Philip</td><td>16/16</td><td>100%</td><td>4/4</td><td>100%</td></tr>
<tr><td>WU Dawei</td><td>16/16</td><td>100%</td><td>4/4</td><td>100%</td></tr>
<tr><td>ZHOU Zhonghui</td><td>16/16</td><td>100%</td><td>4/4</td><td>100%</td></tr>
<tr><td>TEO Siong Seng</td><td>16/16</td><td>100%</td><td>4/4</td><td>100%</td></tr>
</table></td></tr>
</table>

Code provisions	Compliance	Procedures of Corporate Governance
• All directors are given an opportunity to include matters in the agenda for regular board meetings	Yes	Relevant notice will be given to the Directors and sufficient time will be given for them to suggest proposals to be included in the agenda of Board meetings. All Directors have opportunities for the inclusion of their proposals in the agenda of regular Board meetings.
• Notice of at least 14 days should be given of a regular board meeting	Yes	Notices of regular Board meetings have been given at least 14 days before the convening of the meetings, and notices and agenda of extraordinary Board meetings were given within reasonable time pursuant to the Articles of Association.
• Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting, and should be open for inspection at any reasonable time by any director	Yes	The Board secretary has been responsible for organizing and keeping the minutes of Board meetings. The minutes of Board meetings and the records and related information of the special committees have been properly and perpetually kept in the Company's domicile as important files of the Company, and available for the inspection by Directors at any time.
• Minutes of the board meetings and meetings of board committees should record in sufficient detail the matters considered and decisions reached	Yes	Minutes of Board meetings have made objective and detailed records on the matters considered, voting and opinions issued by the Directors in the meetings, and confirmed by the Directors.
• Directors should be entitled to seek independent professional advice in accordance with the agreed procedures at the issuer's expense	Yes	In respect of matters requiring opinions from professional institutions, the Company has appointed professional institutions upon Director's request to provide independent opinions at the expense of the Company.

Code provisions	Compliance	Procedures of Corporate Governance
• If a substantial shareholder or a director has conflict of interest in a material matter, the matter should be dealt with by a physical board meeting rather than a written resolution	Yes	The Company has adopted provisions in respect of abstaining from voting of connected Directors in the Articles of Association and the Rules of Procedures of the Board. The matters in which a substantial shareholder or a director had conflict of interests were dealt with by a physical board meeting, details of which: 1. The twenty-first meeting of the fifth session of the Board considered the resolution of COSCO SHIPPING Ports in relation to Chancay Project in Peru, on which Zhang Wei (our Director) abstained from voting. 2. The twenty-third meeting of the fifth session of the Board considered the resolution in relation to the revision of "Share Option Incentive Scheme of COSCO SHIPPING Holdings Co., Ltd. (Draft)" and the summary thereof, on which Wang Haimin (our Director) abstained from voting. 3. The thirty-first meeting of the fifth session of the Board considered the resolution in relation to the proposed investment of its holding subsidiary with related parties and connected transactions, on which Xu Lirong (our chairman), Huang Xiaowen (our Director), Wang Haimin (our Director) and Zhang Wei (our Director) abstained from voting. 4. The thirty-fifth meeting of the fifth session of the Board considered the resolution in relation to entering into the 2020-2022 continuing connected transaction agreement with China COSCO SHIPPING Group, approving the agreed cap amount, establishing the independent board committee and engaging the independent financial adviser, on which Xu Lirong (our chairman), Wang Haimin (our Director), Yang Zhijian (our Director) and Feng Boming (our Director) abstained from voting. 5. The thirty-fifth meeting of the fifth session of the Board considered the resolution in relation to entering into the 2020-2022 continuing connected transaction agreement with SIPG Group and approving the agreed cap amount, on which Wang Haimin (our Director) abstained from voting. 6. The thirty-fifth meeting of the fifth session of the Board considered the resolution in relation to entering into the 2020-2022 continuing connected transaction agreement with Pacific International Lines and approving the agreed cap amount, on which Teo Siong Seng (our Director) abstained from voting. 7. The thirty-sixth meeting of the fifth session of the Board considered the resolution in relation to adjusting the 2021 annual cap of the connected transaction under the Master Vessel and Container Asset Services Agreement, on which Xu Lirong (our chairman), Wang Haimin (our Director), Yang Zhijian (our Director) and Feng Boming (our Director) abstained from voting.

Code provisions	Compliance	Procedures of Corporate Governance
• To arrange appropriate insurance cover in respect of legal action against the directors	Yes	The Company has purchased liability insurance for the Directors, Supervisors and members of the senior management.

A2. Chairman and Chief Executive

Principle of the Code • *Clear division of responsibilities between the management of the board and the day-to-day management of business, to ensure the balance of power and authority.*
The corporate governance situation of the Company • The Company has clearly specified the duties of the Chairman and the general manager, and separated the functions of the Board and management, and made detailed descriptions in the Articles of Association, Rules of Procedures of the Board of Directors, Guidelines for the Work of the General Manager, so as to ensure the balance of power and authority and the independence of Board decisions, thereby ensuring the independence of the daily operation activities of management.

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• The roles of the chairman and chief executive should be separate, and the division of responsibilities between them should be clearly established and set out in writing	Yes	Mr. Xu Lirong has served as the chairman of the Company during the Reporting Period and no chief executive officer has been appointed by the Company.
• The chairman should ensure that all directors are properly briefed on issues arising at board meetings	Yes	In respect of matters to be considered by the Board, adequate information has been provided to the Directors with sufficient communication before the meeting, and special meetings have been convened upon the request of the Directors to report on the matters concerned. Detailed explanations would be made at the meeting by the chairman of the Board or management of the Company on the motions where necessary.
• The chairman should ensure that the directors receive adequate information in a timely manner which must be accurate, clear, complete and reliable	Yes	The chairman of the Board has arranged the Board secretary to provide information regarding the progress of the various matters of the Company to all the Directors each month and the management of the Company has presented the key data of performance to members of the Board each month, so that the Directors may obtain timely and adequate information.

Corporate Governance Report

Code provisions	Compliance	Procedures of Corporate Governance
• The chairman should be primarily responsible for drawing up and approving the agenda of the board meetings	Yes	Agenda of Board meetings are discussed by the chairman of the Board with the executive Directors and the Board secretary and are decided after taking into consideration of all the matters proposed by each Director.
• The chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established	Yes	The chairman of the Board assumes an important role in the promotion of the development of the Company's corporate governance, delegates the Board secretary to set up a good corporate governance system and procedure, supervises management to loyally implement the various systems, and ensures the regularized operation of the Company.
• The chairman should encourage all directors to make full and active contribution to the board's affairs, ensure the board will act in the best interests of the issuer. The chairman should encourage directors with different views to voice their concerns, allow sufficient time for discussion of issues, and ensure the board decisions fairly reflect board consensus	Yes	The chairman of the Board has encouraged all Directors to be involved in the affairs of the Board and make effective contribution to the Board and requested the Board to act in the best interests of the Company.
• The chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors	Yes	The chairman of the Board has communicated fully with independent non-executive Directors face-to-face appropriately before the start and after the end of physical Board meetings. In 2019, the chairman of the Board had a face-to-face communication with independent non-executive Directors at the Board meeting, on which relevant issues the independent non-executive Directors cared about were communicated and discussed in furtherance.
• The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the board as a whole	Yes	The chairman of the Board has placed great emphasis on the effective communication between the Company and the Shareholders, attended and presided over Shareholders' general meetings and continued to promote and improve investor relationship, and has dedicated himself to realizing maximum returns of Shareholders.

Code provisions	Compliance	Procedures of Corporate Governance
• The chairman should promote a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular, and ensuring constructive relations between executive and non-executive directors	Yes	The chairman of the Board has placed great emphasis on the contributions of Directors to the Board, and made efforts to ensure the executive Directors and non-executive Directors maintain constructive relations with each other.

A3. Board composition

Principle of the Code

- *The Board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the issuer's business. The Board should ensure that changes to its composition can be managed without undue disruption. The Board should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgment. Non-executive directors should be of sufficient calibre and number for their views to carry weight.*

The corporate governance situation of the Company

- As at 31 December 2019, the Board comprised eight members, including four executive Directors and four independent non-executive Directors.
- The independent non-executive Directors have expertise and experience in areas such as shipping, corporate management, finance and laws and are able to make independent judgments, which ensures the decisions of the Board are made prudently and comprehensively.
- There is no relationship (including financial, business, family or other material relationship) among the members of the Board.

Compliance procedures of the Corporate Governance Code – Code provisions and Recommended Best Practices

Code provisions	Compliance	Procedures of Corporate Governance
• The independent non-executive directors should be identified in all corporate communications that disclose the names of directors	Yes	The Company has disclosed the name of the members of the Board according to the category of the Directors in all corporate communications which disclose the name of directors.
• An issuer should maintain on its website and on the Exchange's website an updated list of its directors identifying their role, function and independence	Yes	The Company has published the list of Board members and their biographies on its website and the website of the Hong Kong Stock Exchange, setting out their roles, functions and independence.
Recommended Best Practices The board should state its reasons if it determines that a proposed director is independent notwithstanding that the individual holds cross-directorships or has significant links with other directors through involvements in other companies or bodies.	Yes	There is no proposed director holds cross-directorships or has significant links with other directors through involvements in other companies or bodies occurred in the Company. The Company strictly complied with the requirements of independence of non-executive directors under the Listing Rules.

A4. Appointments, re-election and removal

Principle of the Code • *There should be a formal, considered and transparent procedure for the appointment of new directors. There should be plans in place for orderly succession for appointments to the board. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director.*
The corporate governance situation of the Company • The Company has set up a nomination committee under the Board. The nomination committee shall make proposals on the appointment, re-election, removal and relevant procedures of the candidates of Directors, present the proposals for the Board's consideration, which will finally be determined by the Shareholders' meeting. The resignation of a Director and the reason for such resignation shall be disclosed in a timely manner.

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• Non-executive directors should be appointed for a specific term subject to re-election	Yes	As provided in the Articles of Association, the Directors (including non-executive Directors) shall be elected at the Shareholders' general meeting for a term of three years, subject to re-election.
• Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment	Yes	The Directors appointed to fill in temporary vacancies are subject to re-election by Shareholders at the Shareholders' general meeting.
• Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years	Yes	The Directors are subject to re-election by the shareholders' general meeting according to the sessions of the Directors.
• If an independent non-executive director serves more than nine years, any proposal of further appointment of such independent non-executive director shall be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should include the reasons why the board believes he is still independent and should be re-elected	Yes	Article 108 of Chapter 10 of the Articles of Association specifies that the term of office of an independent Director shall not exceed six years. It is the Company's practice to hold re-election when such term expires.

A5. Nomination Committee

Code provisions	Compliance	Procedures of Corporate Governance
• The issuer should establish a nomination committee which is chaired by the chairman of the Board or an independent non-executive director and comprises a majority of independent non-executive directors	Yes	The Board has set up a nomination committee, of which the chairman is an independent non-executive Director and the members include one executive Director and one independent non-executive Director.
• The issuer should set out specific written terms of reference of the nomination committee	Yes	The Company has adopted the Operation Rules of the Nomination Committee, specifying the powers and duties of the nomination committee, and published its terms of reference on the websites of the Company and the Hong Kong Stock Exchange.
• The nomination committee should make available its terms of reference explaining its roles and the authority delegated to it by the board		
• The issuer should provide the nomination committee with sufficient resources to perform its duties. Where necessary, the nomination committee should seek independent professional advice at the expense of the issuer	Yes	The Company has actively assisted the nomination committee in performing their work, so as to ensure they are adequately resourced to discharge their duties. For matters that require advice from professional institutions, the Company has engaged the professional institutions for independent advice at its own expense.
• Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, the circular accompanying the notice of the relevant general meeting should specify the reason for such election and other information required by the Listing Rules	Yes	During the Reporting Period, no independent non-executive directors was appointed by the Company.

A6. Responsibilities of directors

Principle of the Code • *Every director must always know his responsibilities as a director of an issuer and its conduct, business activities and development. Given the essential unitary nature of the board, non-executive directors have the same duties of care and skill and fiduciary duties as executive directors.*
The corporate governance situation of the Company • The Company has adopted the Rules of Procedures of the Board of Directors, Guidelines of the Work of Independent Directors and guidelines of the works of various special committees, clearly specifying the duties of each of the Directors, so as to ensure that all Directors fully understand their roles and responsibilities. • The Board secretary is responsible for ensuring that all Directors receive the Company's latest business development and renewed statutory information.

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• Every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on appointment. Subsequently he should receive any briefing and professional development necessary to ensure that he has a proper understanding of the issuer's operations and business and is fully aware of his responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the issuer's business and governance policies	Yes	Upon the appointment of a new Director, the Company has provided related information to the new Director in a timely manner and arranged training for the Director, including introduction of the Company's business, responsibilities of Directors, the Company's rules and regulations and domestic and overseas laws, regulations and regulatory requirements.
• Functions of non-executive directors	Yes	The non-executive Directors have actively attended Board meetings, and acted as members of various special committees, inspected the achievements of the Company's business objectives, and provided independent opinions on the decisions of the Board.

Code provisions	Compliance	Procedures of Corporate Governance
• Every director should ensure that he can give sufficient time and attention to the issuer's affairs	Yes	All Directors have diligently discharged their duties and taken their responsibilities seriously. The attendance of Directors at the meetings of the Board and various special committees in 2019 was relatively high, indicating that the Directors have spent sufficient time on the Company's business.
• The board should establish written guidelines no less exacting than the Model Code for relevant employees in respect of their dealings in issuer's securities	Yes	According to the relevant requirements of the Model Code, the Company shall give notice of blackout period to Directors, Supervisors and senior management within the specified period prior to the issue of annual, interim and quarterly reports to restrict them from dealing in the Shares within the specified period.
• All directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The issuer should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director ***Note: Directors should provide a record of the training they received to the issuer.***	Yes	All Directors have the opportunities to attend professional training programmes arranged by the Company during their terms of appointment at the expense of the Company, and their records of trainings attended shall be provided to the Company. The Company has provided assistance to Directors to participate in the relevant training programmes organized by the Stock Exchange, the Shanghai Stock Exchange and other regulatory authorities. The Company has also engaged legal consultants and staff from regulatory authorities at home and abroad to provide training programmes.
• The directors should at the time of their appointments (and thereafter) disclose their positions and other significant commitments in other entities	Yes	Each of the Directors has upon the acceptance of appointment provided the Company with his or her positions and other major commitments in other companies and updated the Company if any changes arise.

Code provisions	Compliance	Procedures of Corporate Governance
• Independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. In general, they should also attend general meetings to gain and develop a balanced understanding of the views of shareholders	Yes	All Directors (including independent non-executive Directors and other non-executive Directors) have actively attended Board meetings, meetings of the board committees and general meetings of the Company.
• Independent non-executive directors and other non-executive should make a positive contribution to the development of the issuer's strategies and policies through independent, constructive and informed comments	Yes	All non-executive Directors have been able to provide independent and constructive opinions with grounds to the Company in formulating strategies and policies.

A7. Supply of and access to information

Principle of the Code • *Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make informed decisions and perform their duties and responsibilities.*
The corporate governance situation of the Company • The Board secretary is responsible for the provision of all information to the Directors, including documents for the meetings of the Board and the special committees, regular provision of the reports of the Company's business progress, financial targets, development plans and strategic plans, as well as latest information on other statutory requirements relating to the Listing Rules, and for the continued enhancements of the quality and timely release of information.

Compliance procedures of the Corporate Governance Code – Code provisions

Code Provisions	Compliance	Procedures of Corporate Governance
• For regular board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers should be sent, in full, to all directors. These should be sent in a timely manner and at least three days before the intended date of a board or board committee meeting (or other agreed period)	Yes	All documents of the past meetings of the Board and special committees were sent to each of the Directors at least three days before the meetings.
• Management has an obligation to supply the board and its committees with adequate information, in a timely manner, to enable it to make informed decisions. To fulfil his duties properly, a director may not, in all circumstances, be able to rely purely on information provided voluntarily by management and he may need to make further enquiries. Where any director requires more information than is volunteered by management, he should make further enquiries where necessary. So, the board and individual directors should have separate and independent access to the issuer's senior management	Yes	Management of the Company has been able to provide sufficient information to the Board and its subordinate committees in a timely manner. The Directors have been able to communicate with management of the Company by themselves to obtain further information required.
• All directors are entitled to have access to the board papers and related materials. The papers and related materials should be in a form and quality sufficient to enable the board to make informed decisions on matters placed before it. Queries raised by directors, should receive a prompt and full response if possible	Yes	The documents of the Board and the special committees are being kept by the Board secretary, and are available for the inspection by all Directors at any time. The Company has arranged related personnel to give timely response in respect of the questions raised by the Directors.

B. Remuneration of Directors and senior management and Board evaluation

B1. The level and make-up of remuneration and disclosure

Principle of the Code

- *An issuer should disclose its directors' remuneration policy and other remuneration related matters. The procedure for setting policy on executive directors' remuneration and all directors' remuneration packages should be formal and transparent. Remuneration levels should be sufficient to attract and retain directors to run the company successfully without paying more than necessary. No director should be involved in deciding his own remuneration.*

The corporate governance situation of the Company

- The Company has set up a remuneration committee. The terms of reference of the Remuneration Committee includes determination and review of the remuneration policies and plans of the directors and managers of the Company.

- In 2019, the remuneration committee convened 5 meetings to review matters such as the performance appraisal of the senior management of COSCO SHIPPING Holdings in 2019, make recommendation to the Board of remuneration of directors, and review the remuneration packages of the Company's senior management staff in 2019 based on the performance appraisal results and the Company's remuneration management system, and the remuneration committee was of the view that the remuneration of the Company's senior management staff was in accordance with corporate performance appraisal and management regulation on remuneration, and the relevant process of decision-making was lawful and valid.

Compliance procedures of the Corporate Governance Code – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The remuneration committee should consult the chairman and/or chief executive about their remuneration proposals for other executive directors. The remuneration committee should have access to independent professional advice if necessary	Yes	The remuneration committee has communicated with the Chairman and the President in respect of the remuneration of the Directors, Supervisors and senior management and should have access to independent professional advice if necessary.
• Functions of the remuneration committee	Yes	The Company has established the Operation Rules for the Remuneration Committee of the Company, clearly setting out the duties of the remuneration committee.

Code provisions	Compliance	Procedures of Corporate Governance
• The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on the Exchange's website and the issuer's website	Yes	The terms of reference of the remuneration committee have been published on the Company's website and the website of the Hong Kong Stock Exchange.
• The remuneration committee should be provided with sufficient resources to perform its duties	Yes	The Company's human resources department and the general office have actively cooperated with the remuneration committee to perform their works in the discharge of their duties.
• Issuers should disclose the details of the remuneration payable to members of senior management by band in their annual reports	Yes	The Company has disclosed the remuneration of all senior management by band in its annual reports and accounts.
Recommended Best Practices		
• A significant portion of executive directors' remuneration should link rewards to corporate and individual performance	Yes	The remuneration of the executive Directors and senior management are in general linked with the performance of the Company and their individual performance.
• Issuers should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in their annual reports	Yes	The Company has disclosed the remuneration and names of the Directors, Supervisors and senior management in the annual reports and accounts.
• The board should conduct a regular evaluation of its performance	Yes	The Board has carried out such evaluation annually.

C. Accountability and Audit

C1. Financing reporting

Principle of the Code
• *The board should present a balanced, clear and comprehensive assessment of the company's performance, position and prospects.*
The corporate governance situation of the Company
• All regular financial reports issued to the Shareholders by the Board were in compliance with the regulatory requirements of both the stock exchanges of Hong Kong and Shanghai, and the Company continued to improve the management discussion and analysis, and made comprehensive disclosures on the Company's production operation, financial position and project developments. At the same time, the Company has been proactively increasing the amount of information, including information on the Company's operation environment, development strategies, corporate culture, strengthening corporate governance reports, making comprehensive, objective, fair and clear descriptions on the operation management and prospects of the Group.

Compliance procedures of the Corporate Governance Code – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• Management should provide sufficient explanation and information to the board to enable it to make an informed assessment of financial and other information put before it for approval	Yes	Management of the Company has provided the Board with information on the Company's business progress, development plans and financial targets from time to time as the grounds for the Board to make appraisals.
• Management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules	Yes	Management of the Company has submitted the main performance data to the members of the Board on a monthly basis.

Code provisions	Compliance	Procedures of Corporate Governance
• The directors should acknowledge in the Corporate Governance Report their responsibilities for preparing the accounts. There should be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements	Yes	The Directors have acknowledged their responsibilities in preparing financial statements which truly and fairly reflect the Company's situation in the financial year. The auditors' reports have specified the reporting responsibilities of the auditors.
• The directors should include in the separate statement containing a discussion and analysis of the group's performance in the annual report, an explanation of the basis on which the issuer generates or preserves value over the longer term (the business model) and the strategy for delivering the issuer's objectives	Yes	The Company has disclosed the foundation for creating or retaining value in the long run and the strategies to achieve targets of the Company.
• The board should present a balanced, clear and understandable assessment in annual and interim reports, and other financial disclosures required by the Listing Rules	Yes	In its regular reports and external announcements, the Board has made objective, fair and clear descriptions on the situation and prospects of the Company and its subsidiaries.
Recommended Best Practices		
• An issuer should announce and publish its quarterly financial results within 45 days after the end of the relevant quarter	Yes	In addition to the reports on annual and interim results, the Company has also prepared and issued first quarterly and third quarterly results reports. The Company announced and issued quarterly financial results within one month after the end of the first and third quarter, and the information disclosed are sufficient for the Shareholders to assess the Company's performance, financial position and prospects.
• Once an issuer announces quarterly financial results, it shall continue to do so for each of the first 3 and 9 months periods of subsequent financial years		

C2. Risk management and internal controls

<table>
<tr><td>

Principle of the Code

- *The board is responsible for evaluating and determining the nature and extent of the risks which it is willing to take in achieving the issuer's strategic objectives, and ensuring that the issuer establishes and maintains appropriate and effective risk management and internal control systems. The board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the board on the effectiveness of these systems.*

</td></tr>
<tr><td>

The corporate governance situation of the Company

- The Company has established an internal control system, to review the relevant financial, operational and regulatory control procedures from time to time and update and refine the internal control system according to the actual situation from time to time, so as to protect the Company's assets and the Shareholders' interests.

- In its organization structure, the Company has set up an internal audit department to conduct regular inspections, supervisions and appraisals on the Company's financial position, operation and internal control activities according to different business and process flows, and has appointed external audit firms to make regular audits on the Company's financial reports based on the Accounting Standards for Business Enterprises and HKFRSs, and provided independent and objective appraisals and suggestions by way of audit reports.

- The Company has strict rules on the treatment and release of inside information in accordance with relevant requirements of the Listing Rules and the SFO and prohibits any unauthorized use or release of confidential or inside information. The Directors, Supervisors and senior management of the Company have adopted all reasonable measures to ensure proper precautionary measures are in place to prevent the Company from violating relevant disclosure requirements.

</td></tr>
</table>

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• The board should oversee the issuer's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the issuer's and its subsidiaries' risk management and internal control systems has been conducted at least annually and report to shareholders that it has done so in its Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls.	Yes	The Board has overall responsibility for assessing and determining the nature and extent of the risks the Group is willing to take in achieving its strategic objectives, maintaining sound and effective risk management and internal control systems and reviewing their effectiveness for the purpose of ensuring the Shareholder's investment and Group assets. To this end, management continues to allocate resources to internal control and risk management systems to manage (rather than eliminate) the risk of failing to meet business objectives, and to provide reasonable, though not absolute, assurance against material misstatement or loss. The Board had conducted an annual review of the Group's risk management and internal control systems for the year ended 31 December 2019 and considered them effective and adequate. The Company has placed strong emphasis on its internal control, and has established an internal control system and set up an internal audit department in its organization structure to perform supervision and control on the Company's finance, business, compliance and risk management. The Company's chief financial officer has reported to the Audit Committee and the Board on the internal control each year for the appraisals by all Directors.
• The board's annual review should, in particular, ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit and financial reporting functions	Yes	The Company has placed strong emphasis on the professional management and training of finance personnel to improve their professional skills and comprehensive quality. The Company organized annual continuing education for finance personnel on-the-job to attend on time according to the requirements of the Accounting Law《會計法》and planned and arranged finance personnel to receive relevant professional training on accounting standards depending on the changes in the state's finance and tax policies and work requirements, with sufficient training expenses budget as a guaranty.
• Issuers should disclose, in the Corporate Governance Report, a narrative statement on how they have complied with the risk management and on internal control code provisions during the Reporting Period	Yes	The Company has disclosed how it complied with the code provisions on internal control during the Reporting Period in accordance with the relevant requirements of the Corporate Governance Report.

Code provisions	Compliance	Procedures of Corporate Governance
• The issuer should have an internal audit function. Issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report	Yes	The Company has an internal audit function which the supervision and audit department of the Company is responsible for. The Board has authorized the Audit Committee to review the effectiveness of internal audit function of the Company, to monitor the establishment and implementation of the Company's internal audit function and to urge the internal audit function is adequately resourced and has appropriate standing in the Company. The Audit Committee has reviewed the effectiveness of the Company's internal audit function during the Reporting Period.

C3. Audit Committee

Principle of the Code

- *The board should establish formal and transparent arrangements to consider how it will apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the issuer's auditors. The audit committee established under the Listing Rules should have clear terms of reference.*

The corporate governance situation of the Company

- The Board has set up an audit committee, chaired by Mr. Zhou Zhonghui, an independent non-executive Director. Other members include Mr. Yang, Liang Yee Philip (an independent non-executive Director) and Mr. Wu Dawei (an independent non-executive Director), all of whom have professional skills and experience on financial management or legal issuers and are non-executive Directors (including two independent non-executive Directors). One independent Director with professional qualification and professional experience in financial management has also been appointed.

- The Audit Committee is mainly responsible for the supervision of the internal system set up by the Company and its subsidiaries and its implementation, audit on the financial information and disclosures of the Company and its subsidiaries, review on the internal control system (including financial control and risk management) of the Company and its subsidiaries, planning of material connected transactions and communications, supervisions and verifications on the Company's internal and external audits.

- In 2019, the Audit Committee convened four meetings at which the management and the chief financial officer of the Company reported the Company's financial situation and material issues relating to risk management and internal control.

Compliance procedures of the Corporate Governance Code – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• Full minutes of the audit committee meetings should be kept by a duly appointed secretary of the meeting (who should normally be the company secretary). Draft and final versions of minutes of the meetings should be sent to all committee members for their comments and records within a reasonable time after the meeting	Yes	The minutes and related information of meetings of the Audit Committee are properly kept by the Board secretary. The Audit Committee secretary shall be responsible for making detailed records in the minutes of meetings of the Audit Committee on the matters considered in the meetings and submitting such records to the relevant management, departments and intermediary agencies present in the meetings for amendment and confirmation. After being confirmed by all the members of the audit committee present in the meetings, such records shall be signed by the chairman.
• A former partner of the issuer's existing auditing firm should be prohibited from acting as a member of its audit committee for a period of two years from the date of the person ceasing: (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.	Yes	On the date which is two years prior to the appointment of each of Mr. Zhou Zhonghui as the chairman of the Audit Committee; and Mr. Yang, Liang Yee Philip and Mr. Wu Dawei as members of the Audit Committee, each of them was not a partner of the Company's existing auditing firm nor had any financial interest in the firm.
• The terms of reference of the audit committee	Yes	The Company has formulated the Terms of Reference of the Audit Committee which specifies the scope of duties and authorities of the committee in various aspects, including relationship with the Company's auditors, review on the financial information of the Company, supervision and control of the financial reporting system of the Company, internal control procedures and the rules of procedures for meetings.

Code provisions	Compliance	Procedures of Corporate Governance
• The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on the Exchange's website and the issuer's website	Yes	The Terms of Reference of the Audit Committee has been published on the website of the Company and the Hong Kong Stock Exchange.
• Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the issuer should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view	Yes	The Board has no disagreements with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors.
• The audit committee should be provided with sufficient resources to perform its duties	Yes	The Company actively assisted the Audit Committee to perform its work. The members are entitled to consult independent professional opinions based on agreed procedures, at the expense of the Company.
• Employees of the issuer can raise concerns about possible improprieties in financial reporting, internal control or other matters in confidence. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action	Yes	The Company has formulated the Rules of Procedures of the Audit Committee, which facilitates the setting up of channels for reporting possible improprieties in financial reporting, internal control or other matters so that the Company can carry out fair and independent investigation of these matters and take appropriate follow-up actions.
• The audit committee should act as the key representative body for overseeing the issuer's relationship with the external auditor	Yes	The whole Audit Committee should act as the principal representative between the Company and external auditors, and is responsible for the monitoring and coordination of their relationship.

Code provisions	Compliance	Procedures of Corporate Governance
Recommended Best Practices		
• The audit committee should establish a whistleblowing policy and system for employees and other parties who deal with the issuer (e.g. customers and suppliers) to raise concerns, in confidence, with the audit committee, about possible improprieties in any mater related to the issuer	Yes	The Company has set up a system of reporting of the fraudulent cases to the Directors and formulated the "Rules of Procedures of Internal Reporting of Information Regarding Material Breach" of the Company which was approved by the Board and the Audit Committee. The rules require that any violation shall be promptly and separately disclosed to provide details known to the Company.

D. Delegation by the Board

D1. Management Functions

Principle of the Code

- *An issuer should have a formal schedule of matters specifically reserved for board approval. The board should give clear directions to management on matters that must be approved by it before decisions are made on the issuer's behalf.*

The corporate governance situation of the Company

- The main powers of the Board include to convene Shareholders' general meetings, to decide the Company's operation plans and investment plans and the allocation of the Company's internal management bodies, to prepare the Company's annual financial budgets, final accounts and profit distribution plans, to propose plans for the Company's merger, division and dissolution and material acquisition or disposal plans, and to implement resolutions of the general meetings.

- The Board may delegate part of its powers to the special committees and management, and specify matters that must be approved by the Board.

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• When the board delegates aspects of its management and administration functions to management, it must, at the same time, give clear directions as to the management's powers, in particular, where management should report back and obtain prior board approval before making decisions or entering into any commitments on the issuer's behalf	Yes	Management is accountable to the Board. The Management's main duties include leading the Company's operation and management, organizing the implementation of Board resolutions, conducting and implementing economic activities such as investment and asset disposals relating to the Board resolutions, and making reports to the Board. Management may not surpass the scope of its power and the Board resolutions in the exercise of its power.
• An issuer shall formalise the functions reserved to the board and those delegated to management. It should review those arrangements periodically to ensure that they remain appropriate to the issuer's needs	Yes	In the Rules of Procedures of the Board of Directors and Guidelines for the Work of the General Manager, the Company has specified matters requiring resolutions of the Board and functions to be delegated to management.
• An issuer should disclose the respective responsibilities, accountabilities and contributions of the board and management	Yes	In the Articles of Association, Rules of Procedures of the Board of Directors and Guidelines for the Work of the General Manager, the Company has specifically set out the division of responsibilities between the Board and management, and has made announcements to the public.
• Directors should clearly understand delegation arrangements in place. Issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment	Yes	Each of the new Directors has received a formal appointment letter, specifying the principal terms and conditions relating to such appointment.

D2. Board committees

Principle of the Code

- *Board committees should be formed with specific written terms of reference which deal clearly with their authority and duties.*

The corporate governance situation of the Company

- The Board has six subordinate special committees, including the strategic development committee, the risk management committee, the audit committee, the remuneration committee, the nomination committee and the executive committee. The Board shall fully consider the professional skills and experience of the directors when selecting them as the members of the special committees, thereby enabling the work of the committees be performed with high efficiency. Among these, the majority of the members of the audit committee, the remuneration committee and the nomination committee are independent non-executive Directors.

- Each of the committees has specific working guidelines, setting out the rights and obligations and the rules of procedures of the committees.

The attendance of the meetings of special committees (number of meetings attended/number of meetings to be attended)

	Strategic Development Committee	Risk Management Committee	Audit Committee	Remuneration Committee	Nomination Committee	Executive Committee
XU Lirong	—	—	—	—	—	—
HUANG Xiaowen(1)	—	—	—	—	—	—
WANG Haimin(2)	—	1/1	—	—	1/1	—
YANG Zhijian(3)	—	—	—	—	—	—
ZHANG Wei (張為)(4)	—	—	—	—	—	—
FENG Boming(5)	—	—	—	2/2	—	—
ZHANG Wei (張煒)(6)	—	1/1	—	—	—	—
CHEN Dong(7)	—	—	2/2	—	—	—
YANG, Liang Yee Philip	—	—	4/4	—	1/1	—
WU Dawei(8)	—	1/1	2/2	5/5	1/1	—
ZHOU Zhonghui	—	—	4/4	5/5	—	—
TEO Siong Seng(9)	—	—	—	—	—	—

(1) With effect from 30 August 2019, Mr. Huang Xiaowen resigned as the vice chairman of the Board and an executive Director of the Company.

(2) With effect from 30 August 2019, Mr. Wang Haimin resigned as the general manager of the Company, and was appointed as the vice chairman of the Board; with effect from 9 October 2019, Mr. Wang Haimin resigned as a member of the strategic development committee, the chairman of the risk management committee and a member of the nomination committee.

(3) With effect from 30 August 2019, Mr. Yang Zhijian was appointed as the general manager of the Company; with effect from 9 October 2019, Mr. Yang Zhijian was appointed as an executive Director, a member of the strategic development committee, the chairman of the risk management committee and a member of the nomination committee.

(4) With effect from 30 August 2019, Mr. Zhang Wei (張為) resigned as an executive Director and the deputy general manager of the Company.

(5) With effect from 17 April 2019, Mr. Feng Boming resigned as a non-executive Director and a member of the remuneration committee; with effect from 9 October 2019, Mr. Feng Boming was appointed as an executive Director and a member of the remuneration committee.

(6) With effect from 17 April 2019, Mr. Zhang Wei (張煒) resigned as a non-executive Director and a member of the risk management committee.

(7) With effect from 17 April 2019, Mr. Chen Dong resigned as a non-executive Director and a member of the audit committee.

(8) With effect from 12 July 2019, Wu Dawei was appointed as a member of the audit committee of the Company.

(9) With effect from 9 October 2019, Mr. Teo Siong Seng was appointed as a member of the risk management committee.

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• The board should give them sufficiently clear terms of reference of board committees to enable them to perform their functions properly	Yes	The Board has six subordinate special committees, including the strategic development committee, the risk management committee, the audit committee, the remuneration committee, the nomination committee and the executive committee. Each of the committees has specific working guidelines, setting out the terms of reference of the committees.
• The terms of reference of board committees should require them to report back to the board on their decisions and recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements)	Yes	The committees have reported to the Board their decisions and proposals after each meeting, and submitted to the Board for consideration matters which require its decision.

D3. Corporate Governance Functions

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• The terms of reference of the board of directors (or a committee or committees performing this function) should include at least: (a) to develop and review an issuer's policies and practices on corporate governance and make recommendations to the board; (b) to review and monitor the training and continuous professional development of directors and senior management; (c) to review and monitor the issuer's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and (e) to review the issuer's compliance with the code and disclosure in the Corporate Governance Report.	Yes	The Company has amended the terms of reference of the audit committee, risk management committee, nomination committee and remuneration committee, arranged professional trainings for Directors, Supervisors and senior management, provided supervisory reports to Directors, Supervisors and senior management regularly or from time to time, and formulated and implemented "Rules of Procedures of Internal Reporting of Information Regarding Material Breach" of the Company according to the Listing Rules.
• The board should be responsible for performing corporate governance duties set out in the above terms of reference	Yes	The Board has made corporate decisions and instructed the management to conduct daily management and operation in strict compliance with the Listing Rules, the Corporate Governance Code and the Articles of Association.

E. Communication with Shareholders

E1. Effective communication

Principle of the Code • *The board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.*
The corporate governance situation of the Company • The Board endeavours to maintain continued communications with the Shareholders, and has taken annual general meetings and extraordinary general meeting as major opportunities to have contact with the Shareholders, and all holders of the shares of the Company are entitled to attend the meetings. • The Company issued notices and circulars of general meetings according to the Articles of Association and the Listing Rules, setting out details of resolutions to be considered at the meetings and the voting procedures.

Compliance procedures of the Corporate Governance Code – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• For each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. Issuers should avoid "bundling" resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are "bundled", issuers should explain the reasons and material implications in the notice of meeting	Yes	Each actual independent matter submitted for consideration at the general meeting has been raised as an individual resolution. The Company has not included different issues in one resolution in any of the past general meetings.

Code provisions	Compliance	Procedures of Corporate Governance
• The chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. An issuer's management should ensure the external auditors attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence	Yes	The chairman of the Board has attended the annual general meetings and extraordinary general meetings in person and presided over the meetings, and has arranged the members of the committees and management to reply to the enquiries of the Shareholders in the meetings. The external auditors of the Company have attended all past annual general meetings and extraordinary general meetings of the Company, and were well-prepared to answer the enquiries from the Shareholders.
• The issuer should arrange for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings	Yes	The Company has strictly complied with the requirements of the Articles of Association and dispatched the written notices at least 45 days before the annual general meetings or extraordinary general meetings, informing the details of business to be considered at the meetings and the date, time and venue of the meetings to the Shareholders whose names appeared on the register.
• The board should establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness	Yes	The Company has added relevant articles in the Articles of Association, further defining the specific procedures for the Shareholders to express their opinions.
• The issuer should have a policy on payment of dividends and should disclose it in the annual report	Yes	The Company formulated the policy on payment of dividends, for the details, please refer to the sub-section headed "III. Profit Distribution of Ordinary Shares or Capitalization of Surplus Reserves Proposals" in the section headed "Management Discussion and Analysis" in this annual report.

Nomination Policy for Directors and Board Diversity Policy

The Company has adopted the Board Diversity Policy, and the Board understood and confirmed that diversity of Board members will be beneficial to enhance the efficiency of the Board and maintain a high standard of corporate governance, which will become one of the key factors for the sustainable development of the Company and maintenance of competitive advantages of the Company. To achieve diversity of Board members, when appointing the Directors, the Company will consider on the overall needs of the Board and consider various objective conditions of the candidates comprehensively, including but not limited to gender, age, cultural and educational background, race, professional experience, skills, knowledge and term of service, and an appropriate balance will be maintained if practicable.

The board diversity policy of the Company is summarized as follows:

– the Company ensures that the Board has a balance of skills, experience and diversity of perspectives of the Board appropriate to the requirements of supporting the execution of its business strategy;

– selection of candidates will be based on a number of factors including but not limited to age, culture and educational background, race, industry experience, skills, knowledge and length of service. The appointment of the Board members should be based on meritocracy and diversity of perspectives appropriate to the Group's business and specific needs and the contribution that the selected candidates will bring to the Board; and

– the Nomination Committee will take into consideration of the board diversity policy in selecting and nominating eligible and qualified candidates to become the Board members.

For example, our independent Director Mr. Yang, Liang Yee Philip is an arbitrator in international commercial and maritime arbitration, and a member of the Expert Committee of China International Commercial Court of the Supreme People's Court of China; our independent Director Mr. Zhou Zhonghui is a fellow member of the Chinese Institute of Certified Public Accountants and a member of the chief financial officer professional committee of the China Association for Public Companies. He previously worked at Shanghai University of Finance and Economics, School of Accountancy as a professor and served as the chief accountant of the CSRC; our independent Director Mr. WU Dawei previously served as the general manager of Huaneng International Power Development (華能國際電力開發公司) and the chief economist of China Huaneng Group; our independent Director Mr. Teo Siong Seng currently serves as the executive chairman of the Pacific International Lines Pte Ltd and the chairman of Singapore Business Federation.

The above members of the Board of the Company are of diversified professional, educational and cultural background with extensive law and accounting knowledge, and also possess considerable experience in management of shipping related services and governance of listed companies, which enable them to provide diverse opinion for the Board on decision making.

Rights of the Shareholders

Pursuant to the mandatory disclosure requirements in item O of Appendix 14 to the Listing Rules, listed companies should disclose in their corporate governance report information relating to rights of shareholders, including (i) how shareholders can convene an extraordinary general meeting; (ii) the procedures by which enquiries may be put to the board and sufficient contact details to enable these enquiries to be properly directed; and (iii) the procedures and sufficient contact details for putting forward proposals at shareholders' meetings.

Corporate Governance Report

The Company has strictly complied with relevant domestic and foreign laws and regulations and has taken various measures to actively create conditions in accordance with requirements of the Articles of Association with a view to ensuring that rights of the Shareholders can be well achieved.

According to the Articles of Association, the Board shall convene an extraordinary general meeting within two months at the request of the Shareholders individually or jointly holding 10% or more shares of the Company. The Shareholders individually or jointly holding over 10% of the shares of the Company for more than 90 consecutive days may convene and preside over an extraordinary general meeting himself or themselves. The Shareholders individually or jointly holding over 3% of the shares of the Company may submit proposals to the Company. The Shareholders individually or jointly holding 3% or more of the shares of the Company may propose ex tempore motions no later than twenty days prior to the convening of the shareholders general meeting by submitting the same in writing to the convener who shall issue a supplementary notice of general meeting within two days upon receipt of the motions and at least 10 business days before the meeting to announce the details of such motions. For details, please refer to article 66, article 68 and article 92 of the Articles of Association. In addition, according to the provisions of article 54 of the Articles of Association, shareholders of the Company have the right to supervise and manage the Company's business operations, make recommendations or inquiries.

The Company values and welcomes the Shareholders, investors and the public to make enquiries and suggestions to the Company. For contact information of the Company, please see the section headed "Company's Basic Information" in this annual report.

E2. Voting by Poll

Principle of the Code • *The issuer should ensure that shareholders are familiar with the detailed procedures for conducting a poll.*
The corporate governance situation of the Company • The Company has laid down the Rules of Procedures of Shareholders' General Meetings, specifically setting out the ways of voting and voting procedures in general meetings, and ensuring the procedures comply with the requirements under the Listing Rules and the Articles of Association. • The Company has confirmed the validity of all Shareholders present and who voted in the meetings, appointed the Supervisors, share registrar, legal advisors and representatives of shareholders as the scrutineers, and appointed lawyers to issue legal opinions on the procedures of general meetings and results of voting. Results of voting were announced on designated newspapers and the websites of the relevant stock exchanges and the Company.

Compliance procedures of the Corporate Governance Code – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The chairman of a meeting should ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll	Yes	Prior to the commencement of a general meeting, the chairman of the meeting shall explain the procedures of the meeting, so as to ensure that all shareholders vote after understanding the voting procedures. In the annual general meetings, there are arrangements for questions by the Shareholders.

F. Company Secretary

Principle of the Code • *The company secretary plays an important role in supporting the board by ensuring good information flow within the board and that board policy and procedures are followed. The company secretary is responsible for advising the board through the chairman and/or the chief executive on governance matters and should also facilitate induction and professional development of directors.*
The corporate governance situation of the Company • Currently the Company has appointed a company secretary who is responsible for enhancing the corporate governance of the Company and providing assistance to the Directors for duty performance and organizing information disclosure of the Company.

Compliance procedures of the Corporate Governance Code – Code provisions and the recommended best practices

Code provisions	Compliance	Procedures of Corporate Governance
• The company secretary should be an employee of the issuer and have day-to-day knowledge the issuer's affairs	Yes	The company secretary is an employee of the Company and has acquired understanding of the daily operation of the Company.
• The board should approve the selection, appointment or dismissal of the company secretary	Yes	The appointment of the current company secretary was approved at the 5th meeting of the 3rd session of the Board.
• The company secretary should report to the board chairman and/or the chief executive	Yes	The company secretary reports to the Chairman and/or the president.

Corporate Governance Report

Code provisions	Compliance	Procedures of Corporate Governance
• All directors should have access to the advice and services of the company secretary to ensure that board procedures, and all applicable laws, rules and regulations, are followed	Yes	The company secretary has established an effective communication channel with all Directors, so as to assist the Board and the president to be in compliance with domestic and foreign laws and regulations, the Articles of Association and other relevant requirements when performing his duties.

Remuneration of members of senior management by band during the Reporting Period

	2019
HK$1,500,001 to HK$2,000,000 (equivalent to approximately RMB1,320,000 to RMB1,760,000)	1
HK$2,000,001 to HK$2,500,000 (equivalent to approximately RMB1,760,000 to RMB2,200,000)	1
HK$2,500,001 to HK$3,000,000 (equivalent to approximately RMB2,200,000 to RMB2,640,000)	3
HK$3,500,001 to HK$4,000,000 (equivalent to approximately RMB3,080,000 to RMB3,520,000)	1
HK$6,000,001 to HK$6,500,000 (equivalent to approximately RMB5,280,000 to RMB5,720,000)	1
HK$6,500,001 to HK$7,000,000 (equivalent to approximately RMB5,720,000 to RMB6,160,000)	1
Total	8

Summary report on the conditions and details of the establishment of relevant systems and performance of the audit committee under the Board

The Company has formulated the Terms of Reference of the Audit Committee, which have defined the duties and responsibilities of the audit committee, including its relationship with external accounting firm, the review of financial information of the Company, the review of the financial controls, internal controls and risk management systems, the review of whether the investigations regarding the financial reporting, internal control, risk management and other matters that are not in the ordinary course of business of the Company were conducted independently and fairly, and whether appropriate actions or remedial actions have been taken.

The audit committee under the 5th session of the Board has comprised Mr. Zhou Zhonghui (the chairman of the audit committee of the Company), Mr. Chen Dong (non-executive Director) and Mr. Yang, Liang Yee Philip (independent non-executive Director). On 17 April 2019, Mr. Chen Dong resigned as a non-executive Director of the Company, and ceased to be a member of the audit committee of the Board of the Company. With effect from 12 July 2019, the audit committee under the 5th session of the Board comprised Mr. Zhou Zhonghui (chairman of audit committee of the Company), Mr. Yang, Liang Yee Philip (independent non-executive Director) and Mr. Wu Dawei (independent non-executive Director).

During the Reporting Period, the audit committee held four meetings, at which it reviewed the annual reports, interim reports, quarterly reports, the effectiveness and adequacy of risk management and internal control systems, internal audit, effectiveness of internal audit functions, appointment of accountancy firms and considered issues including changes in accounting policies. The audit committee fully affirmed the work efficiency of COSCO SHIPPING Holdings, while at the same time provided opinions and recommendations in respect of the rationality of the existing arrangement on shipping capacity, arrangement and plan for asset operation, corporate development plan and cash flow management, fuel cost management and control, and the amount and management of connected transactions, respectively.

The audit committee arrived at the opinion that the financial reports of COSCO SHIPPING Holdings for various periods in 2019 which had been reviewed were prepared in compliance with Accounting Standards for Business Enterprises and HKFRSs, the content of disclosure therein also satisfied the requirements of the listing system and regulations of both places.

Summary report on the performance of the remuneration committee under the Board

The remuneration committee under the 5th session of the Board has comprised Mr. Wu Dawei (the chairman of the remuneration committee of the Company), Mr. Feng Boming (non-executive Director) and Mr. Zhou Zhonghui (independent non-executive Director). On 17 April 2019, Mr. Feng Boming resigned as a non-executive Director of the Company, and ceased to be a member of the remuneration committee of the Board of the Company. On 9 October 2019, Mr. Feng Boming was appointed as an executive Director and member of the remuneration committee of the Company. With effect from 9 October 2019, the remuneration committee under the 5th session of the Board comprised Mr. Wu Dawei (chairman of remuneration committee of the Company), Mr. Feng Boming (executive Director) and Mr. Zhou Zhonghui (independent non-executive Director).

During the Reporting Period, the remuneration committee held five meetings, at which it reviewed matters such as the performance appraisal of the senior management of COSCO SHIPPING Holdings in 2019, made recommendation to the Board on the remuneration of directors, reviewed the remuneration packages of the Company's senior management staff in 2019 determined based on the results of performance appraisal and remuneration management system of the Company, and held the view that the remuneration of the Company's senior management was in compliance with the requirements of performance appraisal and remuneration management system of the Company and the relevant decision-making procedures were lawful and valid.

Summary report on the performance of the nomination committee under the Board

The nomination committee under the 5th session of the Board comprised Mr. Yang, Liang Yee Philip (chairman of nomination committee of the Company), and other members are Mr. Wang Haimin (executive Director) and Mr. Wu Dawei (independent non-executive Director). On 9 October 2019, Mr. Wang Haimin ceased to be a member of the nomination committee of the Board of the Company and Mr. Yang, Liang Yee Philip was appointed as the member of the nomination committee. With effect from 9 October 2019, the nomination committee under the 5th session of the Board comprised Mr. Yang, Liang Yee Philip (chairman of nomination committee of the Company), and other members are Mr. Yang Zhijian (executive Director) and Mr. Wu Dawei (independent non-executive Director).

During the Reporting Period, the nomination committee held two meetings, whereby the nomination of candidates for the 5th session of the Board of China COSCO SHIPPING was considered.

Corporate Governance Report

Auditors and their remuneration

The Company has appointed PricewaterhouseCoopers as the international auditor of the Company and ShineWing Certified Public Accountants, as the domestic auditor of the Company for 2019. Fees in respect of audit services, audit related services and non-audit services provided by the above auditors to the Group during the year amounted to RMB53,695,000, RMB10,066,000 and RMB18,119,000, respectively.

Nature of services

	2019 (RMB'000)	2018 (RMB'000)
Audit services	**53,695**	42,977
Audit related services	**10,066**	8,596
Non-audit services		
• Tax related services	**8,980**	5,181
• Circular related services	**200**	1,820
• Other advisory services	**5,569**	8,400

Amendments to Articles of Association

During the Reporting Period, the Company amended the Articles of Association. For details on the amendments to the Articles of Association, please refer to the sub-section headed "IV. Other Significant Events" under the section of Significant Events.

The Board is pleased to present the Directors' Report of the year 2019 together with the audited financial statements of the Group for the year ended 31 December 2019.

Principal Business

During the Reporting Period, the Group was principally engaged in providing container shipping, managing and operating container terminals and other terminal related businesses. The Company is an investment holding company and details of the principal activities of the Company's principal subsidiaries as at 31 December 2019 are set out in note 46 to the consolidated financial statements.

Business Review

A review of the business of the Group during the Reporting Period and a discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Discussion and Analysis of the Board Concerning the Future Development of the Company" on pages 5 to 11 and pages 27 to 35 respectively. The particulars of important events affecting the Group that have occurred since the end of the financial year 2019 and the description of possible risks and uncertainties that the Group may be facing are set out in the sections headed "Subsequent events" and "(IV) Potential risks" on page 27 and pages 31 to 35. An analysis of the Group's performance during the year using financial key performance indicators is set out in the section headed "Management Discussion and Analysis" on pages 13 to 37 of this report. For details of the discussion on the Company's environmental policies and performance, please refer to the section headed "(II) Social responsibilities" and "(III) Environment protection" on page 43.

Compliance with the relevant laws and regulations which have a significant impact on the Group

During the Reporting Period, the Company further optimized corporate governance and operation efficiency strictly in compliance with applicable laws and regulations, including the Company Law, the Code of Corporate Governance for Listed Companies 《上市公司治理準則》, the Guiding Opinions for the Establishment of Independent Directorship by Listed Companies 《關於在上市公司建立獨立董事制度的指導意見》, the Rules for the General Meetings of Shareholders of Listed Companies 《上市公司股東大會規則》, the Guidelines on Articles of Association of Listed Companies 《上市公司章程指引》 and the Rules Governing the Listing of Stocks on Shanghai Stock Exchange 《上海證券交易所股票上市規則》. During the Reporting Period, in compliance with the requirements of regulatory authorities in a timely manner and following the requirements related to risk management and internal control of State-owned Enterprises, the Company further refined its internal control system and risk management procedures. The budget management for the whole system was also strengthened and the organization structure and accountability system of the assets supervision were further improved. Moreover, the Company actively participated in training programmes for directors, supervisors and senior management of listed companies organized by regulatory authorities, and raised the awareness of all employees on compliance through effective trainings. In addition, the Listing Rules, the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and the Codes on Takeovers and Mergers and Share Buy-backs are also applicable to the Company and the Group is committed to ensuring the compliance with such requirements through various measures such as internal control and approval procedures, trainings and supervision on different business segments.

Directors' Report

Relationships with major stakeholders

The Company continues to engage with its employees, suppliers and customers through different channels to develop mutually beneficial relationships and promote sustainability. An account of the Company's key relationship with its employees is set out in the section headed "Employees and Remuneration Policies" on page 126. An account of the Company's relationship key relationship with its customers and suppliers are set out in the sections headed "(III) Operation plan" and "Major Suppliers and Customers" on pages 29 to 30 and 100, respectively. The Company also recognises its obligations as a responsible member of the communities in which the Company operates. For details of the Company's engagement in and contributions to these communities, please refer to the section headed "V Fulfillment of social responsibilities" on pages 42 to 43.

Results of the Group

The Group's results for the year ended 31 December 2019 are set out on pages 152 to 154 of this report.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out in the section headed "Five Year Financial Summary" of this report.

Major Suppliers and Customers

For the year ended 31 December 2019, the Group's purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases, and the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 26 to the consolidated financial statements. There were no distributable reserves of the Company as at 31 December 2019.

Statutory Reserve Funds

Details of the statutory reserve funds are set out in note 26 to the consolidated financial statements.

Property, Plant and Equipment and Investment Properties

Details of movements in property, plant and equipment and investment properties of the Group and the Company during the Reporting Period are set out in notes 6 and 8 to the consolidated financial statements.

Employees' Retirement Plans

Details of the employees' retirement plans are set out in note 30 to the consolidated financial statements.

Pre-emptive Rights

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

Tax Relief

The Company is not aware of any tax relief available to the Shareholders by reason of their holding of the Company's securities.

Share Capital

Details of the share capital of the Company are set out in note 25 to the consolidated financial statements.

Donations

Charitable donations made by the Group during the year under review amounted to approximately RMB18,664,100.

Directors and Supervisors

The Directors during the year under review and up to the date of this report were as follows:

Name	Date of appointment as Director	Date of resignation as Director
Executive Directors		
XU Lirong (Chairman)	30 August 2018	N/A
HUANG Xiaowen (Former vice chairman)(1)	24 May 2016	30 August 2019
WANG Haimin (Vice chairman)(2)	16 December 2016	N/A
YANG Zhijian(3)	9 October 2019	N/A
FENG Boming(4)	9 October 2019	N/A
ZHANG Wei (張為)(5)	16 December 2016	30 August 2019
Non-executive Directors		
FENG Boming(4)	16 December 2016	17 April 2019
ZHANG Wei (張煒)(6)	16 December 2016	17 April 2019
CHEN Dong(7)	16 December 2016	17 April 2019
Independent non-executive Directors		
YANG, Liang Yee Philip	20 May 2014	N/A
WU Dawei	25 May 2017	N/A
ZHOU Zhonghui	25 May 2017	N/A
TEO Siong Seng	25 May 2017	N/A

Notes:

(1) With effect from 30 August 2019, Mr. Huang Xiaowen resigned as the vice chairman of the Board and an executive Director of the Company.

(2) With effect from 30 August 2019, Mr. WANG Haimin was appointed as a vice chairman of the Company.

(3) With effect from 9 October 2019, Mr. Yang Zhijian was appointed as an executive Director.

(4) With effect from 17 April 2019, Mr. Feng Boming resigned as a non-executive Director; with effect from 9 October 2019, Mr. Feng Boming was appointed as an executive Director.

(5) With effect from 30 August 2019, Mr. Zhang Wei (張為) resigned as an executive Director.

(6) With effect from 17 April 2019, Mr. Zhang Wei (張煒) resigned as a non-executive Director.

(7) With effect from 17 April 2019, Mr. Chen Dong resigned as a non-executive Director.

The Supervisors during the year under review and up to the date of this report were as follows:

Name	Positions	Date of appointment as Supervisor	Date of resignation as Supervisor
FU Xiangyang[(1)]	Former chairman of the supervisory committee of the Company	20 May 2014	17 April 2019
HAO Wenyi[(2)]	Former supervisor	16 December 2016	17 April 2019
FANG Meng[(3)]	Former supervisor	31 October 2016	17 April 2019
DENG Huangjun[(4)]	Supervisor	30 January 2019	N/A
MENG Yan	Independent Supervisor	17 May 2011	N/A
ZHANG Jianping	Independent Supervisor	28 February 2012	N/A

Notes:

(1) With effect from 17 April 2019, Mr. Fu Xiangyang resigned as a Supervisor representing the Shareholders and the chairman of the Supervisory Committee.

(2) With effect from 17 April 2019, Mr. Hao Wenyi resigned as a Supervisor representing the Shareholders.

(3) With effect from 17 April 2019, Mr. Fang Meng resigned as a Supervisor representing the employees.

(4) With effect from 30 January 2019, Mr Deng Huangjun was appointed as a Supervisor representing the employees of the Company.

Independence of the Independent Non-executive Directors

The Company has received the letter of annual confirmation issued by each of the independent non-executive Directors as to his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company confirms that all four independent non-executive Directors are considered to be independent.

Biographies of the Directors, Supervisors and Members of the Senior Management

Biographies of the Directors, Supervisors and members of the senior management of the Company as at the date hereof are set out on pages 53 to 61 of this report.

Competing Interest

None of the Directors or Supervisors has interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Connected Transactions

Pursuant to Chapter 14A of the Listing Rules, details of the Company's continuing connected transactions and connected transactions during the Reporting Period are as follows:

1. On 25 August 2016, COSCO SHIPPING Ports (for itself and on behalf of its subsidiaries) and COSCO Finance Co., Ltd. ("**COSCO Finance**") entered into the financial services agreement (the "**COSCO SHIPPING Ports Financial Services Agreement**"), effective from 1 January 2017 to 31 December 2019. The transactions contemplated under the COSCO SHIPPING Ports Financial Services Agreement and the proposed annual caps were covered by the financial services agreement entered into by the Company (for itself and on behalf of its subsidiaries) and China COSCO SHIPPING (for itself and on behalf of its subsidiaries) on 14 September 2016 (the "**COSCO SHIPPING Holdings Financial Services Agreement**"). The COSCO SHIPPING Ports Financial Services Agreement took effect upon obtaining approvals from the independent shareholders of COSCO SHIPPING Ports on 12 October 2016. COSCO Finance is a subsidiary of COSCO (the direct controlling Shareholder), and is thus a connected person of the Company. Accordingly, the above transactions constitute continuing connected transactions of the Company.

   On 30 October 2019, the Company and COSCO SHIPPING entered into a master agreement in respect of certain transactions (the "**COSCO SHIPPING Master Agreements**"), the nature of which is similar to the transactions under the existing financial services agreement, for a term of three years from 1 January 2020 to 31 December 2022, which can be extended for further three years as agreed in writing by the parties upon the expiration of the term on the basis that the relevant requirements of the applicable listing rules are satisfied.

   For details of the above transactions, please refer to the announcements of the Company dated 30 March 2016, 14 September 2016 and 30 October 2019 and the circular of the Company dated 5 December 2019.

2. COSCO SHIPPING Ports, Piraeus Port Authority S.A. ("**PPA**") and Piraeus Container Terminal S.A ("**PCT**", an indirect non-wholly owned subsidiary of the Company) entered into a concession agreement dated 25 November 2008, which was amended by the amendment agreement dated 20 December 2014 entered into between PCT and PPA (the "**Concession Agreement**").

   On 10 August 2016, a party to the Concession Agreement (i.e. PPA) became a subsidiary of COSCO SHIPPING (Hong Kong) Co., Limited, which is a subsidiary of China COSCO SHIPPING, the indirect controlling Shareholder. PPA has therefore become a connected person of the Company. The continuing transactions under the Concession Agreement have therefore become continuing connected transactions of the Company.

   For details of the above transactions, please refer to the announcement of the Company dated 17 August 2016.

3. On 14 September 2016, the Company (for itself and on behalf of its subsidiaries) and China COSCO SHIPPING (for itself and on behalf of its subsidiaries) entered into the COSCO SHIPPING Holdings Financial Services Agreement, pursuant to which China COSCO SHIPPING will procure COSCO Finance and China Shipping Finance Company Limited ("**CS Finance**") (each being a non-wholly-owned subsidiary of China COSCO SHIPPING) to provide the Company and its subsidiaries with certain financial services (including deposit services, loan services, clearing services, foreign exchange services and any other services that COSCO Finance and CS Finance can engage in as permitted by the China Banking Regulatory Commission). The COSCO SHIPPING Holdings Financial Services Agreement is effective from 1 January 2017 to 31 December 2019.

   China COSCO SHIPPING is the indirect controlling Shareholder and therefore a connected person of the Company. Accordingly, the transactions contemplated under the COSCO SHIPPING Holdings Financial Services Agreement constitute continuing connected transactions of the Company.

   On 13 November 2017, the Board approved the merger by absorption under which CS Finance absorbs and merges with COSCO Finance. Upon completion, (i) CS Finance will continue as the surviving company and be renamed as COSCO SHIPPING Finance; and (ii) COSCO Finance will cease to exist as a legal entity and become a branch of COSCO SHIPPING Finance, and the assets, liabilities, businesses and employees of which shall be succeeded by COSCO SHIPPING Finance.

   On 30 October 2019, the Company and COSCO SHIPPING entered into the COSCO SHIPPING Master Agreements in respect of certain transactions, the nature of which is similar to the transactions under the existing financial services agreement, for a term of three years from 1 January 2020 to 31 December 2022, which can be extended for further three years as agreed in writing by the parties upon the expiration of the term on the basis that the relevant requirements of the applicable listing rules are satisfied.

   For details of the above transactions, please refer to the announcements of the Company dated 14 September 2016 and 30 October 2019 and the circulars of the Company dated 29 October 2016 and 5 December 2019.

4. On 14 September 2016, the Company (for itself and on behalf of its subsidiaries) and China COSCO SHIPPING (for itself and on behalf of its subsidiaries and/or associates) entered into the master vessel services agreement (the "**Master Vessel Services Agreement**"), pursuant to which the Group and China COSCO SHIPPING and its subsidiaries and associates (the "**China COSCO SHIPPING Group**") will provide each other with several vessel services. The Master Vessel Services Agreement is effective from 1 January 2017 to 31 December 2019.

   China COSCO SHIPPING is the indirect controlling Shareholder and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Master Vessel Services Agreement constitute continuing connected transactions of the Company.

   On 30 October 2019, the Company and COSCO SHIPPING entered into the COSCO SHIPPING Master Agreements in respect of certain transactions, the nature of which is similar to the transactions under the existing vessel services agreement, for a term of three years from 1 January 2020 to 31 December 2022, which can be extended for further three years as agreed in writing by the parties upon the expiration of the term on the basis that the relevant requirements of the applicable listing rules are satisfied.

   For details of the above transactions, please refer to the announcements of the Company dated 14 September 2016 and 30 October 2019 and the circulars of the Company dated 29 October 2016 and 5 December 2019.

5. On 14 September 2016, the Company (on behalf of itself and its subsidiaries and/or associates) and China COSCO SHIPPING (on behalf of itself and its subsidiaries and/or associates) entered into the master general services agreement (the "**Master General Services Agreement**"), pursuant to which the Group and the China COSCO SHIPPING Group will provide each other with general services. The Master General Services Agreement is effective from 1 January 2017 to 31 December 2019.

   China COSCO SHIPPING is the indirect controlling Shareholder and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Master General Services Agreement constitute continuing connected transactions of the Company.

   On 30 October 2019, the Company and COSCO SHIPPING entered into the COSCO SHIPPING Master Agreements in respect of certain transactions, the nature of which is similar to the transactions under the existing general services agreement, for a term of three years from 1 January 2020 to 31 December 2022, which can be extended for further three years as agreed in writing by the parties upon the expiration of the term on the basis that the relevant requirements of the applicable listing rules are satisfied.

   For details of the above transactions, please refer to the announcements of the Company dated 14 September 2016 and 30 October 2019 and the circular of the Company dated 5 December 2019.

6. On 14 September 2016, the Company (for itself and on behalf of its subsidiaries and/or associates) and China COSCO SHIPPING (for itself and on behalf of its subsidiaries and/or associates) entered into the master seamen leasing agreement (the "**Master Seamen Leasing Agreement**"), pursuant to which the Group and the China COSCO SHIPPING Group will provide each other with seamen leasing services. The Master Seamen Leasing Agreement is effective from 1 January 2017 to 31 December 2019.

   In order to better safeguard the demand for crew, enhance the core competitiveness of the shipping business of the Group, the Group participated in the integration of crew resources of China COSCO SHIPPING.

From 1 January 2018 onwards, the existing crew and crew management department of the Group were transferred to COSCO SHIPPING Seafarer Management Co., Ltd. ("**COSCO SHIPPING Seafarer**"). The subsidiaries of the Group will enter into the crew management services agreements with COSCO SHIPPING Seafarer, pursuant to which the demand for crew of the vessels owned, operated and/or managed by the Group will be provided by the vessel manning services by COSCO SHIPPING Seafarer. The Board anticipated that the then existing annual caps would not be sufficient to meet the expected transaction amounts of the Group's purchase of services from the China COSCO SHIPPING Group under the Master Seamen Leasing Agreement for the year ended 31 December 2018 and the year ending 31 December 2019. The Board increased the annual caps of the above years to RMB1,400,000,000 and RMB1,500,000,000, respectively.

China COSCO SHIPPING is the indirect controlling Shareholder and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Master Seamen Leasing Agreement constitute continuing connected transactions of the Company.

On 30 October 2019, the Company and COSCO SHIPPING entered into the COSCO SHIPPING Master Agreements in respect of certain transactions, the nature of which is similar to the transactions under the existing seamen leasing agreement, for a term of three years from 1 January 2020 to 31 December 2022, which can be extended for further three years as agreed in writing by the parties upon the expiration of the term on the basis that the relevant requirements of the applicable listing rules are satisfied.

For details of the above transactions, please refer to the announcements of the Company dated 14 September 2016, 27 December 2017 and 30 October 2019 and the circular of the Company dated 5 December 2019.

7. On 14 September 2016, the Company (for itself and on behalf of its subsidiaries and/or associates) and China COSCO SHIPPING (for itself and on behalf of its subsidiaries and/or associates) entered into the master premises leasing agreement (the "**Master Premises Leasing Agreement**"), pursuant to which the China COSCO SHIPPING Group leases certain premises to and from the Group. The Master Premises Leasing Agreement is effective from 1 January 2017 to 31 December 2019.

   China COSCO SHIPPING is the indirect controlling Shareholder and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Master Premises Leasing Agreement constitute continuing connected transactions of the Company.

   On 30 October 2019, the Company and COSCO SHIPPING entered into the COSCO SHIPPING Master Agreements in respect of certain transactions, the nature of which is similar to the transactions under the existing premises leasing agreement, for a term of three years from 1 January 2020 to 31 December 2022, which can be extended for further three years as agreed in writing by the parties upon the expiration of the term on the basis that the relevant requirements of the applicable listing rules are satisfied.

For details of the above transactions, please refer to the announcements of the Company dated 14 September 2016 and 30 October 2019 and the circular of the Company dated 5 December 2019.

8. On 14 September 2016, the Company (for itself and on behalf of its subsidiaries and/or associates) and China COSCO SHIPPING (for itself and on behalf of its subsidiaries and/or associates) entered into the master container services agreement (the "**Master Container Services Agreement**"), pursuant to which the Group and the China COSCO SHIPPING Group will provide each other with container services from 1 January 2017 to 31 December 2019.

   China COSCO SHIPPING is the indirect controlling Shareholder and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Master Container Services Agreement constitute continuing connected transactions of the Company.

   On 30 October 2019, the Company and COSCO SHIPPING entered into the COSCO SHIPPING Master Agreements in respect of certain transactions, the nature of which is similar to the transactions under the existing container services agreement, for a term of three years from 1 January 2020 to 31 December 2022, which can be extended for further three years as agreed in writing by the parties upon the expiration of the term on the basis that the relevant requirements of the applicable listing rules are satisfied.

   For details of the above transactions, please refer to the announcements of the Company dated 14 September 2016 and 30 October 2019 and the circular of the Company dated 5 December 2019.

9. On 14 September 2016, the Company (for itself and on behalf of its subsidiaries and/or associates) and China COSCO SHIPPING (for itself and on behalf of its subsidiaries and/or associates) entered into the master port services agreement (the "**Master Port Services Agreement**"), pursuant to which the China COSCO SHIPPING Group will provide port services to the Group. The Master Port Services Agreement is effective from 1 January 2017 to 31 December 2019.

   China COSCO SHIPPING is the indirect controlling Shareholder and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Master Port Services Agreement constitute continuing connected transactions of the Company.

   On 30 October 2019, the Company and COSCO SHIPPING entered into the COSCO SHIPPING Master Agreements in respect of certain transactions, the nature of which is similar to the transactions under the existing port services agreement, for a term of three years from 1 January 2020 to 31 December 2022, which can be extended for further three years as agreed in writing by the parties upon the expiration of the term on the basis that the relevant requirements of the applicable listing rules are satisfied.

   For details of the above transactions, please refer to the announcements of the Company dated 14 September 2016 and 30 October 2019 and the circulars of the Company dated 29 October 2016 and 5 December 2019.

10. On 14 September 2016, the Company (for itself and on behalf of its subsidiaries and/or associates) and China COSCO SHIPPING (for itself and on behalf of its subsidiaries and/or associates) entered into the freight forwarding master agreement (the "**Freight Forwarding Master Agreement**"), pursuant to which the China COSCO SHIPPING Group and the Group shall provide each other with freight forwarding services, freight solicitation and other related services, for a term commencing from 1 January 2017 to 31 December 2019.

    China COSCO SHIPPING is the indirect controlling Shareholder and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Freight Forwarding Master Agreement constitute continuing connected transactions of the Company.

    On 30 October 2019, the Company and COSCO SHIPPING entered into the COSCO SHIPPING Master Agreements in respect of certain transactions, the nature of which is similar to the transactions under the existing freight forwarding agreement, for a term of three years from 1 January 2020 to 31 December 2022, which can be extended for further three years as agreed in writing by the parties upon the expiration of the term on the basis that the relevant requirements of the applicable listing rules are satisfied.

    For details of the above transactions, please refer to the announcements of the Company dated 14 September 2016 and 30 October 2019 and the circular of the Company dated 5 December 2019.

11. On 14 September 2016, the Company (for itself and on behalf of its subsidiaries and/or associates) and China COSCO SHIPPING (for itself and on behalf of its subsidiaries and/or associates) entered into the master vessel and container asset services agreement (the "**Master Vessel and Container Asset Services Agreement**") in relation to, among other things, the leasing of vessels and containers by the Group from the China COSCO SHIPPING Group and the sale of containers by the China COSCO SHIPPING Group to the Group, for a term commencing from 1 January 2017 to 31 December 2019. The transactions contemplated under the lease agreement dated 11 December 2015 entered into between the Company and COSCO SHIPPING Development (which has been approved at the extraordinary general meeting of the Company held on 1 February 2016) and the proposed annual caps in respect of the leasing of vessels and containers from the China COSCO SHIPPING Group by the Group for the two years ended 31 December 2018 are covered by the Master Vessel and Container Asset Services Agreement.

    China COSCO SHIPPING is the indirect controlling Shareholder and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Master Vessel and Container Asset Services Agreement constitute continuing connected transactions of the Company.

    On 30 October 2019, the Company and COSCO SHIPPING entered into the COSCO SHIPPING Master Agreements in respect of certain transactions, the nature of which is similar to the transactions under the existing vessel and container asset services agreement, for a term of three years from 1 January 2020 to 31 December 2022, which can be extended for further three years as agreed in writing by the parties upon the expiration of the term on the basis that the relevant requirements of the applicable listing rules are satisfied.

    On 26 November 2019, taking into account the business and operation needs of the Company, the Company has determined that the proposed annual cap for the year ending 31 December 2021 in relation to the Master Vessel and Container Asset Services Agreement should be revised to RMB37,000,000,000.

For details of the above transactions, please refer to the announcements of the Company dated 14 September 2016, 30 October 2019 and 26 November 2019 and the circulars of the Company dated 29 October 2016 and 5 December 2019.

12. On 30 October 2019, COSCO SHIPPING agreed to renew the non-exclusive licence granted to the Company and its subsidiaries by COSCO SHIPPING for using certain trademarks owned by COSCO SHIPPING upon terms and conditions as similar to those set out in the Existing Trademark Licence Agreement. Therefore, on 30 October 2019, the Company (for itself and on behalf of its subsidiaries) and COSCO SHIPPING (for itself and on behalf of its subsidiaries (excluding the Company and its subsidiaries and other subsidiaries of COSCO SHIPPING which are listed on a stock exchange)) entered into the Trademark Licence Agreement, pursuant to which COSCO SHIPPING has granted a non-exclusive licence to the Company and its subsidiaries with the right to use certain trademarks at the rate of RMB1.00 per annum for a term from 1 January 2020 to 31 December 2022.

    China COSCO SHIPPING is the indirect controlling Shareholder and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Trademark Licence Agreement constitute continuing connected transactions of the Company.

    For details of the above transactions, please refer to the announcement of the Company dated 30 October 2019 and the circular of the Company dated 5 December 2019.

13. On 30 October 2017, the Board approved the non-public issuance of A Shares, pursuant to which the Company would issue a maximum of 2,043,254,870 A Shares (subject to adjustment) to not more than 10 specific investors (including China COSCO SHIPPING) which would raise gross proceeds of up to RMB12,900,000,000. As part of the Proposed Non-public Issuance of A Shares, the Company entered into a subscription agreement with China COSCO SHIPPING on 30 October 2017, pursuant to which China COSCO SHIPPING agreed to conditionally purchase and the Company agreed to conditionally issue 50% of the total number of A Shares that would be issued under the Proposed Non-public Issuance of A Shares. On 24 January 2019, the Company completed the registration procedure for the new A Shares issued under the Proposed Non-public Issuance of A Shares at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited (CSDC). 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 number of A Shares increased from 7,635,674,357 A Shares to 9,678,929,227 A Shares. China COSCO SHIPPING directly held 1,021,627,435 A Shares, representing approximately 8.33% of the total issued share capital of the Company.

    China COSCO SHIPPING is an indirect controlling shareholder of the Company, and is therefore a connected person of the Company. The proposed subscription of A Shares under the Proposed Non-public Issuance of A Shares by China COSCO SHIPPING Corporation Limited therefore constitutes a connected transaction of the Company.

    For details of the above transaction, please refer to the announcements of the Company dated 30 October 2017, 15 December 2017, 5 March 2018 and 25 January 2019 and the circular dated 1 December 2017.

14. On 30 August 2017, the Company and Pacific International Lines entered into the shipping services master agreement (the "**Shipping Services Master Agreement**"). Pursuant to the Shipping Services Master Agreement, the Group provides shipping services to the Pacific International Lines and its subsidiaries (the "**Pacific International Lines Group**"), including but not limited to handling, storage, stevedoring, transhipment, maintenance of cargoes, provision of container storage space and terminal premises. The Shipping Services Master Agreement shall be for a term commencing on 30 August 2017 and expiring on 31 December 2019.

    On 30 October 2019, the Company and Pacific International Lines entered into the Pacific International Lines Master Shipping and Terminal Services Agreement in respect of certain transactions, the nature of which is similar to the transactions under the existing shipping services agreement, for a term of three years from 1 January 2020 to 31 December 2022, which can be extended for further three years as agreed in writing by the parties upon the expiration of the term on the basis that the relevant requirements of the applicable listing rules are satisfied.

    Mr. Teo Siong Seng (an independent non-executive Director), together with his family members (as defined in Chapter 14A of the Listing Rules), is able to control the composition of the majority of the board of directors of Pacific International Lines. Accordingly, Pacific International Lines is a connected person of the Company and the transactions under the Shipping Services Master Agreement constitute continuing connected transactions for the Company.

    For details of the above transactions, please refer to the announcements of the Company dated 30 August 2017 and 30 October 2019 and the circular of the Company dated 5 December 2019.

15. On 29 March 2018, the Company and Pacific International Lines entered into the master vessel time charter services agreement (the "**Master Vessel Time Charter Services Agreement**"). Pursuant to the Master Vessel Time Charter Services Agreement, the Group and the Pacific International Lines Group will provide each other with vessels leasing services (including purchase and sale of berths). The Master Vessel Time Charter Services Agreement shall be for a term commencing on 1 January 2018 and expiring on 31 December 2019.

    On 30 October 2019, the Company and Pacific International Lines entered into the Pacific International Lines Master Shipping and Terminal Services Agreement in respect of certain transactions, the nature of which is similar to the transactions under the existing vessel time charter services agreement, for a term of three years from 1 January 2020 to 31 December 2022, which can be extended for further three years as agreed in writing by the parties upon the expiration of the term on the basis that the relevant requirements of the applicable listing rules are satisfied.

    Mr. Teo Siong Seng, together with his family members, is able to control the composition of the majority of the board of directors of Pacific International Lines. Accordingly, Pacific International Lines is a connected person of the Company and the transactions under the Master Vessel Time Charter Services Agreement constitute continuing connected transactions for the Company.

    For details of the above transactions, please refer to the announcements of the Company dated 29 March 2018 and 30 October 2019 and the circular of the Company dated 5 December 2019.

16. On 27 July 2018, the Company and Pacific International Lines entered into the master container services agreement (the "**Pacific International Lines Master Container Services Agreement**"). Pursuant to the Pacific International Lines Master Container Services Agreement, the Pacific International Lines Group provides container services to the Group, including container manufacturing and container-related ancillary services such as maintenance. The Pacific International Lines Master Container Services Agreement shall be for a term commencing on 27 July 2018 and expiring on 31 December 2019.

    On 30 October 2019, the Company and Pacific International Lines entered into the Pacific International Lines Master Shipping and Terminal Services Agreement in respect of certain transactions, the nature of which is similar to the transactions under the existing container services agreement, for a term of three years from 1 January 2020 to 31 December 2022, which can be extended for further three years as agreed in writing by the parties upon the expiration of the term on the basis that the relevant requirements of the applicable listing rules are satisfied.

    Mr. Teo Siong Seng, together with his family members, is able to control the composition of the majority of the board of directors of Pacific International Lines. Accordingly, Pacific International Lines is a connected person of the Company and the transactions under the Pacific International Lines Master Container Services Agreement constitute continuing connected transactions for the Company.

    For details of the above transactions, please refer to the announcements of the Company dated 27 July 2018 and 30 October 2019 and the circular of the Company dated 5 December 2019.

17. On 22 November 2018, the Company and COSCO SHIPPING entered into the shipping services and terminal services master agreement (the "**CSH Shipping Services and Terminal Services Master Agreement**") in relation to the provision of shipping and terminal services by the Group to the COSCO SHIPPING Group, for a term commencing on 1 January 2019 and expiring on 31 December 2019.

    COSCO SHIPPING is an indirect controlling Shareholder and therefore a connected person of the Company. Accordingly, the entering into of the CSH Shipping Services and Terminal Services Master Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

    For details of the above transactions, please refer to the announcement of the Company dated 22 November 2018.

18. On 27 February 2019, the Company and Shanghai International Port (Group) Co., Ltd. ("**SIPG**") entered into a shipping and terminal services framework agreement (the "**Shipping and Terminal Services Framework Agreement**"). Pursuant to the Shipping and Terminal Services Framework Agreement, the Group provides shipping services to SIPG and its subsidiaries or associates ("**SIPG Group**") and the SIPG Group provides terminal services to the Group. The Shipping and Terminal Services Framework Agreement shall be for a term commencing on 27 February 2019 and expiring on 31 December 2019.

    On 30 October 2019, the Company and SIPG entered into an agreement in respect of provision of shipping services (the "**SIPG Shipping and Terminal Services Agreement**") by the Group to the SIPG Group and provision of terminal services by the SIPG Group to the Group, for a term of three years from 1 January 2020 to 31 December 2022, which can be extended for further three years as agreed in writing by the parties upon the expiration of the term on the basis that the relevant requirements of the applicable listing rules are satisfied.

    SIPG holds 20% of the equity interests in Shanghai Pan Asia Shipping Co., Ltd. ("**Shanghai Pan Asia**"), a non-wholly subsidiary of the Company. Accordingly, SIPG is a substantial shareholder of Shanghai Pan Asia and therefore a connected person of the Company at the subsidiary level. Accordingly, the transactions contemplated under the Shipping and Terminal Services Framework Agreement constitute continuing connected transactions of the Company.

    For details of the above transactions, please refer to the announcements of the Company dated 27 February 2019 and 30 October 2019 and the circular of the Company dated 5 December 2019.

19. On 29 March 2019, Gold Talent (HK) Limited ("**Gold Talent**", an indirect wholly-owned subsidiary of OOIL and therefore an indirect non-wholly owned subsidiary of the Company), COSCO SHIPPING Logistics Co., Ltd. ("**COSCO SHIPPING Logistics**") and Suqian Jingdong Xinsheng Enterprise Management Co., Ltd. ("**JD Logistics**") entered into an investment and cooperation agreement (the "**Investment and Cooperation Agreement**"), pursuant to which the parties agreed to establish a joint venture through the formation of a joint venture.

    At completion, Gold Talent, COSCO SHIPPING Logistics, JD Logistics, JV ESOP and E-Shipping ESOP will be interested in the joint venture as to 22%, 18%, 45%, 11% and 4% respectively.

    On 29 March 2019, as part of the Joint Venture Formation under the Investment and Cooperation Agreement, Gold Talent entered into the Share Transfer Agreement I and the Share Transfer Agreement II with China Shipping Group Co., Ltd. ("**China Shipping Group**") and COSCO SHIPPING Technology Co., Ltd. ("**COSCO SHIPPING Technology**"), respectively. Upon completion of the Share Transfer Agreements, Gold Talent will hold 42.35% equity interest in E-Shipping.

    China COSCO SHIPPING is a controlling shareholder of the Company and therefore a connected person of the Company. Each of COSCO SHIPPING Logistics, China Shipping Group, COSCO SHIPPING Technology, COSCO SHIPPING Development and E-Shipping is a subsidiary of China COSCO SHIPPING and therefore a connected person of the Company. Accordingly, the transactions contemplated under the Investment and Cooperation Agreement constitute connected transactions of the Company.

    For details of the above transactions, please refer to the announcement of the Company dated 3 April 2019.

20. On 18 September 2019, COSCO SHIPPING Ports (a non-wholly owned subsidiary of the Company), as seller, entered into the Longtan Share Purchase Agreement (the "**Longtan Share Purchase Agreement**"), the Yuanyang Share Purchase Agreement (the "**Yuanyang Share Purchase Agreement**") and the Zhangjiagang Share Purchase Agreement (the "**Zhangjiagang Share Purchase Agreement**", together with Longtan Share Purchase Agreement and Yuanyang Share Purchase Agreement referred to as the "**Share Purchase Agreements**") with SIPG (HK) (as purchaser), in relation to the sale and purchase of the indirect interests of COSCO SHIPPING Ports in Nanjing Longtan Terminal (via Longtan SPV), Yangzhou Yuanyang Terminal (via Yuanyang SPV and Zhangjiagang SPV) and Zhangjiagang Terminal (via Zhangjiagang SPV), respectively.

    SIPG holds 20% of the equity interest in Shanghai Pan Asia, a non-wholly owned subsidiary of the Company. Therefore, SIPG is a substantial shareholder of Shanghai Pan Asia, and the Purchaser (a wholly-owned subsidiary of SIPG) is a connected person of the Company at the subsidiary level. Accordingly, the transactions contemplated under the Longtan Share Purchase Agreement, the Yuanyang Share Purchase Agreement and the Zhangjiagang Share Purchase Agreement constitute connected transactions of the Company.

With respect to the related party transactions as disclosed in note 45 to the consolidated financial statements, those transactions which constitute connected transactions or continuing connected transactions of the Company have been disclosed above or constitute fully exempted connected transactions or continuing connected transactions of the Company as all the applicable percentage ratios are less than 0.1%. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in relation to the above connected transactions and continuing connected transactions. The Company has followed the pricing policies and guidelines set out in the relevant announcements and circulars when determining the pricing and terms of the above continuing connected transactions during the Reporting Period.

The following table sets out the relevant annual caps and the actual transaction amounts for the year ended 31 December 2019 in relation to the non-exempt continuing connected transactions of the Group:

The annual caps and actual transaction amounts in respect of the non-exempt continuing connected transactions of the Group

Transactions				Annual cap for the year ended 31 December 2019 ('000)	Actual transaction amount for the year ended 31 December 2019 ('000)
1	Transactions under the COSCO SHIPPING Holdings Financial Services Agreement				
	(a)	Maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Group	RMB	33,000,000	12,501,879
	(b)	Maximum daily outstanding balance of loans (including accrued interest and handling fee) granted to the Group	RMB	26,000,000	4,620,500

Transactions			Annual cap for the year ended 31 December 2019 ('000)	Actual transaction amount for the year ended 31 December 2019 ('000)
2	Transactions under the Master Vessel Services Agreement			
	(a) Purchase of vessel services from the China COSCO SHIPPING Group	RMB	32,000,000	16,295,544
	(b) Provision of vessel services to the China COSCO SHIPPING Group	RMB	180,000	172,174
3	Transactions under the Master General Services Agreement			
	(a) Purchase of general services from the China COSCO SHIPPING Group	RMB	160,000	31,543
	(b) Provision of general services to the China COSCO SHIPPING Group	RMB	60,000	7,703
4	Transactions under the Master Seamen Leasing Agreement			
	(a) Purchase of services from the China COSCO SHIPPING Group	RMB	1,500,000	1,173,883
	(b) Provision of services to the China COSCO SHIPPING Group	RMB	500,000	5,417
5	Transactions under the Master Premises Leasing Agreement			
	(a) Rent and other fees and charges payable to the China COSCO SHIPPING Group	RMB	300,000	118,619
	(b) Rent and other fees and charges receivable from the China COSCO SHIPPING Group	RMB	20,000	2,351
6	Transactions under the Master Container Services Agreement			
	(a) Purchase of services from the China COSCO SHIPPING Group	RMB	600,000	357,683
	(b) Sale of services to the China COSCO SHIPPING Group	RMB	300,000	218,404
7	Transactions in relation to port services[note]			
	(a) Purchase of services from the China COSCO SHIPPING Group	RMB	4,500,000	2,249,202
	(b) Provision of services to the China COSCO SHIPPING Group	RMB	300,000	19,957
8	Transactions under the Master Vessel and Container Asset Services Agreement	RMB	25,000,000	8,233,786
9	Transactions under the Freight Forwarding Master Agreement			
	(a) Purchase of services from the China COSCO SHIPPING Group	RMB	500,000	120,059
	(b) Provision of services to the China COSCO SHIPPING Group	RMB	1,100,000	1,086,677

Transactions			Annual cap for the year ended 31 December 2019 ('000)	Actual transaction amount for the year ended 31 December 2019 ('000)
10	Transactions under the Shipping Services Master Agreement	RMB	700,000	208,781
11	Transactions under the Master Vessel Time Charter Services Agreement			
	(a) Purchase of services from Pacific International Lines	RMB	900,000	55,563
	(b) Provision of services to Pacific International Lines	RMB	800,000	65,768
12	Transactions under the Pacific International Lines Master Container Services Agreement	RMB	1,450,000	46,051
13	Transactions under the Shipping and Terminal Services Framework Agreement			
	(a) Purchase of services from Shanghai International Port (Group)	RMB	3,000,000	1,424,144
	(b) Provision of services to Shanghai International Port (Group)	RMB	800,000	14,385

Note: The Group purchased services from the China COSCO SHIPPING Group pursuant to the Master Port Services Agreement and the Group provided services to the China COSCO SHIPPING Group pursuant to CSH Shipping Services and Terminal Services Master Agreement.

Review of Continuing Connected Transactions for 2019

The independent non-executive Directors have reviewed the above non-exempt continuing connected transactions and confirm that these transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

For the purpose of Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company, PricewaterhouseCoopers, to report on the above continuing connected transactions for the year ended 31 December 2019 (the "**Transactions**") in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the Transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Substantial Interests in the Shares and Underlying Shares of the Company

As at 31 December 2019, so far as was known to the Directors, save as disclosed below, there was no person (other than a Director, Supervisor or chief executives of the Company) who had any other interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

As at 31 December 2019, so far as was known to the Directors, the Shareholders having interest in 5% or more of the total issued share capital of the Company (including A Shares and H Shares) were:

Name	Capacity and nature of interest	Number of shares/Percentage of total issued share capital of the Company: Long position	% (approx.)	Short position	% (approx.)	Lending pool	% (approx.)
China Ocean Shipping Co., Ltd. (a State-owned enterprise in China and the direct controlling shareholder of the Company)	Beneficial owner Interest of controlled corporation	A Shares: 4,557,594,644 H Shares: 87,635,000 **Total: 4,645,229,644**	37.18 0.71 **37.89**	–	–	–	–
China COSCO SHIPPING Corporation Limited (a State-owned enterprise in China and an indirect controlling shareholder of the Company)	Beneficial owner Interest of controlled corporation	A Shares: 1,021,627,435 A Shares: 4,557,594,644 H Shares: 87,635,000 Subtotal: 4,645,229,644 **Total: 5,666,857,079**	8.33 37.89 **46.22**	–	–	–	–

A Share Option Incentive Scheme

On 3 December 2018, the Board approved the Company's proposed adoption of the Share Option Incentive Scheme. In order to further optimize the Share Option Incentive Scheme, the Board approved the Company's proposed adoption of the further revised share option incentive scheme (the "**Further Revised Scheme**") on 7 May 2019. Pursuant to the Further Revised Scheme, the total number of underlying A Shares in relation to the share options to be granted shall be not more than exceed 218,236,900 A Shares, representing approximately 2.25% of the existing A share capital of the Company and approximately 1.78% of the existing total issued share capital of the Company as at 31 December 2019.

Under the Further Revised Scheme, the total number of the reserved share options (the "**Reserved Share Options**") is 21,823,700, representing approximately 10% of the total number of the share options to be granted under the Further Revised Scheme. Participants eligible for the Reserved Share Options shall be determined by the Board within 12 months after the Further Revised Scheme is considered and approved by the Shareholders at the extraordinary general meeting, the A Share class meeting and the H Share class meeting (collectively, the "**General Meetings**") held on 30 May 2019, The Reserved Share Options will lapse if the participants for the Reserved Share Options are not determined within the abovementioned 12-month period.

Grant of Share Options under the Further Revised Scheme

On 3 June 2019 (the "**Date of Grant**"), pursuant to the authorization at the General Meetings, 192,291,000 share options were granted by the Board to 465 participants in the first batch under the Further Revised Scheme. The exercise price was RMB4.10 per A Share. The exercise price will be adjusted in accordance with the relevant requirements under the Further Revised Scheme upon occurrence of the adjustment events (including but not limited to the conversion of capital reserve into share capital, bonus issue, sub-division or consolidation of Shares, rights issue or distribution of dividends of the Company). On the Date of Grant, the closing price of A Shares was RMB4.82 per A Share. The closing price of A Shares on the trading day immediately before the Date of Grant was RMB4.78 per A Share.

In the process of registration after the Date of Grant, five participants (not being senior management of the Company) did not accept the share options granted to them due to personal reasons. Under the Further Revised Scheme, the number of participants who were granted share options in the first batch has been adjusted from 465 to 460 and the number of the share options granted in the first batch has been adjusted from 192,291,000 to 190,182,200. For details, please refer to the overseas regulatory announcement of the Company dated 19 July 2019. On 24 July 2019, COSCO SHIPPING Holdings completed the registration in respect of the grant of the share options in the first batch with 190,182,200 share options and 460 participants registered. For details, please refer to the overseas regulatory announcement of the Company dated 25 July 2019.

Movements of share options during the Reporting Period are set out below:

(1) Share options granted to the senior management of the Company

		Number of share options				
Name of Participant	Position of Participant	Outstanding as at 1 January 2019	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 31 December 2019
CHEN Xiang	Deputy General Manager	N/A	754,000	–	–	754,000
YAO Erxin	Deputy General Manager	N/A	754,000	–	–	754,000
ZHU Jiandong	Deputy General Manager	N/A	754,000	–	–	754,000
ZHANG Mingwen	Chief Financial Officer	N/A	754,000	–	–	754,000
Steve SIU	Deputy General Manager	N/A	754,000	–	–	754,000
CHEN Shuai	Deputy General Manager	N/A	754,000	–	–	754,000
GUO Huawei	Secretary to the Board	N/A	573,000	–	–	573,000

(2) Share options granted to all participants

		Number of share options				
Participants	Number of Participants	Outstanding as at 1 January 2019	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 31 December 2019
Senior management of the Company	7	N/A	5,097,000	–	–	5,097,000
Senior management personnel of the subsidiaries of the Company	13	N/A	10,166,000	–	–	10,166,000
Other key business personnel and management personnel of the Company	440	N/A	174,919,200	–	–	174,919,200
Total	**460**	**N/A**	**190,182,200**	**–**	**–**	**190,182,200**

Validity Period

The Further Revised Share Option Scheme shall be effective for 10 years from 30 May 2019 (being the date of approval of the Further Revised Scheme by the Shareholders at the General Meetings).

Exercise Period

(i) The exercise period in respect of the first batch of the share options commences on the first trading day after the expiration of the 24-month period from the Date of Grant and ending on the last trading day of the 36-month period from the Date of Grant. The exercisable share options shall be 33% of the total number of share options granted;

(ii) The exercise period in respect of the second batch of the share options commences on the first trading day after the expiration of the 36-month period from the Date of Grant and ending on the last trading day of the 48-month period from the Date of Grant. The exercisable share options shall be 33% of the total number of share options granted; and

(iii) The exercise period in respect of the third batch of the share options commences on the first trading day after the expiration of the 48-month period from the Date of Grant and ending on the last trading day of the 84-month period from the Date of Grant. The exercisable share options shall be 34% of the total number of Share Options granted.

Fair Value of Share Options

The Company has selected the Black-Scholes model to calculate the fair value of share options and has adopted 3 June 2019 (i.e. the Date of Grant) as the benchmark date to determine the fair value of the share options. According to the preliminary calculation by the Company, the fair value of each share option is RMB2.00 and the aggregate value of the first batch of 190,182,200 registered share options (excluding the Reserved Share Options) is RMB380,364,400. The details of the reference factors are set out below:

Market price of A Shares	RMB4.82, being the closing price of A Shares as traded on the Shanghai Stock Exchange on 3 June 2019
Exercise price	RMB4.10, being the exercise price determined by the Board in accordance with the rules stipulated by the CSRC and the State-owned Assets Supervision and Administration Commission of the State Council of the PRC ("**SASAC**")
Expected life	3.83 years, being the weighted expected effective period
Risk-free yield	3.11%, being the 3.83-year yield to maturity of national bond rate
Expected volatility	41.57%, based on the historical volatility of the Company
Expected rate of dividend	0%[(1)]

Notes:

(1) According to the applicable valuation method and relevant requirements of the SASAC, since the adjustment mechanism to the exercise price of the share options upon occurrence of distribution of dividend is provided in the Share Option Incentive Scheme, the expected rate of dividend shall not be taken into account in the determination of fair value of the share options.

(2) The calculation results of the value of the share options are subject to a number of assumptions of the parameters used herein and the limitation of the model adopted. Therefore, the estimated value of the share options may be subjective and uncertain.

Directors' Report

COSCO SHIPPING Ports Share Option Scheme

On 8 June 2018, the Company convened its annual general meeting and COSCO SHIPPING Ports convened its special general meeting respectively, at which the adoption of the COSCO SHIPPING Ports Share Option Scheme was considered and approved.

Movements of the share options, which were granted under the COSCO SHIPPING Ports Share Option Scheme, during the Reporting Period are set out below:

		Number of share options								
Category	Exercise price per share (HK$)	Outstanding as at 1 January 2019	Granted during the period	Exercised during the period	Transferred (to)/from other categories during the period	Lapsed during the period	Outstanding as at 31 December 2019	Percentage of the total issued shares of COSCO SHIPPING Ports	Exercisable period	Notes
Directors of the Company										
Mr. ZHANG Wei (張為)	7.27	1,500,000	–	–	(1,500,000)	–	–	–	19.6.2020-18.6.2023	(1), (2), (4)
Other director(s) of COSCO SHIPPING Ports	7.27	2,400,000	–	–	1,200,000	–	3,600,0000	0.12%	19.6.2020-18.6.2023	(1), (3)
Former director of COSCO SHIPPING Ports – Mr. FANG Meng	7.27	1,500,000	–	–	(1,500,000)	–	–	–	19.6.2020 – 18.6.2023	(1), (2), (4)
Sub-total		5,400,000	–	–	(1,800,000)	–	3,600,000			
Continuous contract employees	7.27	46,015,948	–	–	(2,692,607)	(1,150,598)	42,172,743	1.33%	19.6.2020-18.6.2023	(1), (5), (6)
	8.02	851,966	–	–	–	–	851,966	0.03%	29.11.2020-28.11.2023	(7)
	8.48	–	848,931	–	–	–	848,931	0.03%	29.03.2021-28.03.2024	(8)
	7.27	–	666,151	–	–	–	666,151	0.02%	23.05.2021-22.05.2024	(9)
	7.57	–	1,273,506	–	–	–	1,273,506	0.04%	17.06.2021-16.06.2024	(10)
Others	7.27	–	–	–	4,492,607	–	4,492,607	0.14%	19.6.2020-18.6.2023	(1), (4), (5)
Sub-total		46,867,914	2,788,588	–	1,800,000	(1,150,598)	50,305,904			
Total		52,267,914	2,788,588	–	–	(1,150,598)	53,905,904			

Notes:

(1) The share options were granted on 19 June 2018 under the COSCO SHIPPING Ports Share Option Scheme at an exercise price of HK$7.27 per share. According to the terms of the COSCO SHIPPING Ports Share Option Scheme, share options under each grant have a validity period of five years commencing from the date of grant and cannot be exercised during the two year period commencing from the date of grant (the "**Restriction Period**"). Besides, subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. (a) 33.3% of the share options will be vested on 19 June 2020; (b) 33.3% of the share options will be vested on 19 June 2021; and (c) 33.4% of the share options will be vested on 19 June 2022. The listing conditions for the share options are more particularly set out in the section headed "11. Performance Target before the Options can be granted and vested – Performance Conditions for the vesting of Share Options" in the circular of the Company dated 18 May 2018.

(2) Such share options referred to the individual interests held by the relevant directors in the capacity of beneficial owners.

(3) The 1,200,000 share options were transferred from the category of "continuous contract employees" pursuant to the terms of the COSCO SHIPPING Ports Share Option Scheme.

(4) Such share options were reclassified to "Others" category pursuant to the provisions of the COSCO SHIPPING Ports Share Option Scheme.

(5) The 2,692,607 share options were reclassified to "Others" category pursuant to the provisions of the COSCO SHIPPING Ports Share Option Scheme.

(6) The 1,150,598 share options were lapsed due to resignation or retirement of the relevant employees.

(7) The share options were granted on 29 November 2018 under the COSCO SHIPPING Ports Share Option Scheme at an exercise price of HK$8.02 per share, which are subject to the Restriction Period. Besides, subject to the fulfilment of the relevant vesting conditions, the share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. (a) 33.3% of the share options will be vested on 29 November 2020; (b) 33.3% of the share options will be vested on 29 November 2021; and (c) 33.4% of the share options will be vested on 29 November 2022.

(8) The share options were granted on 29 March 2019 under the COSCO SHIPPING Ports Share Option Scheme at an exercise price of HK$8.48 per share, which are subject to the Restriction Period. Besides, subject to the fulfilment of the relevant vesting conditions, the share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. (a) 33.3% of the share options will be vested on 29 March 2021; (b) not more than 33.3% of the share options will be vested on 29 March 2022; and (c) not more than 33.4% of the share options will be vested on 29 March 2023.

(9) The share options were granted on 23 May 2019 under the COSCO SHIPPING Ports Share Option Scheme at an exercise price of HK$7.27 per share, which and were also subject to the Restriction Period. Besides, subject to the fulfilment of the relevant vesting conditions, the share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. (a) 33.3% of the share options will be vested on 23 May 2021; (b) not more than 33.3% of the share options will be vested on 23 May 2022; and (c) 33.4% not more than of the share options will be vested on 23 May 2023.

(10) The share options were granted on 17 June 2019 under the COSCO SHIPPING Ports Share Option Scheme at an exercise price of HK$7.57 per share and were also, which are subject to the Restriction Period. Besides, subject to the fulfilment of the relevant vesting conditions, the share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. (a) not more than 33.3% of the share options will be vested on 17 June 2021; (b) 33.3% of the share options will be vested on 17 June 2022; and (c) not more than 33.4% of the share options will be vested on 17 June 2023.

(11) During the Reporting Period, no share options were exercised or cancelled under the COSCO SHIPPING Ports Share Option Scheme. According to the terms of the COSCO SHIPPING Ports Share Option Scheme, no share options could be granted under the COSCO SHIPPING Ports Share Option Scheme since 19 June 2019 (i.e. one year from the date of the initial grant).

(12) The fair value of share options granted during the year and outstanding as at 31 December 2019 are calculated based on the Black-Scholes valuation model, and the fair value and the significant parameters of such model are as follows:

	Fair value per share option HK$	Closing price as at the date of grant HK$	Exercise price HK$	Standard deviation of expected share price return	Expected term of share option	Expected dividend paid out rate	Risk-free interest rate
Granted on 29 March 2019: 848,931 share options (outstanding as at 31 December 2019)	1.395	8.48	8.48	30.18%	4 years	4.30%	1.44%
Granted on 23 May 2019: 666,151 share options (outstanding as at 31 December 2019)	1.154	7.16	7.27	29.94%	4 years	4.30%	1.68%
Granted on 17 June 2019: 1,273,506 share options (outstanding as at 31 December 2019)	1.187	7.45	7.57	29.84%	4 years	4.30%	1.60%

The volatility measured at the standard deviation of expected share price return is based on the historical share price movement of COSCO SHIPPING Ports prior to the date of grant. Changes in the subjective input assumptions could materially affect the fair value estimates.

COSCO SHIPPING Ports Group recognizes the fair value of share options as expenses in the income statement over the vesting period. The fair value of the share options is measured at the date of grant.

(13) The closing prices of the shares of COSCO SHIPPING Ports immediately before the dates on which the share options were granted on 29 March 2019, 23 May 2019 and 17 June 2019 were HK$7.63, HK$7.25 and HK$7.55, respectively.

Capital Increase and Employees' Participation Plan Implemented By Shanghai Pan Asia Shipping Company Limited

Pursuant to the Opinion on Commencement of Pilot Employee Stock Ownership by Stated-Owned Holding Mixed Ownership Enterprises (Guo Zi Fa Gai Ge [2016] No. 133)《(關於國有控股混合所有制企業開展員工持股試點的意見》(國資發改革[2016]133號)), during 2017, Shanghai Pan Asia Shipping Company Limited ("**Shanghai Pan Asia**"), a subsidiary of COSCO SHIPPING Lines, decided to implement the capital increase and employees participation plan. Shanghai Pan Asia introduced certain strategic investor(s) by participating in the public tender for subscribing for equity on the Shanghai United Assets and Equity Exchange. The subscription price per unit will be not less than the appraised net asset value (after the filing procedures having been completed) per unit of the registered capital of Shanghai Pan Asia. Meanwhile, it introduced employees' participation through the employees' participation platform, under which employees will subscribe for equity interests at the final subscription price of strategic investor(s). Please refer to the announcement of COSCO SHIPPING Holdings dated 18 April 2017 for details.

As at the end of June 2017, COSCO SHIPPING Lines, Shanghai Pan Asia, Shanghai Fosun Industrial Investment Company Limited (上海復星產業投資有限公司) (a strategic investor) ("**Fosun Industrial Investment**") and Ningbo Hongyang Investment and Management LLP (寧波泓陽投資管理合夥企業(有限合夥)) (the employees' participation platform) ("**Hongyang**") signed an agreement on capital increase and completed the change of industrial and commercial registration. As at 31 December 2019, the equity interest in Shanghai Pan Asia was subscribed for by COSCO SHIPPING Lines, Shanghai International Port (Group) Co., Ltd., Fosun Industrial Investment, 共青城寰海投資管理合夥企業(有限合夥) and Hongyang as to 62%, 20%,10% (contributing approximately RMB424 million), 0.0618% (contributing approximately RMB3 million) and 8% (contributing approximately RMB341 million), respectively. The participating employees, of a total number of 150, are core management personnel of Shanghai Pan Asia, accounting for 34.6 % of its total headcount.

Directors' and Supervisors' Interests in Shares, Underlying Shares and Debentures

As at 31 December 2019, the interests of the Directors and Supervisors in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(a) Long positions in the shares, underlying shares and debentures of the Company:

Name of Director	Capacity	Number of Shares held as at 31 December 2019	Approximated percentage of total number of the relevant class of the issued share capital	Approximated percentage of total number of the issued share capital
Mr. YANG Zhijian	Beneficial owner	100,000 H Shares	0.00388%	0.00082%
Mr. FENG Boming[1]	Interest of spouse	530,000 A Shares	0.00548%	0.00432%
Mr. TEO Siong Seng	Beneficial owner	161,000 H Shares	0.00624%	0.00131%

Note:

1. As at 31 December 2019, the spouse of Mr. Feng Boming held 530,000 A share options under the A share option incentive scheme of the Company. Mr. Feng Boming is therefore deemed to be interested in such share options of the Company.

(b) Long positions in shares, underlying shares and debentures of associated corporations of the Company:

Name of associated corporation	Name of Director/Supervisor	Capacity	Number of shares held	Percentage of total number of issued shares of the relevant class of the relevant associated corporation	Approximate percentage of total number of the issued share capital of the relevant associated corporations
COSCO SHIPPING Development	Mr. YANG Zhijian	Beneficial owner	400,000 H shares	0.01088%	0.00345%
	Mr. FENG Boming	Beneficial owner	29,100 A shares	0.00037%	0.00025%
	Mr. TEO Siong Seng	Beneficial owner	200,000 A shares	0.00252%	0.00172%
	Mr. DENG Huangjun	Interest of spouse	38,000 A shares	0.00048%	0.00033%
COSCO SHIPPING Ports	Mr. DENG Huangjun[1]	Beneficial owner	1,251,059 ordinary shares	0.03957%	0.03957%

Note:

1. As at 31 December 2019, Mr. DENG Huangjun was interested in 51,059 shares and 1,200,000 share options of COSCO SHIPPING Ports.

(c) Long positions in the underlying shares of equity derivatives of the Company

Nil.

Share options were granted by COSCO SHIPPING Ports to its certain directors (some of whom were also Directors and Supervisor of COSCO SHIPPING Holdings) pursuant to the share option scheme of COSCO SHIPPING Ports. Details of the Directors' and Supervisor's interest in share options granted by COSCO SHIPPING Ports are set out under the previous section headed "Share Option Scheme of COSCO SHIPPING Ports" of this report.

Save as disclosed above, as at 31 December 2019, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in any shares, underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DISCLOSURE UNDER RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

In relation to the financial assistance granted by COSCO SHIPPING Ports, a listed subsidiary of the Company, to certain affiliated companies, a proforma combined balance sheet of the affiliated companies as at 31 December 2019 required to be disclosed under Rule 13.22 of the Listing Rules is set out below:

	RMB'000
Non-current assets	15,190,403
Current assets	1,885,039
Current liabilities	-1,169,951
Non-current liabilities	-13,375,189
Net assets	2,530,303
Share Capital	148,509
Reserves	2,092,776
Non-controlling interests	289,017
Capital and reserves	2,530,303

As at 31 December 2019, the Group's share of net assets of these affiliated companies amounted to RMB2,793,382,000.

Arrangements to Purchase Shares or Debentures

At no time during the Reporting Period was the Company, its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangements to enable the Directors, Supervisors or senior management of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors', Supervisors' and Five Highest Paid Individuals' Remunerations

Details of the remuneration of the Directors and the Supervisors and the five highest paid individuals of the Group are set out in note 39 to the consolidated financial statements.

There were no arrangements under which a Director or Supervisor had waived or agreed to waive any remuneration in respect of the year ended 31 December 2019.

Service Contracts of Directors and Supervisors

Each of the Directors and Supervisors has entered into a service contract with the Company. No Director or Supervisor has entered into any service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Interests of Directors and Supervisors in Contracts or Arrangements

None of the Directors or Supervisors had any material interest, whether directly or indirectly, in any contracts or arrangements of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2019.

Permitted Indemnity Provisions

At no time during the Reporting Period and as at the date of this report, there was or is, any permitted indemnity provision being in force for the benefit at any of the Directors or Supervisors of the Company (whether made by the Company or otherwise) or the directors or supervisors of an associated corporation of the Company (if made by the Company).

The Company has arranged appropriate liability insurance for the Directors and Supervisors concerning the relevant legal action they may be faced with.

Board Committees

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

Corporate Governance

The Company is committed to maintaining high standards of corporate governance by the Group and the Board is of the view that effective corporate governance makes an important contribution to the corporate success and to the enhancement of shareholder value. Please refer to pages 62 to 98 of this annual report for details.

Employees and Remuneration Policies

As at 31 December 2019, there were approximately 33,114 employees in the Group (Including contract employees). Total staff costs for the Group for the year, including directors' remuneration, was approximately RMB12,063,995,000 in total.

During the Reporting Period, to enhance the quality and capability of its human resources as well as team spirit and to fully cope with the business development of the Company, the Group organised many professional and comprehensive training programmes. The remuneration policies of the Group (including with respect to emolument payable to the Directors) are reviewed on a regular basis, taking into account the Group's results and market conditions, in order to formulate better incentives and appraisal measures.

Shareholders' General Meetings

Meeting session	Date of meeting	The designated website for the publication on the announcement of the resolutions	The date of publication of the announcement of the resolutions
2019 First Extraordinary General Meeting, 2019 First A Share Class Meeting and 2019 First H Share Class Meeting	30 May 2019	www.sse.com.cn www.hkexnews.hk	30 May 2019
2018 Annual General Meeting	30 May 2019	www.sse.com.cn www.hkexnews.hk	30 May 2019
2019 Second Extraordinary General Meeting	9 October 2019	www.sse.com.cn www.hkexnews.hk	9 October 2019
2019 Third Extraordinary General Meeting	20 December 2019	www.sse.com.cn www.hkexnews.hk	20 December 2019

Explanation on general meetings

Please refer to relevant announcements for details.

Objections of independent non-executive directors on relevant matters of the Company

Not applicable.

Major opinions and recommendations made by special committees under the Board when performing duties during the Reporting Period

Strategic Development Committee

The strategic development committee of the Board greatly emphasized on the importance of the implementation progress of the development strategy of COSCO SHIPPING Holdings. It cared about, guided and supervised COSCO SHIPPING Holdings and its subsidiaries to boost the implementation of its strategies effectively by telephone communication and other means. During the period, the Company did not convene any special meeting.

Audit Committee

In 2019, the audit committee of the Board held four meetings, at which the issues considered included reviewing the annual report, interim report, quarterly reports, the effectiveness and adequacy of risk management and internal control systems, internal audit, effectiveness of internal audit functions, appointment of accountancy firms and changes in accounting policies. The audit committee of the Board fully acknowledged the work efficiency of COSCO SHIPPING Holdings, while at the same time provided opinions and recommendations in respect of the rationality of the existing arrangement on shipping capacity, arrangement and plan for asset operation, corporate development plan and cash flow management, fuel cost management and control and the amount and management of connected transactions, respectively.

The audit committee of the Board is of the view that the financial reports of COSCO SHIPPING Holdings for various periods in 2019 which had been reviewed were prepared in compliance with Accounting Standards for Business Enterprises and HKFRSs, and the content of disclosure therein also satisfied the requirements of the listing system and regulations of China and Hong Kong.

Remuneration Committee

In 2019, the remuneration committee of the Board held five meetings, which reviewed the details of remuneration according to the results of the performance appraisal and the remuneration management system of the Company, and was of the view that remuneration of the senior management of the Company was in compliance with the management rules for performance appraisal and remuneration system of the Company and the relevant decision-making procedures were lawful and effective.

Nomination Committee

In 2019, the nomination committee of the Company held one meeting at which the nomination of candidates for the fifth session of the Board of China COSCO SHIPPING was considered.

Risk Management Committee

In 2019, the risk management committee of the Board held one meeting on 23 March 2019. After serious consideration by the members of the risk management committee of the Board, the following opinions were formed:

(1) The risk management committee of the Board has reviewed the "2018 Annual Evaluation Report of Internal Control of COSCO SHIPPING Holdings", which was prepared after conducting necessary inspection and assessment on the internal control of the head office and subsidiaries of the Company according to the Basic Standards for Internal Control of Enterprises and ancillary guidelines jointly issued by five ministries and commissions (including Ministry of Finance of the PRC). Through inspection and assessment on the internal control system, the risk management committee of the Company is of the view that the Company has a relatively reasonable and effective internal control system which provides reasonable assurance to achieve the internal control objective of the Company and the Company is able to analyze the existing conditions of its own control system objectively and to improve, satisfy and adapt to the development requirements of the Company in a timely manner.

(2) The risk management committee of the Company is of the view that the assessment result of the "2018 Annual Evaluation Report of Internal Control of COSCO SHIPPING Holdings" is able to satisfy the relevant requirements of the five ministries and commissions and is consistent with the actual circumstances of COSCO SHIPPING Holdings, and has approved to publish the "2018 Annual Evaluation Report of Internal Control of COSCO SHIPPING Holdings" together with the annual financial statements.

(3) COSCO SHIPPING Holdings should continue to further improve its internal control system according to the requirements of the Basic Standards for Internal Control of Enterprises and ancillary guidelines, and enhance the inspection and supervision to fully exercise the role of the internal control system.

The establishment and implementation of the appraisal system and incentive mechanism for senior management during the Reporting Period

Pursuant to the "Administrative Measures for the Remuneration of Officers in Charge of COSCO SHIPPING Holdings Co., Ltd." (considered and approved by the remuneration committee of the fifth session of Board and the Board), annual salary were paid to senior management members of the Company, including the general manager, deputy general managers, Chief Financial Officer and secretary to the Board. The annual salary comprises basic salary, annual salary based on performance, task accomplishment bonus, etc., among which, the performance-based annual salary is linked to the appraisal results of the Company and individual appraisal results of the senior management of the Company, and it shall be submitted to the Board to determine after consideration by the remuneration committee of the Board. For the senior management of the Company which concurrently serve as the senior management of the wholly-owned or holding subsidiaries of the Company, their remuneration are considered and determined by the board of directors of such companies when receiving remuneration from the company they serve concurrently, and the relevant figures should be reported to the Company for filing.

The Company has adopted the Share Option Incentive Scheme in May 2019, to further refine the long-term incentive system for senior management of the Company, to establish and improve an operational risk control system, and to fully encourage the enthusiasm, responsibility and commitment of the employees of the Company.

Internal Control and Self-evaluation Report

According to the requirements of corporate internal control standard system, the Board is responsible for establishing, improving and effectively implementing the internal control, evaluating the effectiveness of the internal control and disclosing the internal control evaluation report accurately. The Supervisory Committee shall supervise the internal control established and implemented by the Board. The management is responsible for organizing and leading the day-to-day operation of the internal control of the Company. The Board, the Supervisory Committee and the Directors, Supervisors and senior management officers of the Company confirm that information contained in this report is true, accurate, and complete without any false and misleading statements or material omissions, and assume several and joint liability for the above.

The objectives of the Company's internal control are to reasonably guarantee the authenticity and completeness of information of the compliance, asset security, financial report and relevant information of operation and management of the Company, improve the operating efficiency and results, and promote the realization of development strategies. Due to the inherent limitations of the internal control, reasonable guarantees shall only be provided for realizing the above objectives. In addition, changes in situation may result in that the internal control becomes inappropriate or the extent to which the compliance with policies and process is lessened. There may be certain risks in presuming the effectiveness of future internal control according to the evaluation results of the internal control.

The Company's self-evaluation of internal control in 2019:

1. On the reference date of the internal control evaluation report of the Company, there were no material defects of internal control in financial reporting.

2. Evaluation work on internal control: The Company completed the self-evaluation work on internal control within the year in an integrated manner of sampling evaluation by the headquarter and the self-evaluation by each unit. Units included in the evaluation were samples picked by the headquarter. All other units completed the self-evaluation in accordance with the requirement of the headquarter. Therefore, overall, the scope of the evaluation covered most of the units within the scope of the listing. The primary businesses and affairs included in the evaluation were governance structure, organizations, development strategies, internal audit, internal monitoring, corporate culture, risk management, information and communication, asset management, investment management, capital management, procurement management, connected transactions, freight forwarding business management (including foreign trade and domestic trade), ship business management, container management, marketing management, legal affair management, production and operation management, contract management, comprehensive budget management, financial report management, human resources management, information system management, and internal system management.

3. Defects of internal control and rectification: the rectification of the Company's defects of internal control from the last year was completed. This year's internal control is in good condition. The Company will continue to strengthen the daily monitoring and annual evaluation of internal control in the next year to ensure the effectiveness of internal control and continuously enhance the management standard of the Company through the establishment of internal control system and the evaluation of internal control.

The Company's self-evaluation report on internal control for 2019 was published on the website of Shanghai Stock Exchange and the website of the Company on 30 March 2020.

Audit report on internal control

In accordance with the relevant requirements, such as the guidelines on internal control audit, the Company engaged ShineWing Certified Public Accountants to audit and prepare the audit report on the internal control of the Company.

For details of the internal control audit report, please refer to the report of the Company released on 30 March 2020 on the website of Shanghai Stock Exchange.

I. Positions of current Directors, Supervisors and senior management and those who resigned during the Reporting Period

(I) Position in the Controlling Shareholder and other subsidiaries of the Company

Name	Name of entity	Position	Date of appointment	Date of termination
XU Lirong	China COSCO SHIPPING Corporation Limited	Director and Party Secretary	January 2016	N/A
	Orient Overseas (International) Limited	Chairman of the Board, Executive Director	August 2018	N/A
	Orient Overseas Container Line Limited	Director, Chairman of the Board, Chairman of Executive Committee	August 2018	March 2020
HUANG Xiaowen	China COSCO SHIPPING Corporation Limited	Deputy General Manager	January 2016	N/A
	COSCO SHIPPING Lines Co., Ltd.	Chairman	March 2016	August 2019
	COSCO SHIPPING Bulk Co., Ltd.	Chairman	August 2016	February 2020
	COSCO SHIPPING Energy Transportation Co., Ltd.	Chairman	October 2017	April 2019
	COSCO SHIPPING Ports Limited	Chairman	March 2016	April 2019
	Orient Overseas (International) Limited	Executive Director, Chief Executive Officer	August 2018	September 2019
	Chin Shipping (Southeast Asia) Holdings Co., Ltd.	Chairman	March 2016	N/A
WANG Haimin	China COSCO SHIPPING Corporation Limited	Deputy General Manager	February 2019	N/A
	COSCO SHIPPING Lines Co., Ltd.	Director, General Manager and Deputy Party Secretary	January 2016	August 2019
	COSCO SHIPPING Ports Limited	Non-executive Director	January 2015	March 2020
	Orient Overseas (International) Limited	Executive Director	August 2018	N/A
	Orient Overseas (International) Limited	Chief Executive Officer	September 2019	N/A
	Shanghai International Port (Group) Co., Ltd.	Director	July 2019	N/A
	China COSCO SHIPPING Corporation Limited	Staff Director	May 2019	N/A
YANG Zhijian	COSCO SHIPPING Lines Co., Ltd.	Chairman, General Manager and Party Secretary	August 2019	N/A
	Orient Overseas (International) Limited	Executive Director	September 2019	N/A
	Orient Overseas Container Line Limited	Director, Chief Executive Officer (CEO) and member of the Executive Committee	September 2019	N/A
	Orient Overseas Container Line Limited	Chairman of the Board and Chairman of the Executive Committee	March 2020	N/A

Directors' Report

Name	Name of entity	Position	Date of appointment	Date of termination
ZHANG Wei (張為)	China COSCO SHIPPING Corporation Limited	Deputy General Manager	August 2019	N/A
	COSCO SHIPPING Ports Limited	Vice Chairman of the Board of Directors, Managing Director, executive Director	April 2016	April 2019
	COSCO SHIPPING Ports Limited	Chairman of the Board of Directors, Managing Director, executive Director	April 2019	September 2019
	Orient Overseas (International) Limited	Executive Director	August 2018	September 2019
FENG Boming	China COSCO SHIPPING Corporation Limited	General Manager of the Strategic and Corporate Management Department	February 2016	September 2019
	COSCO SHIPPING Bulk Co., Ltd.	Director	August 2016	N/A
	COSCO SHIPPING Development Co., Ltd.	Non-executive Director	June 2016	N/A
	COSCO SHIPPING Energy Transportation Co., Ltd.	Non-executive Director	September 2016	N/A
	COSCO SHIPPING (Hong Kong) Co., Limited	Director	March 2016	N/A
	COSCO SHIPPING Financial Co., Ltd.	Director	March 2016	N/A
	COSCO SHIPPING Ports Limited	Non-executive Director	October 2016	September 2019
	COSCO SHIPPING Ports Limited	Chairman of the Board and Executive Director	September 2019	N/A
	Orient Overseas (International) Limited	Executive Director	September 2019	N/A
	Hainan Harbour & Shipping Holding Co., Ltd.	Director	November 2019	N/A
	Piraeus Port Authority S.A.	Non-executive Director	June 2016	N/A
	China Shipping (North America) Company Limited	Director	March 2017	N/A
	China Shipping (Europe) Company Limited	Director	March 2017	N/A
	COSCO SHIPPING International (Hong Kong) Co., Ltd.	Non-executive Director	January 2018	N/A
ZHANG Wei (張煒)	China COSCO SHIPPING Corporation Limited	General Manager of the Operation and Management Department	March 2017	January 2020
	COSCO SHIPPING Lines Co., Ltd.	Deputy General Manager	January 2020	N/A
	COSCO SHIPPING Bulk Co., Ltd.	Director	August 2016	N/A
	COSCO SHIPPING Energy Transportation Co., Ltd.	Director	September 2016	N/A
	COSCO SHIPPING Ports Limited	Director	October 2016	N/A
	COSCO SHIPPING Specialized Carriers Co., Ltd.	Director	October 2016	N/A
	COSCO SHIPPING Captive Insurance Co., Ltd.	Director	February 2017	N/A
CHEN Dong	China COSCO SHIPPING Corporation Limited	General Manager of the Financial and Management Department	September 2016	N/A
	COSCO SHIPPING Ports Limited	Director	October 2016	N/A
	COSCO SHIPPING Financial Co., Ltd.	Director	July 2016	N/A
	COSCO SHIPPING Specialized Carriers Co., Ltd.	Director	October 2016	N/A
	COSCO SHIPPING Bulk Co., Ltd.	Director	August 2016	N/A
	COSCO SHIPPING (Hong Kong) Co., Limited	Director	July 2016	N/A
	COSCO SHIPPING Boao Co., Ltd.	Director	December 2018	N/A
	COSCO SHIPPING International (Hong Kong) Co., Ltd.	Director	January 2018	N/A

Name	Name of entity	Position	Date of appointment	Date of termination
YANG, Liang Yee Philip	Orient Overseas (International) Limited	Independent Non-executive Director	August 2018	N/A
TEO Siong Seng	COSCO SHIPPING Energy Transportation Co., Ltd.	Independent Non-executive Director	December 2015	N/A
FU Xiangyang	China COSCO SHIPPING Corporation Limited	Secretary to the Board	March 2016	N/A
HAO Wenyi	China COSCO SHIPPING Corporation Limited	Head of the Discipline and Supervision Department	January 2016	May 2019
	China COSCO SHIPPING Corporation Limited	Deputy Chief of the Disciplinary Team of the Party Committee	August 2016	May 2019
	China COSCO SHIPPING Corporation Limited	Associate Team Leader of the Discipline and Supervision Team	May 2019	N/A
	China COSCO SHIPPING Corporation Limited	Supervisor	April 2016	N/A
	COSCO SHIPPING Development Co., Ltd.	Supervisor	June 2016	N/A
	COSCO SHIPPING Specialized Carriers Co., Ltd.	Supervisor	October 2016	N/A
	COSCO SHIPPING Heavy Industry Co., Ltd.	Supervisor	December 2016	N/A
	COSCO SHIPPING Captive Insurance Co., Ltd.	Supervisor	February 2017	N/A
	COSCO SHIPPING Technology Co., Ltd.	Supervisor	December 2017	N/A
	COSCO SHIPPING (Dalian) Co., Ltd.	Supervisor	December 2017	N/A
	COSCO SHIPPING (Shanghai) Co., Ltd.	Supervisor	December 2017	N/A
FANG Meng	COSCO SHIPPING Ports Limited	Executive Director, Party Secretary, Deputy General Manager	April 2016	April 2019
DENG Huangjun	COSCO SHIPPING Ports Limited	Executive Director, Deputy General Manager	October 2015	N/A
CHEN Xiang	COSCO SHIPPING Lines Co., Ltd.	Deputy General Manager	January 2016	August 2019
	Orient Overseas Container Line Limited	Director, Member of Executive Committee	August 2018	N/A
YAO Erxin	Orient Overseas Container Line Limited	Director, Member of Executive Committee	January 2010	N/A
ZHU Jiandong	COSCO SHIPPING Lines Co., Ltd.	Deputy General Manager	January 2016	August 2019
	Orient Overseas Container Line Limited	Director, Member of Executive Committee	April 2019	September 2019
Stephen NG	Orient Overseas Container Line Limited	Director, Member of Executive Committee	August 2010	April 2019
ZHANG Mingwen	Orient Overseas (International) Limited	Chief Financial Officer (CFO)	August 2018	N/A
	Orient Overseas Container Line Limited	Director, Chief Financial Officer, Member of Executive Committee	August 2018	N/A

Name	Name of entity	Position	Date of appointment	Date of termination
Steve SIU	Orient Overseas Container Line Limited	Director, Member of Executive Committee, Chief Information Officer	November 2006	N/A
	CargoSmart	Chief Executive Officer	January 2002	N/A
	COSCO SHIPPING Lines Co., Ltd.	Deputy General Manager	February 2019	N/A
CHEN Shuai	COSCO SHIPPING Lines Co., Ltd.	Deputy General Manager	January 2016	N/A
	Orient Overseas Container Line Limited	Director and Member of Executive Committee	October 2019	N/A

(II) Position in other entities

Name	Name of entity	Position	Date of appointment	Date of termination
WANG Haimin	Shanghai International Port (Group) Co., Ltd.	Director	July 2019	N/A
HUANG Xiaowen	China Marine Bunker (PetroChina) Co., Ltd	Chairman	July 2017	N/A
	China LNG Shipping (Holdings) Limited	Chairman	July 2017	N/A
ZHANG Wei (張為)	Qingdao Port International Co., Ltd.	Non-executive Director	June 2016	N/A
WU Dawei	Jinlihua Electric Co., Ltd.	Independent Non-executive Director	January 2017	N/A
	Jiangsu Zhongtian Technology Co., Ltd.	Independent Non-executive Director	June 2019	N/A
ZHOU Zhonghui	China Taiping Insurance Group Co., Ltd.	Independent Non-executive Director	June 2017	July 2019
	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	Independent Non-executive Director	May 2013	N/A
	S.F. Holding Co., Ltd.	Independent Non-executive Director	December 2016	N/A
	Oriental Pearl Group Co., Ltd.	External Supervisor	June 2015	N/A
	CITIC Securities Company Limited	Independent Non-executive Director	December 2019	N/A
TEO Siong Seng	Pacific International Lines (Pte) Ltd	Executive Chairman	January 1979	N/A
	Singamas Container Holdings Limited	Chairman and Chief Executive Officer	October 1988	N/A
	Keppel Corporation Limited	Independent Non-executive Director	November 2019	N/A
	Wilmar International Limited	Independent Non-executive Director	February 2020	N/A
MENG Yan	Beijing Bashi Media Co., Ltd.	Independent Non-executive Director	June 2017	N/A
	Sinotrans Limited	Independent Non-executive Director	January 2019	N/A
	Jolimark Holdings Ltd.	Independent Non-executive Director	July 2009	N/A
	Beijing Capital Co., Ltd.	Independent Non-executive Director	December 2017	N/A
	China Isotope & Radiation Corporation	Independent Non-executive Director	February 2017	N/A

Name	Name of entity	Position	Date of appointment	Date of termination
ZHANG Jianping	Hunan Valin Steel Co., Ltd.	Independent Non-executive Director	February 2016	N/A
	Shenzhen Worldunion Group Incorporated (深圳世聯行集團有限公司)	Independent Non-executive Director	October 2019	N/A
	China First Heavy Industries Co., Ltd.	Independent Non-executive Director	June 2019	N/A
	Cinda Securities Company Limited	Independent Non-executive Director	May 2019	N/A

II. Remunerations of Directors, Supervisors and Senior Management of the Company

Determination of remuneration of Directors, Supervisors and senior management	Remuneration of Directors and Supervisors were determined at Shareholders' meeting. Determination of the remuneration of the senior management of the Company is set out in the section headed "Appraisal system and the establishment and implementation of incentive mechanism for senior management during the Reporting Period" under the Directors' Report of this annual report.
Basis of remuneration of Directors, Supervisors and senior management	Remuneration of Directors and Supervisors were determined by Shareholders' meeting. Decision-making process of the remuneration of the senior management of the Company is set out in the section headed "Appraisal system and the establishment and implementation of incentive mechanism for senior management during the Reporting Period" under the Directors' Report of this annual report.
Remuneration payable to Directors, Supervisors and senior management	The salaries of Directors and Supervisors shall be paid in accordance with the service contracts entered into by them. Remuneration of the senior management of the Company shall be determined on annual basis taking into account the operating results and annual personal appraisal results and in accordance with the "Administrative Measures for the Remuneration of Officers in Charge of COSCO SHIPPING Holdings Co., Ltd." approved by the Board.
Total actual remuneration of all Directors, Supervisors and senior management during the Reporting Period	RMB37.1520 million (before tax)

III. Changes in Directors, Supervisors and Senior Management of the Company during the Reporting Period

Name	Position	Change	Reason of change
WANG Haimin	Vice Chairman	Elected	Elected at the meeting of the Board
HUANG Xiaowen	Vice Chairman, Executive Director	Resigned	Change of job arrangement
YANG Zhijian	Executive Director, General manager	Elected, appointed	Elected at the extraordinary general meeting of the Company and appointed by the Board
ZHANG Wei (張為)	Executive Director, Deputy General Manager	Resigned	Change of job arrangement
FENG Boming	Non-executive Director	Resigned	Need of job arrangement
	Executive Director	Elected	Elected at the extraordinary general meeting of the Company
ZHANG Wei (張煒)	Non-executive Director	Resigned	Need of job arrangement
CHEN Dong	Non-executive Director	Resigned	Need of job arrangement
FU Xiangyang	Representing the Shareholders Supervisor and Chairman of the Supervisory Committee	Resigned	Need of job arrangement
HAO Wenyi	Supervisor representing the Shareholders	Resigned	Need of job arrangement
FANG Meng	Supervisor representing the employees	Resigned	Retirement
DENG Huangjun	Supervisor representing the employees	Elected	Elected at the congress of workers and staff of the Company
ZHU Jiandong	Deputy General Manager	Resigned	Change of job arrangement
Stephen NG	Deputy General Manager	Resigned	Retirement
CHEN Xiang	Deputy General Manager	Resigned	Change of job arrangement

1. Appointment of Directors and Changes

On 17 April 2019, (i) Mr. FENG Boming resigned as the non-executive Director and a member of the remuneration committee due to the job arrangement; (ii) Mr. ZHANG Wei(張煒) resigned as the non-executive Director and a member of the risk management committee due to the job arrangement; and (iii) Mr. CHEN Dong resigned as the non-executive Director and a member of the audit committee due to the job arrangement.

On 12 July 2019, Mr. WU Dawei was appointed as a member of the audit committee.

On 30 August 2019, (i) Mr. HUANG Xiaowen resigned as the vice chairman and the executive Director of the Company due to the change of job arrangement; (ii) Mr. WANG Haimin was appointed as a vice chairman of the Company and (iii) Mr. ZHANG Wei(張為) resigned as the executive Director and the deputy general manager of the Company due to the change of job arrangement.

On 9 October 2019, (i) Mr. Wang Haimin resigned as a member of the Strategic Development Committee, the chairman of the Risk Control Committee and a member of the Nomination Committee; (ii) Mr. YANG Zhijian was appointed as an executive Director, a member of the strategic development committee and the chairman of the risk management committee and a member of the nomination committee; (iii) Mr. FENG Boming was appointed as an executive Director and a member of the remuneration committee; and (iv) Mr. Teo Siong Seng was appointed as a member of the Risk Control Committee.

2. Appointment of Supervisors and Changes

On 30 January 2019, Mr. DENG Huangjun was appointed as a Supervisor representing the employees of the fifth session of the Supervisory Committee.

On 17 April 2019, (i) Mr. FU Xiangyang resigned as a Supervisor representing the shareholders and the chairman of the Supervisory Committee due to the job arrangement; (ii) Mr. HAO Wenyi resigned as a Supervisor representing the shareholders due to the job arrangement; and (iii) Mr. FANG Meng resigned as a Supervisor representing the employees due to retirement.

3. Appointment of Senior Management and Changes

On 1 April 2019, Mr. Stephen NG resigned as the deputy general manager of the Company due to retirement.

On 22 August 2019, Ms CHEN Xiang voluntarily resigned as the deputy general manager of the Company due to the job arrangement with immediate effect.

On 30 August 2019, (i) Mr. WANG Haimin resigned as the general manager of the Company due to the change of job arrangement; (ii) Mr. YANG Zhijian was appointed as the general manager of the Company; (iii) Mr. ZHANG Wei(張為) resigned as the deputy general manager of the Company due to the job arrangement; and (iv) Mr. ZHU Jiandong resigned as the deputy general manager of the Company due to the change of job arrangement.

IV. Penalty imposed by security regulatory authorities in recent three years

Not applicable.

V. Staff of the Company and its significant subsidiaries

(1) Information of staff

Number of working staff of the Company	34
Number of working staff of significant subsidiaries	27,145
Total number of working staff	27,179
Number of retired staff receiving retirement benefit from the Company and major subsidiaries	4,668
Qualification	
Class of qualification	**Number of staff**
Production	3,698
Sales	6,675
Technicians	3,186
Accounting	2,145
Administration	1,996
Other staff	9,479
Total	27,179
Education level	
Level of education	**Number of staff**
Secondary or below	5,049
Tertiary	7,295
Graduate	12,853
Master's degree or above	1,982
Total	27,179

(2) Remuneration policy

To allow all staff to enjoy the development results of the Company, the Company regularly improve its staff remuneration, benefit and insurance policy in accordance with the conditions of the Company and the external and internal business environment to facilitate the development of the Company and the building of a strong working team.

The Company also safeguard the legal rights of less privileged group of staff strictly in accordance with the laws and regulations of China. For entities operating in the PRC, the Company determines the minimum salary standard of staff in accordance with the requirements of the local governments. The Company has established retirement benefit scheme, medical insurance scheme, work injury insurance scheme, pregnancy and birth insurance scheme and unemployment insurance scheme for all staff. The Company has also established a housing provident fund. For entities operating outside China, the Company has established a remuneration policy strictly in accordance with the laws and regulations and policies of the local governments.

(3) Training Program

By focusing on core tasks of the Company and maintaining the overall situation of reform, development and stability, the Company enhanced the comprehensiveness, pertinence and effectiveness of educational training, speeded up the reform and innovation of such work and continued to improve the scientific level of educational training under the people-oriented principle to safeguard the healthy, stable and sustainable development of the Company. In 2019, the training was carried out mainly in the following two aspects: firstly, the Company focused on providing training for personnel at key positions and areas and coordinated training for personnel of all categories at all levels. Secondly, the Company has continuously innovated and improved the training mechanism and further enhanced the scientific level of trainings.

(4) Outsourcing

Total cost of outsourcing	RMB0.67 billion

VI. Repurchase, Sale or Redemption of the Company's Shares

During the Reporting Period, the Company did not redeem any of its listed shares. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed shares during the year.

VII. Public Float

As at the latest practicable date prior to the issue of this report, based on information that is publicly available to the Company and within the knowledge of the Directors, the public float of the Company satisfied the requirement of the Listing Rules.

By Order of the Board of Directors
Xu Lirong
Chairman

Shanghai, the PRC
30 March 2020

Report of Supervisory Committee

The Supervisory Committee conscientiously performs its duties and conducts its work proactively and diligently in accordance with the laws and regulations of the locations where the Company's shares are listed, the Articles of Association, the Rules of Procedures of the Supervisory Committee and other laws. In 2019, the Company hold 10 meetings of the Supervisory Committee, including three physical meetings and seven meetings by written correspondence.

Members of the Supervisory Committee were present at general meetings, board meetings and meetings of the Supervisory Committee to listen to work reports and financial reporting, review financial reports and audit reports and supervisory the procedures and the resolutions of the Board meetings and general meetings, the implementation of resolutions made at general meetings, the conduct of duties by the Directors and the senior management of the Company, financial position of the Company, the implementation of the Company's internal control, the transactions of the significant asset restructuring and the connected transactions so as to safeguard the interests of the Shareholders and the Company lawfully.

The Supervisory Committee is of the opinion that the Board and the senior management of the Company have strictly complied with the Articles of Association and the relevant requirements of the applicable laws of the places of listing of the Company, and have dutifully and diligently conducted the Company's operations within the relevant regulatory framework. The Supervisory Committee as not found that the Directors and senior management of the Company violated applicable laws, the Articles of Association or the interests of the Company. The Supervisory Committee has no objection to the supervision matters during the Reporting Period.

The Supervisory Committee has carefully reviewed 2019 annual financial report of the Company, the annual profit distribution plan and the unqualified auditor's report issued by the Company's domestic and overseas auditors. The Supervisory Committee agreed with the unqualified auditor's report issued by ShineWing Certified Public Accountants and PricewaterhouseCoopers.

The Supervisory Committee has examined the share option incentives during the Reporting Period, and found no breach of the scope of participants determined by the Company's Share Option Incentive Scheme and no damage to the interests of the Company and all shareholders.

The Supervisory Committee has reviewed the "2019 Annual Evaluation Report of Internal Control" issued by the Board and was of the view that the report truly reflected the basic situation of the Company's internal control and complied with the relevant laws and regulations of the PRC and the requirements of the securities regulatory authorities.

The Supervisory Committee has conducted research and study on the Company's overseas subsidiaries. From 10 to 23 June, the Company's independent Supervisors went to various places such as the Middle East and Europe for surveying the status of the Company to implement the national "Belt and Road" Initiative, promote deep coordination of its container shipping and port segments, develop end-to-end full logistics solutions, manage and control the risks of overseas companies, etc. While investigating COSCO SHIPPING lines West Asia FZE, COSCO SHIPPING Ports Abu Dhabi Terminal Phase II, COSCO SHIPPING Ports Piraeus Terminal, COSCO SHIPPING lines Greece Co., Sea-Rail Express Co., COSCO SHIPPING lines China-European Co., COSCO SHIPPING lines European Co., DP World Antwerp Terminal, COSCO SHIPPING lines Belgium Co. and COSCO SHIPPING Ports Zeebrugge Terminal, it learned more about basic layout of its overseas ports, the transportation of regional routes in Europe and railway transportation of Sea-rail Express, and listened to the respective work reports of the above companies on production and operation and sea-rail transportation with a focus on the layout of the Group's Piraeus Port strategy in container trunks/branches, sea-rail transportation, and the development plan of spreading transportation network to the eastern Mediterranean and the Black Sea coast. The Supervisory Committee highly recognized container shipping and port companies for their outstanding achievements such as active devotion to the national "Belt and Road" Initiative, implementation of the Group's Piraeus Port strategy, continuous release of synergies between port and shipping and enhancement of end-to-end full logistics capabilities, and conducted in-depth interaction and exploration as well as made targeted recommendations in respect of further preventing and mitigating the risks in the Middle East, deploying multi-channel transport corridors in Southeast Europe, promoting the implementation of premium logistics projects, improving multi-transportation of the Hungry-Serbia Railway, expanding radiation effect of strategic ports in North-western Europe and preventing overseas investment risks. The Supervisory Committee further improves the quality of corporate governance by on-site investigations of the operational management and due performance of the relevant entities.

In 2020, the Supervisory Committee will continue to strictly comply with the Articles of Association and the relevant requirements, strengthen the construction of the Supervisory Committee and to increase its supervision efforts to effectively safeguard and protect the lawful interests of the Company and the Shareholders.

30 March 2020

Independent Auditor's Report

TO THE SHAREHOLDERS OF COSCO SHIPPING HOLDINGS CO., LTD.
(Incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of COSCO SHIPPING Holdings Co., Ltd. (the "Company") and its subsidiaries (together, "the Group") set out on pages 150 to 283, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarized as follows:

- Disposal of LBCT LLC ("LBCT");
- Impairment assessment of goodwill;
- Freight revenues for vessel voyages in progress at year end; and
- Operating costs accrual.

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td colspan="2">Disposal of LBCT LLC ("LBCT")
Refer to notes 2(j) and 41 to the consolidated financial statements.</td></tr>
<tr><td>In April 2019, the Group entered into the Sale and Purchase Agreement ("SPA") with an independent third party to sell its entire interests in LBCT (the "Disposal"), which operates the Long Beach Container Terminal in the United States at a consideration of US$1,780 million (approximately RMB12,268 million), subject to certain post-completion adjustments. Under the SPA, the Group was committed to enter into a 20-year terminal service agreement ("TSA") with LBCT on the completion date. The Disposal was completed and the TSA was entered into in October 2019.

Based on the key terms of the TSA as stated in the SPA, the Group commits to place, or procure the placement of an annual minimum number of vessel lifts for 20 years.

The Group recognized an after-tax net gain on disposal amounting to approximately RMB6,830 million which was calculated with reference to, among other things, the consideration of the disposal after the post-completion adjustments, the net asset value of LBCT, the estimated transaction costs and the provision of income tax associated with the Disposal.

We focused on this area because of the significance of the gain on disposal. In addition, significant management's judgements and assumptions are involved in the determination of the consideration of the disposal, including the estimation of the expected volume to be placed in LBCT, and the income tax associated with the Disposal.</td><td>Our procedures in relation to the disposal of LBCT included:

• evaluated the consideration of the disposal after post-completion adjustments according to the terms of the SPA and TSA;

• discussed with management and reviewed the key terms in the SPA and TSA to identify whether there are any transactions other than the disposal of equity interests of LBCT;

• evaluated the management's assumptions and estimates used in the expected number of vessel lifts for the 20-year period under the TSA by comparing to market reports and historical utilization and trends of LBCT;

• checked whether transaction costs were directly attributable to the Disposal, on a sample basis, to supporting documents;

• assessed the income tax associated with the Disposal according to the relevant tax laws and regulations with the involvement of our internal tax specialists;

• tested the mathematical accuracy of the calculation of the net gain on disposal; and

• assessed the appropriateness of the relevant disclosures made in the Group's consolidated financial statements.

Based on the audit procedures performed, we found the judgements and assumptions used in the calculation of the net gain on disposal were supportable based on available evidence.</td></tr>
</table>

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill *Refer to note 2(h), 4(d) and 11 to the consolidated financial statements.*	
As at 31 December 2019, the Group had goodwill with total carrying amount of RMB6,142 million. Management tests whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2(h). The recoverable amounts of cash generating units ("CGUs") have been determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on financial budgets which involve judgment by management such as determining revenue growth rates, operating profit margin and the discount rate. Changes in these assumptions may also impact the recoverable amount of goodwill. Management concluded that the goodwill was not impaired. We focused on this area as the assessment involved significant judgments, including the revenue growth rates, terminal growth rate and discount rates applied to the estimates of the recoverable amount.	Our procedures in relation to management's impairment assessment of goodwill based on value-in-use calculations included: • agreed the input data used by the management with supporting evidence such as actual results and financial budgets and assessed the reasonableness; • involved our internal valuation experts to assessed the appropriateness of the valuation methodologies used to determine value-in-use and benchmarked the discount rates applied to other comparable companies in the same industry; • assessed the reasonableness of key assumptions applied in the financial budgets such as revenue growth rates, operating profit margin and the discount rate applied by management, as well as comparing the current year actual results with the prior year forecast to assess the reasonableness of management forecasts; and • assessed management's sensitivity analyses on the key assumptions, to ascertain the extent to which adverse changes, would result in the assets being impaired. Based on the audit procedures performed, we found the key judgments and assumptions used in the impairment assessment to be supported by available evidence.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Freight revenues for vessel voyages in progress at year end *Refer to note 4(e) and 5 to the consolidated financial statements.*	
For the year ended 31 December 2019, the Group recognized revenue of RMB150,541 million from its continuing operation, out of which RMB144,799 million was related to freight revenues from container shipping. The Group recognizes freight revenues over time which is determined on the time proportion of each individual vessel voyage completed at year end with reference to their voyage details such as freight rates, voyage departure and arrival information. We focused on the recognition of freight revenues at year end due to the complex calculations involved in the estimation of freight revenues for vessel voyages in progress at year end.	Our procedures in relation to management's estimation of freight revenues for vessel voyages in progress at year end included: • evaluated and tested the key controls that management has established in respect of recording freight revenues, focusing on management's controls over the estimate of freight revenues for vessel voyages which were still in progress at year end; • tested the freight rates maintained in the Group's operation system on a sample basis by comparing with supporting documents such as customer contracts; • checked the vessel voyage departure and arrival information (i.e. time and date) from the Group's IT system on a sample basis against the supporting documents such as terminal records; and • recomputed the estimated freight revenues calculations of vessels voyages in progress recorded in the Group's operation system and reconciled to the accounting records. Based on the audit procedures performed, we found the freight revenues for vessel voyages in progress at year end were supportable based on the evidence we gathered.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Operating costs accrual *Refer to note 4(e), 31(b) and 32 to the consolidated financial statements.*	
As at 31 December 2019, the Group accrued expenses of RMB11,401 million for operating costs for container shipping business which mainly comprised equipment and cargo transportation costs and voyage costs. As it takes several months to finalize certain costs with suppliers subsequent to the receipt of such services, management makes a provision for such operating costs based on known services received, pattern of historical cost and estimated vendor tariffs. We focused on this area because the estimation of provision for operating costs involves significant judgements taking into account a number of factors, such as pattern of historical cost and the estimated vendor tariff. Changes in estimation could result in material changes to the provision for operating costs.	Our procedures in relation to management's estimation of operating costs accrual included: • evaluated and tested the key controls over the operating costs, cost provisioning and accounts payable cycle, in particular relating to the accuracy of the vendor tariffs in the operation system; • reviewed and discussed monthly trend analysis for provision for operating costs with management to assess the sufficiency of provisions made; • reviewed paid and unpaid invoices after year end to ascertain whether liabilities had been recorded in the proper period, on a sample basis; • checked the subsequent utilization of provision for operating costs to evaluate the sufficiency of provision made; and • recomputed the provision for operating costs, on a sample basis. Based on the audit procedures performed, we found the provisions for operating costs were supportable based on the evidence we gathered.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mang, Kwong Fung Frederick.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2020

Consolidated Balance Sheet

As At 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**104,179,004**	115,385,537
Right-of-use assets	7	**35,211,071**	–
Investment properties	8	**2,328,986**	2,372,369
Leasehold land and land use rights	9	**–**	2,273,525
Intangible assets	10	**5,402,003**	5,406,925
Goodwill	11	**6,142,068**	5,785,808
Investments in joint ventures	13	**10,112,856**	9,886,112
Investments in associates	14	**20,649,708**	18,991,354
Financial assets at fair value through other comprehensive income	16	**2,097,256**	2,083,638
Financial assets at fair value through profit or loss	17	**–**	499,442
Financial assets at amortized cost	18	**1,028,432**	1,299,828
Restricted bank deposits	21	**396,213**	398,072
Deferred income tax assets	19	**944,463**	1,060,469
Loans to joint ventures and associates	15	**1,167,153**	1,194,537
Other non-current assets	20	**466,129**	1,490,185
Total non-current assets		**190,125,342**	168,127,801
Current assets			
Inventories	22	**4,054,417**	4,100,906
Trade and other receivables and contract assets	23	**14,784,258**	14,852,027
Financial assets at fair value through profit or loss	17	**1,066,819**	2,596,055
Financial assets at amortized cost	18	**306,157**	230,380
Taxes recoverable		**56,654**	47,809
Restricted bank deposits	21	**243,695**	759,171
Cash and cash equivalents	21	**49,689,784**	32,837,729
Assets classified as held for sale	24	**1,896,904**	4,591,927
Total current assets		**72,098,688**	60,016,004
Total assets		**262,224,030**	228,143,805

The notes on pages 159 to 283 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As At 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	25	**12,259,529**	10,216,274
Reserves	26	**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	27	**92,525,212**	80,244,198
Lease liabilities	7	**25,411,032**	–
Provisions and other liabilities	28	**338,514**	351,172
Put option liability	29	**1,518,793**	–
Pension and retirement liabilities	30	**429,201**	305,517
Derivative financial liabilities		**61,935**	50,499
Deferred income tax liabilities	19	**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	31	**34,233,284**	29,698,425
Derivative financial liabilities		**22,387**	59,786
Short-term borrowings	27	**16,252,030**	48,220,619
Current portion of long-term borrowings	27	**11,099,640**	8,730,823
Current portion of lease liabilities	7	**7,410,950**	–
Current portion of provisions and other liabilities	28	**26,391**	2,393
Taxes payable		**1,267,185**	897,482
Liabilities directly associated with assets classified as held for sale	24	**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

The notes on pages 159 to 283 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 150 to 158 were approved by the Board of Directors on 30 March 2020 and were signed on its behalf

Mr. Yang Zhijian
Director

Mr. Feng Boming
Director

Consolidated Income Statement

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Continuing operations			
Revenues	5	**150,540,591**	120,342,284
Cost of services and inventories sold	32	**(135,211,892)**	(110,725,942)
Gross profit		**15,328,699**	9,616,342
Other income	33	**2,322,643**	2,454,270
Other expenses	33	**(466,842)**	(216,436)
Net impairment losses on financial assets		**(19,912)**	(38,447)
Selling, administrative and general expenses	32	**(9,941,754)**	(6,816,932)
Operating profit		**7,222,834**	4,998,797
Finance income	34	**849,900**	571,051
Finance costs	34	**(6,073,661)**	(3,998,008)
Net finance costs		**(5,223,761)**	(3,426,957)
		1,999,073	1,571,840
Share of profits less losses of			
– joint ventures	13	**694,209**	697,250
– associates	14	**1,366,133**	1,380,277
Profit before income tax from continuing operations		**4,059,415**	3,649,367
Income tax expense	35	**(978,567)**	(818,961)
Profit for the year from continuing operations		**3,080,848**	2,830,406
Discontinued operation			
Profit for the year from discontinued operation	41	**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 holders of the Company arising from:			
– Continuing operations		**1,355,004**	1,083,059
– Discontinued operation		**5,335,102**	146,967
		6,690,106	1,230,026

The notes on pages 159 to 283 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31 December 2019

	Note	2019 RMB	2018 RMB
Earnings per share attributable to equity holder of the Company:			
Basic and diluted earnings per share			
– From continuing operations	37	**0.11**	0.11
– From discontinued operation	37	**0.44**	0.01
		0.55	0.12

The notes on pages 159 to 283 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
Profit for the year	**10,194,317**	3,026,361
Other comprehensive income		
Items 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 operations	**1,626,353**	1,615,528
– Discontinued operation	**5,335,102**	55,648
	6,961,455	1,671,176

The notes on pages 159 to 283 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to equity holders of the Company				
	Share capital RMB'000	Reserves RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 31 December 2018	10,216,274	12,669,939	22,886,213	33,466,676	56,352,889
Change in accounting policy (note 2(a)(i))	–	(1,771,146)	(1,771,146)	(562,385)	(2,333,531)
Balance at 1 January 2019	10,216,274	10,898,793	21,115,067	32,904,291	54,019,358
Comprehensive income					
Profit for the year	–	6,690,106	6,690,106	3,504,211	10,194,317
Other comprehensive income:					
Share of other comprehensive loss of joint ventures and associates, net	–	(14,620)	(14,620)	(7,693)	(22,313)
Cash flow hedges, net of tax	–	(896)	(896)	(5,548)	(6,444)
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	–	(22,356)	(22,356)	(34,820)	(57,176)
Remeasurements of post-employment benefit obligations	–	(47,473)	(47,473)	(17,375)	(64,848)
Currency translation differences	–	356,694	356,694	205,577	562,271
Total other comprehensive income	–	271,349	271,349	140,141	411,490
Total comprehensive income	–	6,961,455	6,961,455	3,644,352	10,605,807
Transactions with owners:					
Issue of A shares (note 25)	2,043,255	5,659,319	7,702,574	–	7,702,574
Acquisition of subsidiaries (note 42)	–	–	–	903,967	903,967
Acquisition of additional interest in a subsidiary	–	205,244	205,244	(274,570)	(69,326)
Dividends declared to non-controlling shareholders of subsidiaries	–	–	–	(2,660,640)	(2,660,640)
Fair value of share options granted	–	87,495	87,495	7,677	95,172
Recognition of put option liability arising from acquisition of a subsidiary (note 29)	–	(732,765)	(732,765)	(767,699)	(1,500,464)
Others	–	20,606	20,606	8,183	28,789
Total transactions with owners	2,043,255	5,239,899	7,283,154	(2,783,082)	4,500,072
Balance at 31 December 2019	12,259,529	23,100,147	35,359,676	33,765,561	69,125,237

The notes on pages 159 to 283 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to equity holders of the Company				
	Share capital RMB'000	Reserves RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2018	10,216,274	10,501,573	20,717,847	23,041,293	43,759,140
Comprehensive income					
Profit for the year	–	1,230,026	1,230,026	1,796,335	3,026,361
Other comprehensive income:					
Cash flow hedges, net of tax	–	(1,636)	(1,636)	(6,480)	(8,116)
Share of other comprehensive loss of joint ventures and associates	–	(28,003)	(28,003)	(32,022)	(60,025)
Currency translation differences	–	710,750	710,750	448,427	1,159,177
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	–	(174,793)	(174,793)	(221,939)	(396,732)
Remeasurements of post-employment benefit obligations	–	(65,168)	(65,168)	(17,796)	(82,964)
Total other comprehensive income	–	441,150	441,150	170,190	611,340
Total comprehensive income	–	1,671,176	1,671,176	1,966,525	3,637,701
Transactions with owners:					
Acquisition of subsidiaries	–	–	–	8,683,393	8,683,393
Contributions from non-controlling shareholders of subsidiaries	–	374,744	374,744	621,505	996,249
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	(758,183)	(758,183)
Others	–	122,446	122,446	(87,857)	34,589
Total transactions with owners	–	497,190	497,190	8,458,858	8,956,048
Balance at 31 December 2018	10,216,274	12,669,939	22,886,213	33,466,676	56,352,889

The notes on pages 159 to 283 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Cash flows from operating activities			
Cash generated from operations	40	**20,934,070**	8,274,094
Interest received		**849,900**	495,484
Income tax paid		**(581,598)**	(638,802)
Net cash generated from operating activities		**21,202,372**	8,130,776
Cash flows from investing activities			
Purchase of property, plant and equipment, investment properties, leasehold land and land use rights and intangible assets		**(11,082,749)**	(19,887,519)
Acquisition of subsidiaries, net of cash acquired	42	**(68,251)**	(21,033,989)
Investments in joint ventures and associates		**(657,353)**	(559,028)
Purchase of financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, or financial assets at amortized cost		**(959,032)**	(682,754)
Proceeds from disposal of property, plant and equipment, investment properties, land use rights, and intangible assets		**205,989**	226,691
Cash received from disposal of investments in joint ventures and associates		**373,815**	–
Disposal of financial assets at fair value through other comprehensive income, financial assets not at fair value through profit or loss, or financial assets at amortized cost		**1,905,556**	214,729
Dividends received from joint ventures		**550,238**	483,145
Dividends received from associates		**1,215,920**	743,818
Interest income from financial assets		**146,393**	–
Disposal of subsidiaries (note 40(c))		**12,264,698**	–
Repayments of loans granted to a joint venture		**–**	226,056
Others		**133,486**	925,303
Net cash generated from/(used in) investing activities		**4,028,710**	(39,343,548)

The notes on pages 159 to 283 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Cash flows from financing activities	40(b)		
Proceeds from borrowings		**58,071,906**	73,622,479
Repayments of borrowings		**(60,933,481)**	(31,672,432)
Loans from non-controlling shareholders of subsidiaries		**301,256**	289,635
Repayment of loans from a non-controlling shareholder of a subsidiary		**(675,532)**	(378,584)
Dividends paid to non-controlling shareholders of subsidiaries		**(773,789)**	(629,115)
Issue of A shares		**7,704,128**	–
Increase in lease liabilities		**689,200**	–
Repayment of lease liabilities		**(9,090,092)**	–
Interest paid		**(4,857,368)**	(3,252,672)
Capital element of finance lease rental payments		**–**	(805,844)
Drawdown of finance lease obligations		**–**	942,952
Repayment of loans from a fellow subsidiary		**–**	(89,260)
Repayment of loans from a joint venture		**(100,003)**	(282,418)
Others		**125,910**	(178,039)
Net cash (used in)/generated from financing activities		**(9,537,865)**	37,566,702
Net increase in cash and cash equivalents		**15,693,217**	6,353,930
– Net increase in cash and cash equivalents from continuing operations		**15,986,981**	6,349,407
– Net decrease in cash and cash equivalents from assets classified as held for sale		**(293,764)**	4,523
Cash and cash equivalents as at 1 January		**33,206,509**	25,738,526
Cash and cash equivalents at acquisition date for disposal group classified as held for sale		**–**	364,257
Exchange differences		**865,074**	749,796
Cash and cash equivalents as at 31 December		**49,764,800**	33,206,509
– Included in cash and bank balances	21	**49,689,784**	32,837,729
– Included in assets classified as held for sale	24	**75,016**	368,780

The notes on pages 159 to 283 are an integral part of these consolidated financial statements.

1 General information

COSCO SHIPPING Holdings Company Limited (the "Company") was incorporated in the People's Republic of China (the "PRC") on 3 March 2005 as a joint stock company with limited liability under the Company Law of the PRC. The address of its registered office is 2nd Floor, 12 Yuanhang Business Centre, 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.

The directors of the Company (the "Directors") regard China COSCO SHIPPING Corporation Limited ("COSCO SHIPPING"), a state-owned enterprise established in the PRC, as being the Company's parent company (note 45). COSCO SHIPPING and its subsidiaries (other than the Group) are collectively referred to as "COSCO SHIPPING Group". The Directors regard China Ocean SHIPPING Company Limited ("COSCO") as the immediate parent company.

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.

The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

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

2 Basic preparation and significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been consistently applied to all the years presented unless otherwise mentioned.

(a) Basic of preparation

The consolidated financial statements for the year ended 31 December 2019 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared 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.

(i) 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 standards and amendments	
HKFRS 16	Lease
HKFRS 9 (Amendment)	Financial instruments – Prepayment features with negative compensation
HKAS 28 (Amendment)	Long term interests in associates and joint ventures
HKAS 19	Employee benefits – Plan amendment, curtailment 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 standards, 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.

(1) 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.

2 Basic preparation and significant accounting policies (Continued)

(a) Basic of preparation (Continued)

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

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

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 operations 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 recognized 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.

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**

2 Basic preparation and significant accounting policies (Continued)

(a) Basic of preparation (Continued)

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

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

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**
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 Basic preparation and significant accounting policies (Continued)

(a) Basic of preparation (Continued)

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

(1) 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.

(2) 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 Basic preparation and significant accounting policies (Continued)

(a) Basic of preparation (Continued)

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

(2) 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 Basic preparation and significant accounting policies (Continued)

(a) Basic of preparation (Continued)

(ii) New standard and amendments to existing standards which have not been adopted

The following standards and amendments to existing standards, which are relevant to the operations of the Group, have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2020 but have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
New standards, interpretations and amendments		
HKAS 1 and HKAS 8 (Amendments)	Definition of Material	1 January 2020
HKFRS 3 (Amendment)	Definition of a Business	1 January 2020
HKFRS 17	Insurance contract	1 January 2021
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

None of these is expected to have a significant effect on the consolidated financial statements of the Group.

(b) Group accounting

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 31 December.

(i) Merger accounting for common control combinations

Business combinations under common control are accounted for in accordance with the Accounting Guideline 5 "Merger Accounting for Common Control Combinations". In applying merger accounting, the consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognized in consideration for Joint ventures or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognized as an expense in the year in which it is incurred.

2 Basic preparation and significant accounting policies (Continued)

(b) Group accounting (Continued)

(ii) Purchase method of accounting for non-common control combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, other than the common control combinations (note 2(b)(i)). The consideration transferred for the acquisition of subsidiaries is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the profit or loss.

(iii) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In the Company's balance sheet, the investments in subsidiaries are accounted for at cost less impairment (note 2(i)). For common control combination, the cost of investment is being either the cash consideration amount (for cash-settled transaction) or the amount of the net asset value of the subsidiary acquired at date of completion (for share-settled transaction). For non-common control combination, the cost of investment is being the amount of the fair value of the consideration for the subsidiary acquired at date of completion.

The results of subsidiaries are accounted by the Company on the basis of dividend income.

2 Basic preparation and significant accounting policies (Continued)

(b) Group accounting (Continued)

(iv) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Non-controlling interest put options are put options over non-controlling interests accounted for using the present access method. Written put options in respect of which the Group does not have an unconditional right to avoid the delivery of cash, are recognized as financial liabilities.

Under this method, the non-controlling interest is not derecognized when the financial liability in respect of the put option is recognized, as the non-controlling interest still has present access to the economic benefits associated with the underlying ownership interest.

Non-controlling interest put options are initially recognized at the present value of expected future cash flows and subsequently re-measured at the present value of expected future cash flows with any changes in value (accretion and interest) through equity.

(v) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as joint venture, associate, or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(vi) Investments in joint ventures/associates

HKFRS 11 classifies joint arrangements as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in joint ventures/associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investments in joint ventures/associates include goodwill identified on acquisition. The measurement of goodwill is the same as that of goodwill arising from the acquisition of subsidiaries. Appropriate adjustments to the Group's share of the profits or losses after acquisition are made to the consolidated financial statements based on the fair values of the assets and liabilities acquired at the date of acquisition.

2 Basic preparation and significant accounting policies (Continued)

(b) Group accounting (Continued)

(vi) Investments in joint ventures/associates (Continued)

If the ownership interest in a joint venture/an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

The Group's share of its joint ventures'/associates' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture/an associate equals or exceeds its interest in the joint ventures/associates, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint ventures/associates.

Dilution or partial disposal gains and losses arising in investments in joint ventures/associates are recognized in the consolidated income statement.

In the Company's balance sheet, the investments in the joint ventures/associates are stated at cost less provision for impairment losses (note 2(i)). The results of joint ventures/associates are accounted for by the Company on the basis of dividend received and receivable.

Accounting policies of subsidiaries, joint ventures and associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Intercompany transactions and balances between group companies are eliminated. Unrealized gains on transactions between group companies and between the Group and its joint ventures and associates are eliminated to the extent of the Group's interest. Unrealized losses are also eliminated but unless the transaction provides evidence of an impairment of the asset transferred.

2 Basic preparation and significant accounting policies (Continued)

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The consolidated financial statements are presented in RMB, which is the Company's functional and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges.

Foreign exchange gains and losses that related to borrowings and cash and cash equivalents are presented in profit or loss within "finance income or cost". All other foreign exchange gains and losses are presented in profit or loss within "other income or other expenses".

Changes in the fair value of monetary securities denominated in foreign currency classified as financial assets are analyzed between translation differences resulting from changes in the amortized cost of the securities, and other changes in the carrying amount of the securities. Translation differences related to changes in the amortized cost are recognized in the consolidated income statement, and other changes in carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as financial assets at fair value through other comprehensive income ("FVOCI") are included in other comprehensive income.

2 Basic preparation and significant accounting policies (Continued)

(c) Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);and

(3) All resulting exchange differences are recognized in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange difference arising are recognized in other comprehensive income and accumulated in a separate reserve within equity.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to noncontrolling interests and are not recognized in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in joint ventures or associates that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2 Basic preparation and significant accounting policies (Continued)

(d) Property, plant and equipment

(i) Assets under construction

Assets under construction represent primarily vessels and buildings under construction, and plant and equipment pending installation and are stated at cost less accumulated impairment losses. Cost includes all direct costs relating to the construction of the assets and acquisition. No depreciation is provided for assets under construction until such time as the relevant assets are completed and ready for intended use. Assets under construction are transferred to relevant categories of property, plant and equipment upon the completion of their respective construction.

(ii) Container vessels and containers

Container vessels and containers are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Container vessels and containers are depreciated on a straight-line basis over their anticipated useful lives, after taking into account the estimated residual values.

Container vessels	25 years
Containers	15 years

When the containers cease to be used by the Group and are held for sale, these containers are transferred to inventories at their carrying amount.

Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next dry-docking are identified and their costs are depreciated over the period to the next estimated dry-docking date. Costs incurred on subsequent dry-docking of vessels are capitalized and depreciated over the period to the next estimated dry-docking date. When significant dry-docking costs incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off immediately.

(iii) Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Other property, plant and equipment are depreciated at rates sufficient to write off their costs less accumulated impairment losses over their estimated useful lives to their respective residual values estimated by the Directors or management on a straight-line basis. The estimated useful lives of these assets are summarized as follows:

Leasehold land and buildings	not exceeding 75 years
Trucks, chassis and motor vehicles	5 to 10 years
Computers, office and other equipment	3 to 35 years
Terminal equipment and improvement	3 to 15 years

2 Basic preparation and significant accounting policies (Continued)

(d) Property, plant and equipment (Continued)

(iii) Other property, plant and equipment (Continued)

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in profit or loss during the period in which they are incurred.

The residual values of the property, plant and equipment and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(i)).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

(e) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the entities in the Group, is classified as investment property.

Investment properties are stated at cost less accumulated depreciation and impairment losses. The cost less accumulated impairment and residual values of investment properties are depreciated on a straight-line basis over their estimated useful lives.

(f) Leasehold land and land use rights

Until 31 December 2018, leasehold land and land use rights classified as prepaid operating lease payments are stated at cost less accumulated amortization and any impairment losses. Amortization is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the remaining lease term.

As explained in note 2(a)(i) above, the Group has changed its accounting policy for leases where the Group is the lessee.

(g) Intangible assets

(i) Computer software

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of 5 years on a straight-line basis.

Costs associated with maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

2 Basic preparation and significant accounting policies (Continued)

(g) Intangible assets (Continued)

(ii) Concession

Concession primarily resulted from the entering of agreement for the right to construct, operate, manage and develop terminals. Concession is carried at cost less accumulated amortization and impairment. Amortization is calculated using the straight-line basis over the period of operation of approximately 23 to 32 years.

(iii) Customer relationships

Customer relationships, which are acquired in a business combination, are recognized at fair value at the acquisition date. Customer relationships are carried at cost less accumulated amortization. Amortization is calculated using the straight-line method over the expected life of the customer relationships, ranging from approximately 12 to 20 years.

(iv) Trademarks

Trademarks are capitalized at their fair value as at the acquisition date. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment on an annual basis, as is the case with goodwill. Trademarks are considered to have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate net cash inflows.

(h) Goodwill

Goodwill arises on acquisition of subsidiaries, joint ventures and associates represents the excess of the aggregate of the consideration transferred and the fair value of the non-controlling interest over the fair value of the Group's interest in the net identifiable assets, liabilities and contingent liabilities of the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

2 Basic preparation and significant accounting policies (Continued)

(i) Impairment of investments in subsidiaries, joint ventures, associates and non-financial assets

Assets that have an indefinite useful life are not subject to depreciation/amortization and are tested annually for impairment. Assets that are subject to depreciation/amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cashgenerating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries, joint ventures or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries, joint ventures or associates in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(j) Non-current assets (or disposal groups) held-for-sale and discontinued operation

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets, (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries and associates) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out in note 2.

Non-current assets classified as held for sale and the assets of disposal group classified as held for sale are presented separately from the other assets in the consolidated balance sheet. The liabilities of disposal group classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the income statement, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognized on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2 Basic preparation and significant accounting policies (Continued)

(k) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included other income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other income and other expenses together with foreign exchange gains and losses. Impairment losses are presented in other income and other expenses).

2 Basic preparation and significant accounting policies (Continued)

(k) Investments and other financial assets (Continued)

(iii) Measurement (Continued)

Debt instruments (Continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other income and other expenses. Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses and impairment expenses are presented in other income and other expenses.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other income and other expenses in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other income and other expense in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables, see note 23 for further details.

2 Basic preparation and significant accounting policies (Continued)

(l) Inventories

Inventories are stated at the lower of cost and net realizable value. Costs are calculated on a weighted average basis. Net realizable value of bunkers is the expected amount to be realized from use as estimated by the Directors/management. Net realizable value of other inventories such as general merchandises, spare parts and consumable stores and marine supplies is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(m) Trade and other receivables and contract assets

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables and contract assets is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non- current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade and other receivables and contract assets with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See note 23 for further information about the Group's accounting for trade and other receivables and contract assets and note 2(k)(iv) for a description of the Group's impairment policies.

(n) Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown in short-term borrowings on the balance sheet.

(o) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2 Basic preparation and significant accounting policies (Continued)

(q) Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of reporting period.

(r) Government subsidies

Subsidies from the government are recognized at their fair value where there is a reasonable assurance that the subsidies will be received and the Group will comply with all attached conditions.

Government subsidies relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government subsidies as compensation for costs already incurred or for immediate financial support, with no future related costs, should be recognized as income in the period in which they are receivable.

Government subsidies relating to property, plant and equipment are included in non-current liabilities as deferred government subsidies and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2 Basic preparation and significant accounting policies (Continued)

(s) Employee benefits

(i) Post-retirement and early retirement benefit costs

The Group has both defined benefit and defined contribution plans in a number of territories. The assets of defined contribution plans are generally held in separate trustee-administered funds. The plans are generally funded by payments from employees and the relevant companies in the Group.

Contributions under the defined contribution plans are charged to profit or loss as expense when incurred.

The liability recognized in the balance sheet in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries/management using the projected unit credit method/ expected benefit payments. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high- quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement benefit obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The current service cost of the defined benefit plan, recognized in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognized immediately in income statements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income directly in the period in which they arise.

For defined contribution plans, the Group pays contributions to publicly or privately administered retirement benefit insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due and reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Employee early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date as approved by management. The related benefit payments are made from the date of early retirement through the normal retirement date.

(ii) Housing funds

All full-time employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

2 Basic preparation and significant accounting policies (Continued)

(s) Employee benefits (Continued)

(iii) Housing subsidies

The Group has provided one-off cash housing subsidies based on PRC regulations to those eligible employees who have not been allocated with staff quarters at all or who have not been allocated with quarters up to the prescribed standards before 31 December 1998 when the staff quarter allocation schemes were terminated. The subsidies are determined based on staff member's years of service, position and other criteria. In addition, monthly cash housing allowances should be made to other employees following the withdrawal of allocation of staff quarters regulations, which are recognized as incurred.

The liability recognized in the balance sheet is the present value of the obligation of the one-off housing subsidies at the balance sheet date and the past-service costs are recognized immediately in profit or loss.

(iv) Share-based payments

The Group regularly entered into equity-settled or cash-settled share-based payment transactions with employees.

(1) Employee services settled in cash

Employee services received in exchange for cash-settled share-based payments, are recognized at the fair value of the liability incurred and are expensed over the vesting period, when consumed or capitalized as assets, which are depreciated or amortized. The liability is remeasured at each balance sheet date to its fair value, with all changes recognized immediately in profit or loss.

(2) Employee services settled in equity instruments

The Company and one of the Group's subsidiaries operates certain equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the share options of the subsidiary is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the consolidated income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium of the subsidiary when the options are exercised.

2 Basic preparation and significant accounting policies (Continued)

(s) Employee benefits (Continued)

(iv) Share-based payments (Continued)

(3) Modification and cancellation

If the terms of an equity-settled award are modified, at a minimum an expense is recognized as if the terms had not been modified. An additional expense is recognized for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

If an equity award is cancelled by forfeiture, when the vesting conditions (other than market conditions) have not been met, any expense not yet recognized for that award, as at the date of forfeiture, is treated as if it had never been recognized. At the same time, any expense previously recognized on such cancelled equity awards are reversed from the accounts effective as at the date of forfeiture.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(4) Cash-settled share-based payment transactions

For cash-settled share-based payment transactions, the Group measures the goods or services acquired and the liability incurred at the fair value of the liability. Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognized in profit or loss for the period.

The Group recognizes the services received, and a liability to pay for those services, as the employees render service. For example, some share appreciation rights vest immediately, and the employees are therefore not required to complete a specified period of service to become entitled to the cash payment. In the absence of evidence to the contrary, the Group presumes that the services rendered by the employees in exchange for the share appreciation rights have been received. Thus, the Group recognizes immediately the services received and a liability to pay for them. If the share appreciation rights do not vest until the employees have completed a specified period of service, the Group recognizes the services received, and a liability to pay for them, as the employees render service during that period.

The liability shall be measured, initially and at the end of each reporting period until settled, at the fair value of the share appreciation rights, by applying an option pricing model, taking into account the terms and conditions on which the share appreciation rights were granted, and the extent to which the employees have rendered service to date.

2 Basic preparation and significant accounting policies (Continued)

(t) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Basic preparation and significant accounting policies (Continued)

(u) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognized but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognized.

(v) Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(w) Recognition of revenues and income

Revenue are recognized when or as the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point of time.

When control of goods or services is transferred over time, the progress towards complete satisfaction of performance obligation is measured based on one of the following methods that best depicts the Group's performance in satisfying the performance obligation:

(i) direct measurements of the value of individual services transferred by the Group to the customer, such as units produced or delivered, contract milestones, or surveys of work performed; or

(ii) the Group's efforts or inputs to the satisfaction of the performance obligation.

2 Basic preparation and significant accounting policies (Continued)

(w) Recognition of revenues and income (Continued)

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer, and it should be presented separately. Incremental costs incurred to obtain a contract, if recoverable, are capitalized and presented as contract assets and subsequently amortized when the related revenue is recognized. A contract asset becomes a receivable when receipt of the consideration is conditional only on the passage of time.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amotized cost.

Contract liabilities (included in trade and other payables and contract liabilities) are recognized for expected volume discounts to customers in relation to sales made until the end of the reporting period.

The Group do not have any significant variable consideration such as discounts, refunds, rebates, credits, penalties, performance bonuses or royalties. Trade receivables and contract assets expected to be recovered in one year or less are classified as current assets. If not, they are represented as non-current assets.

The Group assesses, and includes in the transaction price at contract inception, the amount of variable, consideration to which it expects to be entitled. There is no material contract fulfilment cost or cost of obtaining contracts of the Group.

The following is a description of accounting policy for the revenue streams of the Group:

(i) Revenues from container shipping

Freight revenues from the operation of international and domestic containerized transportation business are recognized over time, which are determined on the time proportion of each individual vessel voyage completed at year end.

(ii) Revenues from container terminal operations

Revenues from container terminal operations are recognized over time in which the services are rendered as the Group's performance provides all of the benefits received and consumed simultaneously by the customer. Revenues are recognized based on the price specified in the contract, net of the estimated volume discounts. Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Accumulated experience is used to estimate and provide for the discounts, using either the expected value or the most likely amount approach, and revenues are only recognized to the extent that it is highly probable that a significant reversal will not occur.

2 Basic preparation and significant accounting policies (Continued)

(w) Recognition of revenues and income (Continued)

(iii) Revenues from freight forwarding

Revenues are recognized when the services are rendered or over time which is determined on the time proportion method of the progress of the transportation.

(iv) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized using the original effective interest rate.

Interest income is presented in the consolidated cash flow statement within "Cash flows from operating activities".

(v) Dividend income

Dividend income is recognized when the right to receive payment is established.

(vi) Other service income

Other service income is recognized when the services are rendered.

(x) Leases

As explained in note 2(a)(i) above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2(a)(i).

Until 31 December 2018, leases of property, plant and equipment where the Group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases (note 6). Finance leases were capitalized at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was 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 property, plant and equipment acquired under finance leases were depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as 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.

2 Basic preparation and significant accounting policies (Continued)

(x) Leases (Continued)

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal 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.

2 Basic preparation and significant accounting policies (Continued)

(x) Leases (Continued)

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.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all 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 IT equipment and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognized in income on a straight-line basis over the lease term (note 2(w)). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognized as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

(y) Dividend distribution

Dividend distribution to the Company's equity holders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company's equity holders or Directors, where appropriate.

(z) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are charged to profit or loss in the year in which they are incurred.

Interest expense is presented in the consolidated cash flow statement within "Cash flows from financing activities".

2 Basic preparation and significant accounting policies (Continued)

(aa) Financial guarantee contracts

Financial guarantee contracts are recognized as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- the amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and
- the amount initially recognized less, where appropriate, the cumulative amount of income recognized in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates and joint ventures are provided for no compensation, the fair values are accounted for as contributions and recognized as part of the cost of the investment.

(ab) Derivatives and hedging activities

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges).

At the inception of the hedging, the Group documents the economics, relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedging instruments are expected to offset changes in the cash flows of hedge items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

2 Basic preparation and significant accounting policies (Continued)

(ab) Derivatives and hedging activities (Continued)

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss within other operating income or other operating expenses.

Amounts accumulated in equity are reclassified to profit or loss in the period when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains or losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(ac) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive director that makes strategic decisions.

3 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including market freight rate risk, foreign exchange risk, interest rate risk and bunker price risk), credit and counterparty risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to mitigate certain risk exposures.

The Group's Risk Management Committee identifies the financial risks associated with the Group. The Risk Management Committee reviews the controls and procedures for managing the risks identified. The risk management controls and procedures are carried out by respective operating units under the risk management policies as approved by the Directors.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk

(1) Market freight rate risk

The freight rates of the Group's shipping businesses are very sensitive to economic fluctuations. The Group's revenues from operations of container shipping may be impacted if freight rates will have any significant changes.

(2) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various nonfunctional currencies. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities.

The actual foreign exchange risk faced by the Group therefore is primarily with respect to non-functional currency bank balances, receivable and payable balances and bank borrowings (collectively "Non-Functional Currency Items").

Management monitors foreign exchange exposure and will consider hedging certain foreign currency exposure by using foreign exchange forward contracts when the need arises.

As at 31 December 2019, with all other variables held constant, if non-functional currencies had strengthened/weakened by 5%, the Group's post-tax profit for the year would have decreased/increased by approximately RMB 94,556,000 (2018: RMB199,325,000) and the equity as at 31 December 2019 would have decreased/increased by approximately RMB 94,556,000 (2018: RMB199,325,000) respectively as a result of the translation of those Non-Functional Currency Items.

(3) Cash flow and fair value interest rate risk

Other than the deposits placed with banks and financial institutions, and loans to joint ventures and associates (collectively the "Interest Bearing Assets"), the Group has no other significant interest bearing assets.

The Group's interest rate risk also arises from borrowings and certain balances payable to related parties (collectively the "Interest Bearing Liabilities"). Interest Bearing Assets and Interest Bearing Liabilities are primarily issued at variable rates which therefore expose the Group to cash flow interest rate risk.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(3) Cash flow and fair value interest rate risk (Continued)

As at 31 December 2019, with all other variables held constant, if the interest rate had increased/decreased by 50 basis points, the corresponding increase/decrease in net finance cost would have resulted in a decrease/an increase in the Group's post-tax profit for the year by approximately RMB 129,145,000 (2018: RMB211,790,000) and the equity as at 31 December 2019 would have decreased/increased by RMB 129,145,000 (2018: RMB211,790,000).

Management monitors the capital market conditions and where appropriate, interest rate swap contracts with financial institutions will be used to achieve optimum ratio between fixed and floating rates borrowings.

(4) Bunker price risk

The Group is also exposed to fluctuations in bunker prices. Bunker cost is part of the voyage expenses and is a significant cost item to the Group. Management monitors the market conditions and bunker price fluctuations and where appropriate, bunker forward contracts are used to lock up the price of part of the Group's bunker requirements.

(ii) Credit and counterparty risk

The credit and counterparty risk mainly arises from deposits placed with banks and financial institutions, financial assets transacted with banks, financial institutions and shipping companies through shipping agents or brokers, loans to joint ventures and associates, trade and other receivables and contract assets, down payment to shipyards, and financial assets at amortized cost.

The Group has limited its credit exposure by restricting their selection of financial institutions on those state-owned PRC banks, overseas banks with good credit rating, and the associate, a state-owned financial institution with high credit rating.

The trade customers (including related parties), joint ventures, associates and shipping companies are assessed and rated based on their credit quality, taking into account their financial position, past experience and other factors. Individual risk limits are set by management of the respective operating units.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit and counterparty risk (Continued)

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

In addition, the Group monitors the exposure to credit risk in respect of the financial assistance provided to subsidiaries, joint ventures and associates through exercising control or influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

Management does not expect any significant losses from non-performance by these relevant parties.

(iii) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due. The Group's cash management policy is to regularly monitor its current and expected liquidity positions to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all time so that the Group can meet its short-term and long-term funding requirements.

Management monitors rolling forecasts of the Group's liquidity reserve and cash and cash equivalents on the basis of expected cash flows. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

As at 31 December 2019, the Group (excluding COSCO SHIPPING Ports Limited ("COSCO SHIPPING Ports") and OOIL had total unutilized uncommitted and committed credit facilities of approximately RMB58,492 million from banks. The Directors believe that, based on experience to date, it is likely that the Group will continue to be able to drawdown loans from these facilities in the foreseeable future if required. In preparing the consolidated financial statements, the Directors consider the adequacy of cash inflows from operations and financing activities to meet its financial obligations as and when they fall due and prepared a cash flow forecast for the Group for the coming 12 months. With the cash inflows from operations and available credit facilities and other sources of financing, the Directors consider that the Group will be able to obtain sufficient financing to enable it to operate, meet its liabilities as and when they become due, and satisfy its capital expenditure requirements at least for the coming 12 months. Accordingly, the Directors believe that it is appropriate to prepare the financial statements on a going concern basis.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

The table below analyzes the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2019				
Bank and other borrowings	**29,092,065**	**14,827,575**	**33,350,033**	**61,147,227**
Derivative financial instruments	**22,387**	**21,739**	**40,196**	**–**
Trade and other payables and contract liabilities	**40,382,337**	**–**	**–**	**–**
Put option liability	**–**	**–**	**–**	**1,953,336**
Lease liabilities	**8,073,270**	**6,780,591**	**9,779,069**	**14,721,910**
As at 31 December 2018				
Bank and other borrowings	63,290,910	17,393,359	23,477,430	39,616,907
Derivative financial instruments	59,786	11,551	38,948	–
Trade and other payables and contract liabilities	29,332,356	–	–	–

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders/equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

3 Financial risk management (Continued)

(b) Capital risk management (Continued)

The Group monitors capital on the basis of the net debt to total equity (capital and reserves attributable to equity holders of the Company and non-controlling interests) ratio and the compliance of covenants of its borrowings. Net debt is calculated as total borrowings less cash and cash equivalents. As at 31 December 2019, the net debt to equity ratio is summarized as follows:

	2019 RMB'000	2018 RMB'000
Long-term borrowings (note 27)	**103,624,852**	88,975,021
Short-term borrowings (note 27)	**16,252,030**	48,220,619
Total borrowings	**119,876,882**	137,195,640
Less: Cash and cash equivalents (note 21)	**(49,689,784)**	(32,837,729)
Net debt	**70,187,098**	104,357,911
Total equity	**69,125,237**	56,352,889
Net debt to total equity ratio	**101.5%**	185.2%

(c) Fair value estimation

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2019:

	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets at FVPL (note 17)				
– Equity securities	**262,815**	**–**	**–**	**262,815**
– Debt securities	**804,004**	**–**	**–**	**804,004**
Financial assets at FVOCI (note 16)	**1,079,399**	**–**	**1,017,857**	**2,097,256**
Derivative financial instruments	**–**	**84,322**	**–**	**84,322**
Put option liability (note 29)	**–**	**–**	**1,518,793**	**1,518,793**

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2018:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVPL (note 17)				
– Equity securities	839,782	–	–	839,782
– Debt securities	2,216,456	–	–	2,216,456
– Funds and other investments	–	39,259	–	39,259
Financial assets at FVOCI (note 16)	1,095,048	–	988,590	2,083,638
Derivative financial instruments	–	110,285	–	110,285

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regular occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily listed equity investments classified as available-for-sale financial assets at FVOCI.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. For the year ended 31 December 2019, the Group did not transfer any financial assets at FVOCI from level 3 to level 1 as no financial assets at FVOCI became listed.

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

Specific valuation techniques used to value financial instruments include:

– Quoted market prices or dealer quotes for similar instruments.

– Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Movements of financial instruments classified as level 3 recognized in the consolidated balance sheets are as follows:

	Put option liability RMB'000
Year ended 31 December 2019	
As at 1 January 2019	**–**
Addition	**1,464,936**
Disposal	**–**
Remeasurement	**35,528**
Currency translation differences	**18,329**
As at 31 December 2019	**1,518,793**

	Financial assets at FVOCI RMB'000
Year ended 31 December 2019	
As at 1 January 2019	**988,590**
Addition	**68,000**
Disposal	**(5,572)**
Fair value change	**(35,196)**
Currency translation differences	**2,035**
As at 31 December 2019	**1,017,857**
Year ended 31 December 2018	
As at 1 January 2018	762,485
Additions	4,731
Acquisition of subsidiaries	158,904
Disposal	(157)
Fair value change	56,934
Currency translation differences	5,693
As at 31 December 2018	988,590

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

As at 31 December 2019, description of the valuation techniques and the inputs used in the fair value measurement in level 3 include:

– The fair value of investments in unlisted property management companies and a hotel are determined using valuation techniques (including asset-based approach and market comparable approach). The inputs are mainly prices per square metre.

– The fair value of other unlisted financial assets is determined by reference to valuation report or the valuation performed by management using valuation techniques (including price/earnings multiple method and direct market quote). The inputs are mainly price/earnings multiples. A discount rate of 20% is applied to computing the fair value on top of market price/earnings multiples.

– The fair value of the put option liability is determined based on discounted cash flow prepared by an independent valuer. The inputs are mainly discount rate, revenue growth rate and operating margin.

Financial assets and liabilities approximate their carrying amounts including: trade and other receivables and contract assets, financial assets at amortized cost, cash and cash equivalents, restricted bank deposits, loans to joint ventures and associates, trade and other payables and contract liabilities, lease liabilities, short-term and long-term borrowings.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Acquisition of subsidiaries

The initial accounting on the acquisition of subsidiaries involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities or businesses. The fair values of identifiable net assets are determined by using financial models or by reference to the valuation performed by independent professional valuer. Key assumptions used include discount rates, revenue growth rates and gross margins. Any changes in the assumptions used and estimates made in determining the fair values will impact the carrying amount of these assets and liabilities.

4 Critical accounting estimates and judgements (Continued)

(b) Estimated useful lives and residual values of container vessels and containers

The Group's major operating assets represent container vessels and containers. Management determines the estimated useful lives, residual values and related depreciation expenses for its container vessels and containers. Management estimates useful lives of the container vessels and containers by reference to the Group's business model, its assets management policy, the industry practice, expected usage of the vessels, expected repair and maintenance, and technical or commercial obsolescence arising from changes or improvements in the vessel market.

Management determines the estimated residual value for its container vessels and containers by reference to all relevant factors (including the use of the current scrap values of steels in an active market) at each measurement date. The depreciation expense will change where the useful lives or residual value of container vessels and containers are different from the previous estimate.

Had the useful lives been extended/shortened by 10% from management's estimates as at 31 December 2019 with all other variables held constant, the estimated depreciation expenses of container vessels, dry bulk vessels and containers for the year would have been decreased by RMB472,787,000 (2018:RMB335,930,000) or increased by RMB643,657,000 (2018: RMB524,989,000) for the year ended 31 December 2019.

Had the residual values been increased/decreased by 10% from management's estimates as at 31 December 2019 with all other variables held constant, the estimated depreciation expenses of container vessels, dry bulk vessels and containers for the year would have been decreased or increased by RMB124,276,000 (2018: RMB115,471,000) for the year ended 31 December 2019.

(c) Estimated impairment of container vessels and containers

The Group's major operating assets represent container vessels and containers. Management performs review for impairment indication as to whether the carrying amounts of the container vessels and containers may be recoverable or not. Whenever there is any impairment indication exists, management performs impairment assessment of the relevant container vessels and containers.

Management was of the view that no impairment indication has been identified, there was no impairment for container vessels and containers for the year and at the balance sheet date.

(d) Assessment of goodwill and intangible assets with indefinite useful lives impairment

The Group tests annually whether goodwill and intangible assets with indefinite useful lives have suffered any impairment and when there is indication that they may be impaired, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations which require the use of assumptions. These calculations require the use of estimates. The key assumptions and sensitivity test for assessment of goodwill was disclosed in note 11.

4 Critical accounting estimates and judgements (Continued)

(e) Recognition of container shipping revenue and costs for vessel voyages in progress at year end

Revenue for container shipping is one performance obligation per shipment, which is rendered on a period-related basis, i. e. for the duration of transport. The Group recognizes revenue for container shipping over time which is determined on the time proportion of each individual voyage completed at end of reporting period with reference to their voyage details, such as freight rates, departure dates and arrival dates. If the total estimated voyage days were different from the estimate, this would have an impact on the freight revenues in the following reporting period.

Invoices for voyage expenses are normally received several months after the transaction. For voyages completed or in progress as at end of reporting period, voyage expenses are estimated based on known services received, pattern of historical cost and estimated vendor tariffs. If the actual voyage expenses were different from the estimate, this would have an impact on the voyage expenses in the following reporting period.

Had the freight revenues from voyages in progress at year end been decreased/increased by 10% from management's estimates for the year ended 31 December 2019, the revenue would have been RMB318,832,000 (2018: RMB301,884,000) lower or higher in the future periods.

Had the actual expenses of the voyages in progress at year end been decreased/increased by 10% from management's estimates for the year ended 31 December 2019, the voyage expenses would have been RMB147,006,000 (2018: RMB146,963,000) lower or higher in the future periods.

Changes in management's estimate of container shipping revenue and costs for vessel voyages in progress at year end could caused a material change in the revenue and voyage expenses recognized in the future periods.

(f) Impairment of trade and other receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. For other receivables and loan receivables, management makes periodic assessments on a portfolio basis on the recoverability based on historical settlement records and past experiences and adjusts for forward looking information.

Management generally assesses whether, other receivables and loan receivables, have not had a significant increase in credit risks since initial recognition, if not, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management.

4 Critical accounting estimates and judgements (Continued)

(g) Control over COSCO SHIPPING Ports

During the year ended 31 December 2019, the Group' s equity interest in COSCO SHIPPING Ports, a non-wholly owned subsidiary of the Company, increased from 47.61% to 48.84%.

The Group remains as the single largest shareholder of COSCO SHIPPING Ports.

Management has exercised its critical judgement when determining whether the Group has control over COSCO SHIPPING Ports by considering the following:

(i) the Group has effective control of the board of COSCO SHIPPING Ports;

(ii) the Group has consistently and regularly held a majority of the voting rights exercised at COSCO SHIPPING Ports' shareholders' meetings and no other single shareholder directly or indirectly controls more voting rights than the Group; and

(iii) the shareholding of other minority shareholders is dispersed, and the chance of all other shareholders getting together to vote against the Group is remote based on the historical records.

Based on management's assessment, it is concluded that the Group has obtained control over COSCO SHIPPING Ports and the Group's 48.84% equity interest in COSCO SHIPPING Ports is accounted for and consolidated into the consolidated financial statements as a subsidiary.

(h) Income taxes and withholding taxes

The Group is subject to income taxes and withholding taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes and withholding taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of overseas subsidiaries to be repatriated and distributed by way of dividends as the Directors consider that the timing of the reversal of the related temporary differences can be controlled or such profits will not be distributed and such temporary differences will not be reversed in the foreseeable future (note 19).

If those undistributed earnings of the overseas subsidiaries had been repatriated and distributed by way of dividends, the deferred income tax charge for the year and deferred income tax liabilities as at 31 December 2019 would have been increased by the same amount of RMB10,503,243,000 (2018: RMB9,025,027,000).

Recognition of deferred tax assets, which principally relate to temporary differences, depend on the management's expectation of the timing of reversal and the taxable profit that will be available against which tax losses can be utilized. The outcome of their actual utilization or reversal may be different (note 19).

5 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 analyzed 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 FVOCI, financial assets at 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.

5 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 expense	(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 property 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 service income and other related income, and are recognized at a point in-time or over-time.

5 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 property 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.

5 Revenues and segment information (Continued)

Operating segments (Continued)

	As at 31 December 2019				
	Container shipping business RMB'000	Container terminal business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total 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 as 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 RMB'000	Container terminal business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total 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 as 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

5 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 analyzed 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 RMB'000		
	Total revenues	Inter-segment revenues	External revenues
Continuing operations			
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
Container terminal business, corporate and other operations			
– 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

5 Revenues and segment information (Continued)

Geographical information (Continued)

(a) Revenues (Continued)

	Year ended 31 December 2018 RMB'000 Total revenues	Inter-segment revenues	External revenues
Continuing operations			
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

The Group's revenues are mainly with contract period of less than one year. So, the Group takes the expedient not to disclose the unsatisfied performance obligation under HKFRS 15.

(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 RMB'000	As at 31 December 2018 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

6 Property, plant and equipment

	Leasehold land and buildings RMB'000	Container vessels RMB'000	Terminal equipments and improvements RMB'000	Containers RMB'000	Trucks, chassis and motor vehicles RMB'000	Computers, office and other equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Cost								
As at 31 December 2018	15,703,192	86,108,965	9,657,113	14,507,990	501,130	1,075,555	5,868,560	133,422,505
Change in accounting policy (note 2(a)(i))	(10,335)	(18,416,283)	(563,208)	(713,149)	(410)	–	73,347	(19,630,038)
As at 1 January 2019	15,692,857	67,692,682	9,093,905	13,794,841	500,720	1,075,555	5,941,907	113,792,467
Currency translation differences	7,575	1,117,727	(8,667)	162,156	163	9,275	(138,387)	1,149,842
Reclassification between categories and transfer to investment properties and intangible assets	1,564,251	9,539,625	937,904	(645,833)	370	219,880	(11,768,387)	(152,190)
Additions	27,805	346,137	69,175	2,321,062	16,774	463,666	8,937,465	12,182,084
Acquisition of subsidiaries (note 42)	854,361	–	97	–	326	3,077	228,925	1,086,786
Disposals	(8,993)	(104,453)	(21,103)	(486,883)	(128,195)	(152,081)	–	(901,708)
Classified as assets held for sale (note 24)	(1,196,718)	–	(472,582)	–	–	(32,997)	(200,922)	(1,903,219)
As at 31 December 2019	16,941,138	78,591,718	9,598,729	15,145,343	390,158	1,586,375	3,000,601	125,254,062
Accumulated depreciation and impairment								
As at 31 December 2018	2,833,676	11,236,966	2,921,136	157,434	299,631	588,125	–	18,036,968
Change in accounting policy (note 2(a)(i))	(915)	(532,782)	(224,598)	(23,829)	(32)	–	–	(782,156)
As at 1 January 2019	2,832,761	10,704,184	2,696,538	133,605	299,599	588,125	–	17,254,812
Currency translation differences	(5,822)	169,084	889	4,436	(108)	636	–	169,115
Depreciation charge for the year (note 32)	455,895	2,903,364	527,632	735,681	29,124	276,293	–	4,927,989
Disposals	(7,661)	(103,812)	(19,153)	(304,136)	(99,945)	(145,114)	–	(679,821)
Classified as assets held for sale (note 24)	(327,477)	–	(247,690)	–	–	(21,870)	–	(597,037)
As at 31 December 2019	2,947,696	13,672,820	2,958,216	569,586	228,670	698,070	–	21,075,058
Net book value								
As at 31 December 2019	13,993,442	64,918,898	6,640,513	14,575,757	161,488	888,305	3,000,601	104,179,004

6 Property, plant and equipment (Continued)

	Leasehold land and buildings RMB'000	Container vessels RMB'000	Terminal equipments and improvements RMB'000	Containers RMB'000	Trucks, chassis and motor vehicles RMB'000	Computers, office and other equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Cost								
As at 1 January 2018	14,182,099	37,677,232	8,594,205	1,711,387	500,118	880,107	8,299,002	71,844,150
Currency translation differences	5,397	3,198,395	28,905	379,023	(514)	(7,933)	211,411	3,814,684
Reclassification between categories and transfer to investment properties and intangible assets	1,153,126	16,070,523	810,717	–	631	1,395	(18,068,922)	(32,530)
Additions	83,858	223,629	58,614	4,086,269	12,963	130,794	15,281,131	19,877,258
Acquisition of subsidiaries	298,680	29,021,674	207,954	8,711,967	17,514	316,115	146,187	38,720,091
Disposals	(19,968)	(82,488)	(43,282)	(380,656)	(29,582)	(244,923)	(249)	(801,148)
As at 31 December 2018	15,703,192	86,108,965	9,657,113	14,507,990	501,130	1,075,555	5,868,560	133,422,505
Accumulated depreciation and impairment								
As at 1 January 2018	2,423,230	8,492,918	2,501,168	29,394	300,319	676,808	–	14,423,837
Currency translation differences	(4,068)	364,814	13,230	176	(527)	(16,419)	–	357,206
Depreciation charge for the year	422,874	2,458,405	424,337	395,055	29,010	165,152	–	3,894,833
Disposals	(8,360)	(79,171)	(17,599)	(267,191)	(29,171)	(237,416)	–	(638,908)
As at 31 December 2018	2,833,676	11,236,966	2,921,136	157,434	299,631	588,125	–	18,036,968
Net book value								
As at 31 December 2018	12,869,516	74,871,999	6,735,977	14,350,556	201,499	487,430	5,868,560	115,385,537

6 Property, plant and equipment (Continued)

Notes:

(a) As at 31 December 2019, container vessels with aggregate net book values of RMB50,316,162,000 (2018: RMB52,632,796,000) were pledged as security for loan granted by banks (note 27(k)(i)).

(b) As at 31 December 2019, terminal equipments and improvements with net book value of RMB2,067,214,000 (2018: RMB570,284,000) were pledged as security for long-term bank borrowings (note 27(k)(i)).

(c) During the year, interest expenses of RMB117,818,000 (2018: RMB170,046,000) were capitalized in vessel costs during the vessel construction period (note 34).

(d) The accumulated impairment losses of property, plant and equipment as at 31 December 2019 amounted to RMB5,014,000 (2018: RMB27,669,000).

(e) As at 31st December 2018, property, plant and equipment included the following amounts where the Group was a lessee under finance leases:

RMB'000	2018
Cost-capitalized finance leases	19,630,038
Accumulated depreciation	(782,156)
Net book amount	18,847,882

As at 31 December 2018, the Group leased various container vessels, containers, terminal equipment and other equipment under non-cancellable finance lease agreements. The lease terms were between 5 and 25 years.

From 1 January 2019, leased assets are presented as a separate line item in the consolidated balance sheet (note 7). Refer to note 2(a)(i) for details about the changes in accounting policy.

7 Leases

This note provides information for leases where the Group is a lessee.

(i) Amounts recognized in the balance sheet

The balance sheet shows the following amounts relating to leases:

	31 December 2019 RMB'000	1 January 2019 RMB'000
Right-of-use assets		
Leasehold land and land-use rights (note a)	2,050,945	2,273,525
Concession	4,874,997	4,406,202
Container vessels (note b)	25,318,408	31,488,247
Others	2,966,721	2,472,928
	35,211,071	40,640,902
Lease liabilities		
Current	7,410,950	7,506,742
Non-current	25,411,032	30,411,185
	32,821,982	37,917,927

Notes:

(a) The Group has land lease arrangement with mainland China government.

(b) In the previous year, the Group only recognized lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under HKAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the Group's borrowings. For adjustments recognized on adoption of HKFRS 16 on 1 January 2019, please refer to note 2(a)(i) and note 6(e).

7 Leases (Continued)

(ii) Right-of-use assets

	Container vessels RMB'000	Concession RMB'000	Leasehold land and land use rights RMB'000	Others RMB'000	Total RMB'000
Cost					
As at 1 January 2019	–	–	–	–	–
Adjustment on adoption of HKFRS 16 (note 2(a)(i))	36,780,282	4,848,823	2,693,913	3,045,552	47,368,570
As at 1 January 2019	36,780,282	4,848,823	2,693,913	3,045,552	47,368,570
Currency translation differences	457,727	26,758	20,938	37,210	542,633
Reclassification between property, plant and equipment and right-of-use assets (note 6)	(363,471)	–	–	493,260	129,789
Additions	421,848	506,817	553	612,820	1,542,038
Acquisition of subsidiaries (note 42)	–	97,742	61,261	–	159,003
Disposals	(775,308)	–	–	(66,165)	(841,473)
Classified as assets held for sale (note 24)	–	–	(281,239)	(179,106)	(460,345)
As at 31 December 2019	36,521,078	5,480,140	2,495,426	3,943,571	48,440,215
Accumulated depreciation and impairment					
As at 1 January 2019	–	–	–	–	–
Adjustment on adoption of HKFRS 16 (note 2(a)(i))	5,292,035	442,621	420,388	572,624	6,727,668
As at 1 January 2019	5,292,035	442,621	420,388	572,624	6,727,668
Currency translation differences	123,701	629	18,167	6,602	149,099
Depreciation charge for the year (note 32)	6,011,120	161,893	61,310	523,387	6,757,710
Disposals	(224,186)	–	–	(20,660)	(244,846)
Classified as assets held for sale (note 24)	–	–	(55,384)	(105,103)	(160,487)
As at 31 December 2019	11,202,670	605,143	444,481	976,850	13,229,144
Net book value					
As at 31 December 2019	25,318,408	4,874,997	2,050,945	2,966,721	35,211,071

8 Investment properties

	2019 RMB'000	2018 RMB'000
Cost	2,471,723	283,326
Accumulated depreciation	(99,354)	(91,284)
Net book value as at 1 January	2,372,369	192,042
Currency translation differences	34,982	76,790
Addition of purchase	4,444	2,938
Acquisition of subsidiaries (note 42)	–	2,041,751
Reclassification from property, plant and equipment (note 6)	6,712	72,146
Disposal	(510)	(4,354)
Classified as assets held for sale (note 24)	(61,446)	–
Depreciation (note 32)	(27,565)	(8,944)
Net book value as at 31 December	2,328,986	2,372,369
Cost	2,469,575	2,471,723
Accumulated depreciation	(140,589)	(99,354)
Net book value as at 31 December	2,328,986	2,372,369

The fair value of the investment properties as at 31 December 2019 was RMB2,496,167,000 (2018:RMB2,511,229,000). The fair value is estimated by management or independent professional property valuers. The valuations are derived using direct comparison method and income capitalization method respectively. Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. Income capitalization method is based on the capitalization of the net rental income derived from the existing leases and/or achievable in existing market with reversionary income potential by adopting appropriate capitalization rates. Capitalization is estimated by valuer based on the risk profile of the properties being valued.

9 Leasehold land and land use rights

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values, are analyzed as follows:

	2019 RMB'000	2018 RMB'000
Cost	**2,693,913**	2,459,352
Accumulated amortization	**(420,388)**	(376,925)
Net book value as at 1 January	**2,273,525**	2,082,427
Change of accounting policy (note 2(a)(i))	**(2,273,525)**	–
Currency translation differences	**–**	6,539
Additions	**–**	80,981
Acquisition of subsidiaries	**–**	216,780
Reclassification to investment properties	**–**	(53,413)
Disposal	**–**	(33)
Amortization	**–**	(59,756)
Net book value as at 31 December	**–**	2,273,525
Cost	**–**	2,693,913
Accumulated amortization	**–**	(420,388)
Net book value as at 31 December	**–**	2,273,525

10 Intangible assets

	Computer software RMB'000	Trademark RMB'000	Concession RMB'000	Customer relationships RMB'000	Total RMB'000
Cost	**1,449,607**	**2,988,512**	**1,779,744**	**329,585**	**6,547,448**
Accumulated depreciation and impairment	**(938,950)**	**–**	**(172,279)**	**(29,294)**	**(1,140,523)**
Net book value as at 1 January 2019	**510,657**	**2,988,512**	**1,607,465**	**300,291**	**5,406,925**
Currency translation differences	**5,546**	**49,203**	**(1,659)**	**5,264**	**58,354**
Additions	**276,710**	**–**	**29,284**	**–**	**305,994**
Reclassification from property, plant and equipment (note 6)	**15,689**	**–**	**–**	**–**	**15,689**
Acquisition of subsidiaries (note 42)	**–**	**–**	**–**	**–**	**–**
Disposals	**(25,006)**	**–**	**(6,465)**	**–**	**(31,471)**
Classified as assets held for sale (note 24)	**(1,437)**	**–**	**–**	**–**	**(1,437)**
Amortization (note 32)	**(224,177)**	**–**	**(103,146)**	**(24,728)**	**(352,051)**
Net book value as at 31 December 2019	**557,982**	**3,037,715**	**1,525,479**	**280,827**	**5,402,003**
Cost	**1,691,854**	**3,037,715**	**1,813,658**	**335,011**	**6,878,238**
Accumulated amortization	**(1,133,872)**	**–**	**(288,179)**	**(54,184)**	**(1,476,235)**
Net book value as at 31 December 2019	**557,982**	**3,037,715**	**1,525,479**	**280,827**	**5,402,003**

	Computer software RMB'000	Trademark RMB'000	Concession RMB'000	Customer relationships RMB'000	Total RMB'000
Cost	986,551	–	1,708,385	309,506	3,004,442
Accumulated depreciation and impairment	(787,616)	–	(35,917)	(4,110)	(827,643)
Net book value as at 1 January 2018	198,935	–	1,672,468	305,396	2,176,799
Currency translation differences	13,985	107,380	(1,624)	19,895	139,636
Additions	58,809	–	12,517	–	71,326
Reclassification from property, plant and equipment (note 6)	(7,870)	–	21,667	–	13,797
Acquisition of subsidiaries	367,992	2,881,132	–	–	3,249,124
Disposals	(1,058)	–	(2,114)	–	(3,172)
Amortization	(120,136)	–	(95,449)	(25,000)	(240,585)
Net book value as at 31 December 2018	510,657	2,988,512	1,607,465	300,291	5,406,925
Cost	1,449,607	2,988,512	1,779,744	329,585	6,547,448
Accumulated amortization	(938,950)	–	(172,279)	(29,294)	(1,140,523)
Net book value as at 31 December 2018	510,657	2,988,512	1,607,465	300,291	5,406,925

11 Goodwill

	2019 RMB'000	2018 RMB'000
As at 1 January	**5,785,808**	905,022
Acquisition of subsidiaries (note 42)	**276,190**	4,692,946
Currency translation differences	**80,070**	187,840
As at 31 December	**6,142,068**	5,785,808

Impairment test for goodwill

Goodwill is allocated to the Group's CGUs that are expected to benefit from business combination and impairment testing is performed annually on goodwill allocated to their operating segments and CGUs.

A segment-level summary of the goodwill is presented below:

Operating segment	Cash generating unit	2019 RMB'000 Carrying amount	2018 RMB'000 Carrying amount
Container shipping business	Container shipping operation of OOIL (note a)	**4,947,999**	4,867,855
Container terminal business	Container terminal operation of COSCO SHIPPING Ports (Spain) Holding, S.L. (note b)	**859,915**	863,415
Others		**334,154**	54,538
		6,142,068	5,785,808

Notes:

The most significant goodwill amount relates to the container shipping and container terminal segment, where the impairment test is based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the financial budget and future forecast respectively.

(a) For the goodwill amount relates to the container shipping business segment, major cash flow projections are based on forecasts using an estimated average revenue growth rate of 3.0% and terminal growth rate of 2.0%. Future cash flows are discounted at a pre-tax rate of 8.43% (equivalent to a post-tax rate of 7.6%).

(b) For the goodwill amount relates to the container terminal business segment, major cash flow projections are based on long-range financial forecasts using an estimated average revenue growth rate of 3.3% and average gross margin of 25.4% up to 2052, the expected operation period, except for certain years where certain concession expire under the current agreement. Future cash flows are discounted at a pre-tax rate of 10.6% (equivalent to a post-tax rate of 8%).

12 Subsidiaries

(a) Details of the principal subsidiaries that impose material influence on either the financial position or the financial performance of the Group as at 31 December 2019 are shown in note 46(a).

(b) Material non-controlling interests

The total non-controlling interests for the year is RMB33,765,561,000 of which RMB23,037,701,000 is for COSCO SHIPPING Ports, RMB9,345,324,000 is for OOIL.

Set out below are summarized financial information for COSCO SHIPPING Ports.

Summarized balance sheet

	COSCO SHIPPING Ports	
	2019	2018
	RMB'000	RMB'000
Current		
–Assets	**10,272,322**	5,877,370
–Liabilities	**(8,179,944)**	(5,358,841)
Total current net assets	**2,092,378**	518,529
Non-current		
–Assets	**62,813,963**	56,203,377
–Liabilities	**(24,687,118)**	(16,780,484)
Total non-current net assets	**38,126,845**	39,422,893
Net assets	**40,219,223**	39,941,422

Summarized income statement

	COSCO SHIPPING Ports	
	2019	2018
	RMB'000	RMB'000
Revenue	**7,082,619**	6,628,419
Profit before income tax from continuing operations	**2,643,193**	2,915,259
Income tax expense	**(231,337)**	(437,601)
Post-tax profit from continuing operations	**2,411,856**	2,477,658
Other comprehensive loss	**(583,705)**	(2,122,041)
Total comprehensive income	**1,828,151**	355,617
Total comprehensive income allocated to non-controlling interests	**215,589**	94,819
Dividends paid to non-controlling interests	**207,077**	244,642

12 Subsidiaries (Continued)

(b) Material non-controlling interests (Continued)

Summarized cash flows

	COSCO SHIPPING Ports 2019 RMB'000	2018 RMB'000
Cash flows from operating activities		
Cash generated from operations	2,675,440	2,023,916
Interest received	114,648	106,548
Tax paid	(355,393)	(369,186)
Net cash generated from operating activities	2,434,695	1,761,278
Net cash used in investing activities	(1,186,230)	(1,524,034)
Net cash generated from financing activities	1,526,482	53,924
Net increase in cash and cash equivalents	2,774,947	291,168
Cash and cash equivalents at beginning of year	3,726,821	3,659,590
Exchange differences	41,538	(223,937)
Cash and cash equivalents at end of year	6,543,306	3,726,821
– Included in assets classified as held for sale	75,016	–
– Included in cash and bank balances	6,468,290	3,726,821

Set out below are summarized financial information for OOIL.

Summarized balance sheet

	OOIL 2019 RMB'000	2018 RMB'000
Current		
– Assets	32,431,666	33,362,711
– Liabilities	(19,608,273)	(10,660,927)
Total net current assets	12,823,393	22,701,784
Non-current		
– Assets	55,544,514	56,397,947
– Liabilities	(24,518,299)	(26,203,783)
Total net non-current assets	31,026,215	30,194,164
Net assets	43,849,608	52,895,948

12 Subsidiaries (Continued)

(b) Material non-controlling interests (Continued)

Summarized income statement

	OOIL 2019 RMB'000	OOIL For the period from 13 July 2018 (date of acquisition) to 31 December 2018 RMB'000
Revenues	**47,408,276**	23,660,004
Profit before income tax from continuing operation	**7,322,763**	802,714
Income tax expense	**(478,336)**	(158,359)
Post-tax profit from continuing operation	**6,844,427**	644,355
Post-tax profit from discontinued operation	**8,234,605**	195,955
Other comprehensive loss	**(149,784)**	(136,187)
Total comprehensive income	**14,929,248**	704,123
Total comprehensive income allocated to non-controlling interests	**–**	–
Dividends paid to non-controlling interests	**–**	–

Summarized cash flows

	OOIL 2019 RMB'000	OOIL For the period from 13 July 2018 (date of acquisition) to 31 December 2018 RMB'000
Cash flows from operating activities		
Cash generated from operations	**6,534,519**	2,403,315
Interest paid	**(1,172,488)**	(201,660)
Interest element of finance lease rental payment	**–**	(250,498)
Taxes paid	**(816,040)**	(43,753)
Net cash generated from operating activities	**4,545,991**	1,907,404
Net cash used in investing activities	**4,840,603**	(1,161,575)
Net cash used in financing activities	**(5,004,777)**	(327,111)
Net increase in cash and cash equivalents	**4,381,817**	418,718
Cash and cash equivalents at beginning of year/date of acquisition	**10,874,500**	10,096,102
Net change in cash and cash equivalents of disposal group classified as held for sale	**374,852**	(4,523)
Exchange differences	**222,734**	364,203
Cash and cash equivalents at end of year	**15,853,903**	10,874,500

The information above is the amount before inter-company eliminations.

13 Investments in joint ventures

	2019 RMB'000	2018 RMB'000
Investments in joint ventures (including goodwill on acquisitions) (note a)	**9,116,941**	8,906,328
Equity loan to a joint venture (note b)	**995,915**	979,784
	10,112,856	9,886,112

Notes:

(a) The carrying amount of goodwill on acquisitions of joint ventures amounted to RMB462,822,000 (2018: RMB453,953,000), mainly represented the goodwill on acquisitions of equity interests in Shanghai Pudong International Container Terminals Limited and Asia Container Terminals Holding Limited of RMB219,297,000 (2018: RMB215,745,000) and RMB242,737,000 (2018: RMB237,426,000) respectively.

(b) The equity loan to a joint venture is unsecured, interest free and has no fixed terms of repayment.

(c) There is no joint venture that is individually material to the Group as at 31 December 2019. The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's respective interests in the joint ventures:

	Net assets RMB'000	Profit less losses for the year RMB'000	Other comprehensive income RMB'000	Total comprehensive income RMB'000
31 December 2019	**8,654,119**	**694,209**	**514**	**694,723**
31 December 2018	8,452,375	697,250	2,336	699,586

(d) The Company has no directly owned joint ventures as at 31 December 2018 and 2019. Details of the principal joint ventures as at 31 December 2019 are shown in note 46(b).

14 Investments in associates

	2019 RMB'000	2018 RMB'000
Investments in associates (including goodwill on acquisitions) (note c)	**20,335,779**	18,682,510
Equity loan	**313,929**	308,844
	20,649,708	18,991,354

Notes:

(a) In August 2019, 31.073% equity interests in Tianjin Five Continents International Container Terminal Co., Ltd. and 24.5% equity interests in Tianjin Orient Container Terminals Co., Ltd. were disposed to Tianjin Port Container Terminal Co., Ltd. ("TCT") and 16.01% equity interests in TCT were exchanged in return.

In December 2019, Nanjing Port Longtan Container Co., Ltd. was disposed of at a consideration of approximately RMB366,123,000 (equivalent to US$ 52,273,000)

In December 2018, COSCO SHIPPING Ports acquired 4.34% equity interests in Beibu Gulf Port Co., Ltd. as financial asset at FVPL at a consideration of RMB471,065,000 (equivalent to US$67,919,000). In December 2019, COSCO SHIPPING Ports further acquired 6.31% equity interests in Beibu Gulf Port Co., Ltd. at a total consideration of approximately RMB890,528,000 (equivalent to US$129,212,000). COSCO SHIPPING Ports obtained significant influence with its representative in the board of Beibu Gulf Port Co., Ltd. and it became an associate of COSCO SHIPPING Ports since then.

(b) Qingdao Port International Co., Ltd. ("QPI,"), Sigma Enterprises Limited ("Sigma") and Wattrus Limited ("Wattrus") and their subsidiaries (collectively "Sigma and Wattrus Group") are associates (note 46(c)) that are material to the Group. Both QPI and Sigma and Wattrus Group are engaged in the operation, management and development of terminal related business. There are no quoted market price for Sigma and Wattrus. As at 31 December 2019, the quoted market price of the Group's interest in QPI amounted US$854,258,000 (equivalent to RMB5,959,475,000) (2018: nil).

Set out below are the summarized consolidated financial information for QPI from the date the Group had significant influence to 31 December 2019, after fair-value adjustments upon acquisition, which is accounted for using the equity method:

Summarized consolidated balance sheet

	QPI	
	2019 RMB'000	2018 RMB'000
Non-current assets	**32,868,869**	30,399,536
Current assets	**19,894,134**	18,366,246
Non-current liabilities	**(8,256,102)**	(6,284,955)
Current liabilities	**(10,909,542)**	(13,061,301)

Summarized consolidated statement of comprehensive income

	QPI	
	2019 RMB'000	2018 RMB'000
Revenues	**12,164,084**	11,600,101
Profit attributable to equity holders for the period	**3,790,145**	3,576,543
Group's share of profits of the associate	**651,377**	634,429

14 Investments in associates (Continued)

Notes: (Continued)

(b) (Continued)

Reconciliation of summarized consolidated financial information

Reconciliation of summarized consolidated financial information presented to the carrying amount of the Group's interest in these associates.

Summarized consolidated financial information

	QPI	
	2019	2018
	RMB'000	RMB'000
Attributable to equity holders		
Opening net assets	**26,982,705**	23,557,692
Profit for the year	**3,790,145**	3,576,543
Other comprehensive income/(loss)	**48,975**	(150,174)
Capital injection	**454,376**	–
Other reserve for the year	**1,533,139**	7,169
Dividends	**(2,464,669)**	–
Exchange difference	**(2,533)**	(8,545)
Closing net assets	**30,342,138**	26,982,685
Interest in the associate at 17.12% to 18.46% (2018: 18.41%)	**5,606,116**	4,967,516
Fair value adjustment	**632,595**	704,377
Goodwill	**1,472,369**	1,562,998
Carrying amount	**7,711,080**	7,234,891

Set out below are the summarized consolidated financial information for Sigma and Wattrus Group, after fair value adjustments upon acquisition, which is accounted for using the equity method:

Summarized balance sheet

	Sigma and Wattrus Group	
	2019	2018
	RMB'000	RMB'000
Non-current assets	**25,800,213**	26,214,445
Current assets	**6,720,390**	6,378,754
Non-current liabilities	**(1,864,173)**	(1,644,320)
Current liabilities	**(3,735,057)**	(4,587,974)

14 Investments in associates (Continued)

Notes: (Continued)

(b) (Continued)

Summarized statement of comprehensive income

	Sigma and Wattrus Group 2019 RMB'000	2018 RMB'000
Revenues	**6,643,723**	6,139,579
Profit attributable to equity holders for the year	**1,733,462**	1,679,451
Group's share of profits of associates	**356,227**	345,127

Reconciliation of summarized financial information

Reconciliation of summarized financial information presented to the carrying amount of the Group's interest in these associates.

Summarized financial information

	Sigma and Wattrus Group 2019 RMB'000	2018 RMB'000
Capital and reserves attributable to equity holders	**20,258,752**	19,907,219
Group's effective interest	**20.55%**	20.55%
Group's share of capital and reserves attributable to equity holders	**4,163,173**	4,090,934
Adjustment to cost of investment	**326,905**	321,610
Carrying amount	**4,490,078**	4,412,544

(c) The carrying amount of goodwill on acquisitions of associates amounted to RMB1,938,344,000 (2018: RMB2,054,561,000), mainly represented the goodwill on acquisitions of equity interests in QPI, Sigma, Suez Canal Container Terminal S.A.E., Euromax Terminal Rotterdam B.V. ("Euromax Terminal"), Wattrus and Nanjing Port Longtan Containers Co., Ltd. of RMB1,472,369,000 (2018:RMB1,562,998,000), RMB144,191,000 (2018: RMB141,855,000), RMB115,972,000 (2018: RMB114,094,000), RMB110,545,000 (2018:RMB110,992,000), RMB52,482,000 (2018: RMB51,632,000) and nil (2018: RMB31,111,000) respectively.

(d) The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interests in the respective associates other than the material associates listed above:

	Net assets RMB'000	Profit less losses for the year RMB'000	Other comprehensive income RMB'000	Total comprehensive income RMB'000
2019	**6,196,277**	**358,529**	**103**	**358,632**
2018	4,980,514	400,721	(11,397)	389,324

(e) The Company had no directly owned associates as at 31 December 2018 and 2019. Details of the principal associates as at 31 December 2019 are shown in note 46(c).

15 Loans to joint ventures and associates

	2019 RMB'000	2018 RMB'000
Loans to joint ventures (note a)	**161,235**	163,427
Loan to associates (note b)	**1,005,918**	1,031,110
	1,167,153	1,194,537

Notes:

(a) As at 31 December 2018, balance of RMB5,491,000 is secured, which bears interest at 5.5% per annum above the 3 months Euro Interbank Offered Rate ("EURIBOR") and wholly repayable on or before December 2020. The balance was reclassified as current as at 31 December 2019. The remaining balance as at 31 December 2019 were unsecured and interest bearing at the rate of 2.10% above Hong Kong Interbank Offered Rate ("HIBOR") per annum quoted in respect of a one month's period, and repayable on or before March 2023.

(b) A balance of RMB656,502,000 (2018: RMB659,176,000) is unsecured, which bears interest at the aggregate of 2.0% per annum and EURIBOR (2018: 2.0% per annum and EURIBOR), and is repayable in 2024. A balance of RMB105,055,000 (2018: RMB106,284,000) is unsecured, bears interest at 2.5% per annum above 10-year EURIBOR ICE swap rate (2018: 2.5% per annum above 10-year EURIBOR ICE swap rate) and has no fixed terms of repayment. A balance of RMB264,789,000 (2018: RMB265,867,000) is unsecured, bears interest at the aggregate of 3.75% per annum and EURIBOR (2018: 3.75% per annum and EURIBOR), and is repayable in 2021. These balances are all denominated in EURO.

16 Financial assets at fair value through other comprehensive income

Financial assets at FVOCI comprise the following investments in listed and unlisted equity:

	2019 RMB'000	2018 RMB'000
Non-current assets		
Listed securities (note a)	**1,079,399**	1,095,048
Unlisted investments (note b)	**1,017,857**	988,590
	2,097,256	2,083,638

Notes:

(a) Listed investments represent equity interests in entities which are principally engaged in provision of port related services and securities service.

(b) Unlisted investments mainly comprise equity interests in terminal operating companies, port information system engineering companies and property investment companies.

(c) As at 31 December 2019, a financial asset at FVOCI with a fair value of RMB248,953,000 (2018: RMB257,397,000) was pledged as security for banking facilities granted to the Group (note 27(k)(v)).

16 Financial assets at fair value through other comprehensive income (Continued)

Financial assets at FVOCI comprise the following investments in listed and unlisted equity: (Continued)

Notes: (Continued)

(d) Financial assets at FVOCI are denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
RMB	**2,034,003**	2,074,565
HKD	**57,930**	8,002
USD	**–**	865
EURO	**5,323**	–
Others	**–**	206
	2,097,256	2,083,638

(e) Movement of the financial assets at FVOCI during the year is as follows:

	2019 RMB'000	2018 RMB'000
As at 1 January	**2,083,638**	2,431,579
Additions	**68,000**	4,731
Acquisition of subsidiaries	**–**	158,904
Disposal	**(5,572)**	(157)
Fair value loss recognized in equity	**(52,181)**	(520,834)
Currency translation differences	**3,371**	9,415
As at 31 December	**2,097,256**	2,083,638

(f) Financial assets at fair value through other comprehensive income includes the following classes of financial assets:

	2019 RMB'000	2018 RMB'000
Listed securities in the PRC	**1,079,399**	1,095,049
Unlisted investments	**1,017,857**	988,589
	2,097,256	2,083,638

17 Financial assets at fair value through profit or loss

Financial assets at FVPL include the following:

	2019 RMB'000	2018 RMB'000
Listed equity securities		
– PRC (note b)	–	499,442
– China Hong Kong	206,684	277,960
– Overseas	56,131	62,380
Market value of listed equity securities	262,815	839,782
Unit trust	–	39,259
Listed debt securities		
– China Hong Kong	516,026	1,440,153
– Overseas	287,978	776,303
	1,066,819	3,095,497

Notes:

(a) As at 31 December 2019, the carrying amounts of the Group's financial assets at fair value through profit or loss are mainly denominated in US dollar (2018: US dollar).

(b) In December 2019, the COSCO SHIPPING Ports stepped up its 4.34% equity interests in Beibu Gulf Port Co., Ltd. from a financial asset at FVPL to a 10.65% associate at a total consideration of RMB890,528,000 (equivalent to US$129,212,000) (note 14(a)).

The credit quality of listed debt securities by reference to Standard & Poor's and/or Moody's credit ratings is as follows:

	2019 RMB'000	2018 RMB'000
A	202,938	475,812
BBB	358,204	877,247
BB	48,624	60,396
Non-ranking	194,238	803,001
	804,004	2,216,456

The fair value of all listed equity securities and debt securities are based on their current bid prices in active markets.

18 Financial assets at amortized cost

Financial assets at amortized cost include the following:

	2019 RMB'000	2018 RMB'000
Listed debt securities		
– China Hong Kong	602,472	746,684
– Overseas	732,117	783,524
	1,334,589	1,530,208
Less: Current portion included in current assets	(306,157)	(230,380)
	1,028,432	1,299,828
Market value	1,390,392	1,534,131

Movements in other financial assets at amortized cost are as follows:

	2019 RMB'000	2018 RMB'000
Balance at beginning of year	1,530,208	–
Acquisition of subsidiaries	–	1,456,261
Currency translation adjustments	22,532	54,328
Additions	–	108,871
Early redemption by issuer	–	(41,112)
Redemptions on maturity	(233,239)	(34,215)
Amortization	(489)	(342)
Reversal/(provision)) of impairment	15,577	(13,583)
Balance at end of year	1,334,589	1,530,208

The carrying amounts of financial assets at amortized cost are mainly denominated in US dollar.

The credit quality of other financial assets at amortized cost by reference to Standard & Poor's and/or Moody's credit ratings is as follows:

	2019 RMB'000	2018 RMB'000
AAA	–	13,603
AA	5,574	42,826
A	524,799	567,044
BBB	748,393	492,208
Non-ranking	55,823	414,527
	1,334,589	1,530,208

19 Deferred income tax assets/(liabilities)

Deferred income tax is calculated in full on temporary differences under the liability method using taxation rates ranging from 3% to 46% for the year (2018: 10% to 46%)

The movement on the net deferred tax (liabilities)/assets is as follows:

	2019 **RMB'000**	2018 RMB'000
As at end of previous year	**(925,100)**	(155,230)
Change in accounting policy (note 2(a)(i))	**250**	(16,187)
As at 1 January	**(924,850)**	(171,417)
Currency translation differences	**(39,425)**	(44,282)
Charged to consolidated income statement	**(136,139)**	(137,926)
Acquisition of subsidiaries (note 42)	**(296,182)**	(698,221)
(Charged)/credited to other comprehensive income (note 35(c))	**(1,921)**	126,746
As at 31 December	**(1,398,517)**	(925,100)

Deferred income tax assets are recognized for tax losses carry forward to the extent that realization of the related tax benefit through the future taxable profits is probable. As at 31 December 2019, the Group had tax losses of RMB33,456,047,000 (2018: RMB35,355,409,000) to carry forward, which were not recognized as deferred tax assets as the Directors considered that the utilization of these tax losses in the foreseeable future is not probable, of which an amount of RMB32,905,785,000 (2018: RMB34,807,446,000) will expire through year 2024 (2018: year 2023) and an amount of RMB550,262,000 (2018: RMB547,963,000) has no expiry date.

As at 31 December 2019, the unrecognized deferred income tax liabilities were RMB10,503,245,000 (2018: RMB9,025,027,000), relating to income tax and withholding tax that would be payable for undistributed profits of certain overseas subsidiaries, as the Directors considered that the timing for the reversal of the related temporary differences can be controlled or such profits will not be distributed and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these overseas subsidiaries as at 31 December 2019 amounted to RMB43,849,559,000 (2018: RMB37,554,812,000).

19 Deferred income tax assets/(liabilities) (Continued)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year was as follows:

Deferred income tax liabilities

	Undistributed profits of subsidiaries, joint ventures and associates RMB'000	Accelerated tax depreciation and fair value adjustments on assets in relation to business combination RMB'000	Fair value gain on financial assets RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2018	(557,900)	(312,557)	(366,241)	(93,476)	(1,330,174)
Currency translation differences	(18,844)	(28,220)	1,832	(4,014)	(49,246)
(Charged)/credited to consolidated income statement	(79,868)	17,289	(4,658)	87,409	20,172
Acquisition of subsidiaries	(9,819)	(684,628)	–	(55,976)	(750,423)
Credited to other comprehensive income (note 35(c))	–	–	124,102	–	124,102
As at 31 December 2018 and 1 January 2019	(666,431)	(1,008,116)	(244,965)	(66,057)	(1,985,569)
Currency translation differences	**(37,676)**	**(60,804)**	**(5,314)**	**(300)**	**(104,094)**
Credited/(Charged) to consolidated income statement	**(168,888)**	**61,841**	**(42,014)**	**29,385**	**(119,676)**
Acquisition of subsidiaries (note 42)	**–**	**(306,301)**	**–**	**–**	**(306,301)**
Credited to other comprehensive income (note 35(c))	**–**	**–**	**(4,995)**	**–**	**(4,995)**
As at 31 December 2019	**(872,995)**	**(1,313,380)**	**(297,288)**	**(36,972)**	**(2,520,635)**

19 Deferred income tax assets/(liabilities) (Continued)

Deferred income tax assets

	Tax loss RMB'000	Staff benefit RMB'000	Accelerated accounting depreciation RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2018	666,500	24,383	3,100	464,774	1,158,757
Currency translation differences	1,575	–	(76)	3,465	4,964
Charged to consolidated income statement	(59,538)	(3,769)	(398)	(94,393)	(158,098)
Acquisition of subsidiaries	20,073	–	3,385	28,744	52,202
Credited to other comprehensive income (note 35(c))	–	–	–	2,644	2,644
As at 31 December 2018	628,610	20,614	6,011	405,234	1,060,469
Change in accounting policy (note 2(a)(i))	–	–	–	250	250
As at 1 January 2019	**628,610**	**20,614**	**6,011**	**405,484**	**1,060,719**
(Currency)/Credited translation differences	**39,419**	**–**	**160**	**25,090**	**64,669**
Charged to consolidated income statement	**(17,172)**	**13,046**	**19**	**(12,356)**	**(16,463)**
Acquisition of subsidiaries (note 42)	**7,374**	**–**	**–**	**2,745**	**10,119**
Credited to other comprehensive income (note 35(c))	**–**	**–**	**–**	**3,074**	**3,074**
As at 31 December 2019	**658,231**	**33,660**	**6,190**	**424,037**	**1,122,118**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance and a net basis. As at 31 December 2019, deferred income tax assets and deferred income tax liabilities amounted to RMB177,655,000 were offset.

19 Deferred income tax assets/(liabilities) (Continued)

The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2019 RMB'000	2018 RMB'000
Deferred income tax assets		
Deferred income tax assets to be recovered after more than 12 months	629,920	740,737
Deferred income tax assets to be recovered within 12 months	314,543	319,732
	944,463	1,060,469
Deferred income tax liabilities		
Deferred income tax liabilities to be settled after more than 12 months	(1,877,220)	(1,365,468)
Deferred income tax liabilities to be settled within 12 months	(465,760)	(620,101)
	(2,342,980)	(1,985,569)
Deferred income tax liabilities, net	(1,398,517)	(925,100)

20 Other non-current assets

	2019 RMB'000	2018 RMB'000
Deposits	239,421	1,007,745
Prepayment for vessels construction	80,793	–
Prepaid operating lease payments	–	229,874
Prepayment for land use rights	–	235,504
Others	145,915	17,062
	466,129	1,490,185

21 Cash and cash equivalents

	2019 RMB'000	2018 RMB'000
Restricted bank deposits (note a)	**639,908**	1,157,243
Balances placed with China Shipping Finance Co., Ltd ("CS Finance") (note b)	**12,388,613**	9,509,212
Bank balances and cash	**37,301,171**	23,328,517
Total bank deposits and cash and cash equivalents (note c)	**50,329,692**	33,994,972
Less:		
Restricted bank deposits		
– current	**(243,695)**	(759,171)
– non-current	**(396,213)**	(398,072)
Cash and cash equivalents	**49,689,784**	32,837,729

Notes:

(a) Restricted bank deposits are mainly held as security for borrowings and bank guarantees and facilities (note 27(k) (iv)).

(b) CS Finance is a finance company owned by China SHIPPING (Group) Company ("China Shipping") and balances placed with CS Finance bear interest at prevailing market rates.

(c) The carrying amounts of bank deposits and cash and cash equivalents are denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
US dollar	**38,775,418**	21,221,602
RMB	**7,622,724**	8,855,521
EURO	**1,879,917**	1,273,590
HK dollar	**342,725**	570,515
Other currencies	**1,708,908**	2,073,744
	50,329,692	33,994,972

(d) The effective interest rates on time deposits as at 31 December 2019 were in the range of 1.48% to 4.00% per annum (2018: 1.48% to 4.00% per annum). The deposits earn interests at floating rates based on prevailing market rates.

22 Inventories

	2019 RMB'000	2018 RMB'000
Bunkers, voyage supplies, consumables and others	**4,054,417**	4,100,906

23 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		
– third parties (note b)	**5,297,465**	4,776,775
– fellow subsidiaries (note d)	**307,239**	379,704
– joint ventures (note d)	**342,862**	202,207
– associates (note d)	**114,269**	407,322
– other related companies (note d)	**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 date 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 and bills receivables, gross	**9,014,682**	9,187,678
Less: provision for impairment	**(320,816)**	(291,523)
	8,693,866	8,896,155

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

23 Trade and other receivables and contract assets (Continued)

Notes: (Continued)

(a) (Continued)

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled service provided and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 or 31 December 2018 respectively and the corresponding historical credit losses experienced within this year. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Movements on the provision for impairment of trade receivables are as follows:

	2019 **RMB'000**	2018 RMB'000
As at 1 January	**291,523**	93,448
Provision for receivable impairment	**50,596**	55,585
Receivables written off during the year as uncollectible	**(13,209)**	(25,975)
Reversal of provision	**(11,983)**	(3,161)
Acquisition of subsidiaries (note 42)	**–**	165,164
Transfer to assets classified as held for sale	**(1,542)**	–
Currency translation differences	**5,431**	6,462
As at 31 December	**320,816**	291,523

The creation and release of provision for impaired receivables have been included in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Management considered that there is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

(b) Prepayments, deposits and other receivables due from third parties

	2019 **RMB'000**	2018 RMB'000
Prepayments and deposits	**2,922,108**	2,394,856
Claims receivables	**64,739**	55,018
Other receivables less provision (note c)	**2,310,618**	2,326,901
	5,297,465	4,776,775

23 Trade and other receivables and contract assets (Continued)

Notes: (Continued)

(c) Movements on the provision for impairment of other receivables are as follows:

	2019 RMB'000	2018 RMB'000
As at 1 January	**70,256**	84,179
Provision for receivable impairment	**588**	1,883
Receivables written off during the year as uncollectible	**–**	(701)
Reversal of provision	**(3,713)**	(15,860)
Currency translation differences	**64**	730
Disposal of subsidiaries	**–**	25
As at 31 December	**67,195**	70,256

(d) The amounts due from related companies are unsecured, interest free and have no fixed terms of repayment.

(e) The carrying amount of trade and other receivables and contract assets (excluding prepayments and deposits, and contract assets) are denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
US dollar	**5,289,351**	5,567,248
RMB	**2,207,903**	2,798,697
HK dollar	**2,052,122**	2,269,607
EURO	**441,592**	183,510
Other currencies	**1,691,909**	1,476,340
	11,682,877	12,295,402

(f) The carrying amounts of trade and other receivables and contract assets (excluding prepayments and deposits) approximate their fair values.

(g) Management considered the maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. The Group does not hold any collateral as security.

24 Assets classified as held-for-sale/liabilities directly associated with assets classifies 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 48. 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	1,105,254
Property under development	200,928
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

24 Assets classified as held-for-sale/liabilities directly associated with assets classifies 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

25 Share capital and equity linked benefits

(a) Share capital

	As at 31 December 2019		As at 31 December 2018	
	Number of shares (thousands)	Nominal value RMB'000	Number of shares (thousands)	Nominal value RMB'000
Registered, issued and fully paid:				
H-Shares of RMB1.00 each	2,580,600	2,580,600	2,580,600	2,580,600
A-Shares of RMB1.00 each (note)	9,678,929	9,678,929	7,635,674	7,635,674
	12,259,529	12,259,529	10,216,274	10,216,274

Note:

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. Related capital reserve increased RMB5,659,319,213.

(b) Share options of the Company

The Company operates share option schemes whereby options are granted to eligible employees and directors or any participants (as defined in the relevant share option schemes) of the Group, to subscribe for its shares. No outstanding options were vested and exercisable as at 31 December 2019. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

At a special general meeting of the Company held on 30 May 2019, the shareholders of the Company approved the adoption of a share option scheme (the "2019 Share Option Scheme"). The purposes of the 2019 Share Option Scheme are to enable the Company to establish and cultivate a performance-oriented culture, under which value is created for the Shareholders, and to establish an interests-sharing and restraining mechanism between the Shareholders and the Company's management. No consideration was paid by the grantees for the acceptance of share options.

Under the 2019 Share Option Scheme, the exercises of the options of three batches are subject to two-year, three-year and four-year vesting periods respectively during which a participant is not allowed to exercise any option granted. After the expiration of each vesting period, the participant may exercise the options in three batches in the one year, one year and three years after the expiration of each vesting period respectively. Within the exercise period of the share options, and subject to the fulfilment of the vesting conditions and the exercise arrangement of the share options, grant of each share option entitles the grantee to subscribe for one A share at relevant exercise price in three batches evenly after the expiry of each vesting period.

25 Share capital and equity linked benefits (Continued)

(b) Share options of the Company (Continued)

Movements of the share options granted by the Company during the year ended 31 December 2019 are set out below:

			Year ended 31 December 2019 Number of share options				
Date of grant	Exercisable year	Exercise price	Outstanding as at 1 January 2019	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding as at 31 December 2019
03 June 2019	Note (i)	RMB4.10	–	190,182,200	–	–	190,182,200

Notes:

(i) The share options were granted on 3 June 2019 under the 2019 Share Option Scheme at an exercise price of RMB4.10. According to the provisions of the 2019 Share Option Scheme, share options under each grant have a validity period of ten years commencing from the date of grant and cannot be exercised evenly during the two-year, three-year and four-year period commencing from the date of grant (the "Restriction Period"). Besides, subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of one year, one year and three years after the expiry of each Restriction Period, i.e. 33%, 33% and 34%.

(ii) In the process of registration after 3 June 2019, five participants (not being senior management of the Company) did not accept the Share Option granted to them due to personal reasons. Under the Further Revised Scheme, the number of the Share Options granted in the first batch has been adjusted from 192,291,000 to 190,182,200. For details, please refer to the overseas regulatory announcement of the Company dated 19 July 2019. On 24 July 2019, the Company completed the registration in respect the grant of the Share Option in the first batch 190,182,200 share options. For details, please refer to the overseas regulatory announcement of the Company dated 25 July 2019.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2019	
	Average exercise price per share RMB	Number of share options
As at 1 January	–	–
Granted during the year	4.10	190,182,200
As at 31 December	4.10	190,182,200

25 Share capital and equity linked benefits (Continued)

(b) Share options of the Company (Continued)

(iii) No outstanding options were vested and exercisable as at 31 December 2019. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

(iv) No share options were exercised under the 2019 Share Option Scheme during the year 2019.

(v) Fair value of options granted

The fair values of options granted during the period are estimated based on the Black-Scholes valuation model, and such fair values and significant inputs into the model are as follows:

	Fair value per share option RMB	Share price at date of grant RMB	Exercise price RMB	Standard deviation of expected share price return	Expected life of share options	Expected dividend paid out rate	Risk-free interest rate
Granted on 3 June 2019 – 190,182,200 share options (outstanding as at 31 December 2019)	2.00	4.82	4.10	41.57%	3.83 years	0%	3.11%

25 Share capital and equity linked benefits (Continued)

(c) Share options of a subsidiary

COSCO SHIPPING Ports operates share option schemes whereby options are granted to eligible employees and directors or any participant of the Group to subscribe for its share.

Movements of the share options granted by COSCO SHIPPING Ports during the year ended 31 December 2019 and 2018 are set out below:

			Year ended 31 December 2019 Number of share options					
Date of grant	Note	Exercise price	Outstanding as at 1 January 2019	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited during the year	Outstanding as at 31 December 2019
19 June 2018	Note (i), (ii)	HK$7.27	51,415,948	–	–	–	(1,150,598)	50,265,350
29 November 2018	Note (i), (ii)	HK$8.02	851,966	–	–	–	–	851,966
29 Mar 2019	Note (i), (iii)	HK$8.48	–	848,931	–	–	–	848,931
23 May 2019	Note (i), (iii)	HK$7.27	–	666,151	–	–	–	666,151
17 June 2019	Note (i), (iii)	HK$7.57	–	1,273,506	–	–	–	1,273,506
			52,267,914	2,788,588	–	–	(1,150,598)	53,905,904

			Year ended 31 December 2018 Number of share options					
Date of grant	Note	Exercise price	Outstanding as at 1 January 2018	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited during the year	Outstanding as at 31 December 2018
19 June 2018	Note (i), (ii)	HK$7.27	–	53,483,200	–	–	(2,067,252)	51,415,948
29 November 2018	Note (i), (ii)	HK$8.02	–	851,966	–	–	–	851,966
			–	54,335,166	–	–	(2,067,252)	52,267,914

25 Share capital and equity linked benefits (Continued)

(c) Share options of a subsidiary (Continued)

Notes:

(i) No outstanding options were vested and exercisable as at 31 December 2019 (2018: Nil). COSCO SHIPPING Ports has no legal or constructive obligation to repurchase or settle the options in cash.

(ii) The share options were granted on 19 June 2018 and 29 November 2018 under the 2018 Share Option Scheme at an exercise price of HK$7.27 and HK$8.02 respectively. According to the provisions of the 2018 Share Option Scheme, share options under each grant have a validity period of five years commencing from the date of grant and cannot be exercised during the two-year period commencing from the date of grant (the "Restriction Period"). Besides, subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e.33%, 33% and 34%.

(iii) The share options were granted on 29 March 2019, 23 May 2019 and 17 June 2019 under the 2018 Share Option Scheme at an exercise price of HK$8.48, HK$7.27 and HK$7.57 respectively. According to the provisions of the 2018 Share Option Scheme, share options under each grant have a validity period of five years commencing from the date of grant and cannot be exercised during the two-year period commencing from the date of grant (the "Restriction Period"). Besides, subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. 33%, 33% and 34%.

(iv) No share options were exercised under the 2018 Share Option Scheme during the year (2018: Nil).

(v) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2019		2018	
	Average exercise price per share HK$	**Number of share options**	Average exercise price per share HK$	Number of share options
As at 1 January	**7.28**	**52,267,914**	–	–
Granted during the year	**7.78**	**2,788,588**	7.28	54,335,166
Forfeited during the year	**7.27**	**(1,150,598)**	7.27	(2,067,252)
As at 31 December	**7.31**	**53,905,904**	7.28	52,267,914

(vi) Fair value of options granted

The fair values of options granted during the period are estimated based on the Black-Scholes valuation model, and such fair values and significant inputs into the model are as follows:

	Fair value per share option HK$	Share price at date of grant HK$	Exercise price HK$	Standard deviation of expected share price return	Expected life of share options	Expected dividend paid out rate	Risk-free interest rate
Granted on 29 March 2019 – 848,931 share options (outstanding as at 31 December 2019)	1.395	8.48	8.48	30.18%	4 years	4.30%	1.44%
Granted on 23 May 2019 – 666,151 share options (outstanding as at 31 December 2019)	1.154	7.16	7.27	29.94%	4 years	4.30%	1.68%
Granted on 17 June 2019 – 1,273,506 share options (outstanding as at 31 December 2019)	1.187	7.45	7.57	29.84%	4 years	4.30%	1.60%

26 Reserves

	Capital Reserve RMB'000	Hedging Reserve RMB'000	Other reserves RMB'000	Statutory reserve fund RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Accumulated loss RMB'000	Total RMB'000
Balance at 31 December 2018, as previously reported	33,348,374	1,970	(4,291,851)	(204,853)	277,375	(4,405,310)	(12,055,766)	12,669,939
Change in accounting policy (note 2(a)(i))	–	–	–	–	–	–	(1,771,146)	(1,771,146)
Balance at 1 January 2019	33,348,374	1,970	(4,291,851)	(204,853)	277,375	(4,405,310)	(13,826,912)	10,898,793
Comprehensive (loss)/income								
Profit for the year	–	–	–	–	–	–	6,690,106	6,690,106
Other comprehensive (loss)/income								
Share of other comprehensive income/(loss) of joint ventures and associates	(27)	–	9,122	–	–	(24,935)	1,220	(14,620)
Cash flow hedges, net of tax	–	–	–	–	(896)	–	–	(896)
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	(22,356)	–	–	(22,356)
Remeasurements of post-employment benefit obligations	–	–	(47,473)	–	–	–	–	(47,473)
Currency translation differences	–	–	–	–	–	356,694	–	356,694
Total other comprehensive (loss)/income	(27)	–	(38,351)	–	(23,252)	331,759	1,220	271,349
Total comprehensive (loss)/income for the year ended 31 December 2019	(27)	–	(38,351)	–	(23,252)	331,759	6,691,326	6,961,455
Total contributions by and distributions to owners of the Company recognized directly in equity:								
Issue of A shares	5,659,319	–	–	–	–	–	–	5,659,319
Acquisition of additional interest in a subsidiary	205,244	–	–	–	–	–	–	205,244
Fair value of share options granted	87,495	–	–	–	–	–	–	87,495
Recognition of put option liability arising from acquisition of a subsidiary	(715,418)	–	–	–	–	–	(17,347)	(732,765)
Others	20,606	–	–	–	–	–	–	20,606
Total contributions by and distributions to owners of the Company	5,257,246	–	–	–	–	–	(17,347)	5,239,899
Balance at 31 December 2019	38,605,593	1,970	(4,330,202)	(204,853)	254,123	(4,073,551)	(7,152,933)	23,100,147

26 Reserves (Continued)

	Capital Reserve RMB'000	Hedging Reserve RMB'000	Other reserves RMB'000	Statutory reserve fund RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Accumulated loss RMB'000	Total RMB'000
Balance at 1 January 2018	32,850,873	1,970	(4,191,738)	(204,853)	431,309	(5,100,196)	(13,285,792)	10,501,573
Comprehensive income								
Profit for the year	–	–	–	–	–	–	1,230,026	1,230,026
Other comprehensive (loss)/income								
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	(174,793)	–	–	(174,793)
Cash flow hedges, net of tax	–	–	–	–	(1,636)	–	–	(1,636)
Share of other comprehensive (loss)/income of joint ventures and associates	–	–	(34,945)	–	22,495	(15,553)	–	(28,003)
Currency translation differences	–	–	–	–	–	710,750	–	710,750
Remeasurements of post-employment benefit obligations	–	–	(65,168)	–	–	–	–	(65,168)
Total other comprehensive (loss)/income	–	–	(100,113)	–	(153,934)	695,197	–	441,150
Total comprehensive (loss)/income for the year ended 31 December 2018	–	–	(100,113)	–	(153,934)	695,197	1,230,026	1,671,176
Total contributions by and distributions to owners of the Company recognized directly in equity:								
Contribution from Non-controlling shareholders of subsidiaries	375,055	–	–	–	–	(311)	–	374,744
Others	122,446	–	–	–	–	–	–	122,446
Total contributions by and distributions to owners of the Company	497,501	–	–	–	–	(311)	–	497,190
As at 31 December 2018	33,348,374	1,970	(4,291,851)	(204,853)	277,375	(4,405,310)	(12,055,766)	12,669,939

Notes:

(a) Statutory reserve fund

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to allocate 10% of net profit of the Company, as determined in accordance with the China Accounting Standards ("CAS"), to the statutory reserve fund until such statutory reserve fund reaches 50% of the registered capital of the Company. The appropriation to the statutory reserve fund must be made before any distribution of dividends to equity holders. The statutory reserve fund can be used to offset previous year's losses, if any, and part of the statutory reserve fund can be capitalized as the Company's share capital provided that the amount of such statutory reserve fund remaining after the capitalization shall not be less than 25% of the share capital of the Company.

(b) In accordance with the articles of association of the Company, the profit available for appropriation by the Company for the purpose of dividend payments is based on the lesser of (i) the net profit determined in accordance with the CAS; and (ii) the net profit determined in accordance with HKFRSs. Profit distribution is made after the appropriation to statutory reserve fund and recovery of previous years' losses.

(c) Other reserves of the Group as at 31 December 2019 represented capital reserve and other reserves of joint ventures and associates, and remeasurements of post-employment benefit obligations.

(d) Capital reserve mainly represents the capitalization of the reserves of the acquired subsidiaries from the parent company upon the incorporation of the Company on 3 March 2005 and the share premium (net with share issuance expenses) arising upon issuance of the Company's H-shares and A-shares in 2005 and 2007.

27 Borrowings

	2019 RMB'000	2018 RMB'000
Long term borrowings		
Bank loans		
– secured (note k)	**34,824,611**	37,409,002
– unsecured (note l)	**43,755,564**	16,607,979
Loans from CS Finance/COSCO Finance Co., Ltd ("COSCO Finance")		
– unsecured	**–**	248,503
Loans from CS Finance		
– secured	**56,800**	72,000
Notes/bonds (note b)	**18,008,308**	17,828,855
Loans from non-controlling shareholders of subsidiaries (note c)	**3,369**	4,715
Loans from a fellow subsidiary (note d)	**–**	60,877
Finance lease obligations (note e)	**–**	16,743,090
Loan from COSCO Shipping (HK) Co., Ltd.		
– unsecured	**6,976,200**	–
Total long-term borrowings	**103,624,852**	88,975,021
Current portion of long-term borrowings	**(11,099,640)**	(8,730,823)
	92,525,212	80,244,198
Short term borrowings		
Bank loans		
– secured (note k)	**–**	269,998
– unsecured (note l)	**11,247,030**	35,054,871
Loans from CS Finance		
– unsecured	**3,100,000**	3,986,320
Loans from COSCO		
– unsecured	**–**	563,110
Loans from COSCO SHIPPING		
– unsecured	**–**	1,188,120
Loan from COSCO Shipping (HK) Co., Ltd.		
– unsecured	**–**	6,863,200
Other loans		
–unsecured	**405,000**	295,000
Notes/bonds (notes b)	**1,500,000**	–
	16,252,030	48,220,619

27 Borrowings (Continued)

Notes:

(a) As at 31 December 2019, the long-term borrowings were repayable as follows:

	2019 RMB'000	2018 RMB'000
Bank loans		
– within one year	6,109,699	7,030,349
– in the second year	6,354,222	7,882,602
– in the third to fifth years	27,895,287	22,029,331
– after the fifth year	38,220,967	17,074,699
	78,580,175	54,016,981
Loans from CS Finance/COSCO Finance		
– within one year	–	248,503
	–	248,503
Loan from CS Finance		
– within one year	–	3,480
– in the second year	12,000	11,722
– in the third to fifth years	36,120	35,996
– after the fifth year	8,680	20,802
	56,800	72,000
Notes/bonds (note b)		
– within one year	4,989,941	–
– in the second year	3,993,857	4,974,852
– in the third to fifth years	9,024,510	12,854,003
	18,008,308	17,828,855
Loans from non-controlling shareholders of subsidiaries		
– in the second year	–	4,695
– in the third to fifth years	3,369	20
	3,369	4,715
Loans from a fellow subsidiary		
– in the second year	–	30,102
– in the third to fifth years	–	30,775
	–	60,877
Finance lease obligations		
– within one year	–	1,448,491
– in the second year	–	1,198,109
– in the third to fifth years	–	6,859,809
– after the fifth year	–	7,236,681
	–	16,743,090
Loans from COSCO Shipping (HK) Co., Ltd.		
– in the second year	6,976,200	–
	6,976,200	–
	103,624,852	88,975,021

27 Borrowings (Continued)

Notes: (Continued)

(b) Details of the notes as at 31 December 2019 are as follows:

	2019 RMB'000	2018 RMB'000
Principal amount	**19,569,060**	17,349,760
Discount on issue	**(91,860)**	(91,629)
Notes/bonds issuance cost	**(66,773)**	(236,168)
Proceeds received	**19,410,427**	17,021,963
Currency translation differences	**27,631**	577,741
Accumulated amortized amounts of		
– discount on issue	**40,265**	48,743
– notes/bonds issuance cost	**29,985**	180,408
	19,508,308	17,828,855

(i) Notes issued by the Company

Notes with principal amount of RMB5,000,000,000, RMB4,000,000,000 and RMB1,500,000,000, which bear interest at a fixed rate of 4.35%, 4.05% and 2.49% per annum, were issued by the Company to investors on 3 September 2010, 22 November 2018 and 8 October 2019 respectively at a price equal to the principal amount. The notes with principal amount of RMB5,000,000,000, RMB4,000,000,000 and RMB1,500,000,000 would mature on 6 September 2020, 22 November 2021 and 7 April 2020 respectively.

(ii) Notes and bonds issued by subsidiaries

On 3 December 2012, COSCO Finance (2011) Limited, a subsidiary of the Company, issued bonds with an aggregate principal amount of US$1,000,000,000 (equivalent to approximately RMB6,976,200,000). The bonds carry a fixed interest yield of 4.00% per annum and were issued at a price of 98.766% of their principal amount. The bonds bear interest from 3 December 2012, payable semi-annually in arrears. The bonds are guaranteed by an irrevocable standby letter of credit issued by Bank of China Limited, Beijing Branch. The bonds have been listed on The Stock Exchange of Hong Kong Limited.

Unless previously redeemed or repurchased by COSCO Finance (2011) Limited, the bonds will mature on 3 December 2022 at their principal amount. The bonds are subject to redemption in whole, at the option of COSCO Finance (2011) Limited at any time in the event of certain changes affecting the taxes of certain jurisdictions at their principal amount together with accrued interest, or at any time after 3 December 2017 at a redemption price.

10-year notes with principal amount of US$300,000,000 (equivalent to approximately RMB2,092,860,000) were issued by a subsidiary of the Company to investors on 31 January 2013. The notes carried a fixed interest yield of 4.46% per annum and were issued at a price of 99.320% of their principal amount with a fixed coupon rate of 4.375% per annum, resulting in a discount on issue of US$2,040,000. The notes bear interest from 31 January 2013, payable semi-annually in arrear on 31 January and 31 July of each year, commencing on 31 July 2013. The notes are guaranteed unconditionally and irrevocably by the Company and listed on the Stock Exchange of Hong Kong limited.

Unless previously redeemed or repurchased by the Company, the notes will mature on 31 January 2023 at their principal amount. The notes are subject to redemption in whole, at their principal amount, together with accrued interest, at the option of the Company at any time in the event of certain changes affecting the taxes of certain jurisdictions.

27 Borrowings (Continued)

Notes: (Continued)

(c) As at 31 December 2019, balance of US$484,000 (equivalent to RMB3,369,000) from non-controlling shareholders of subsidiaries was unsecured, bear interest at 3% above the 6 months EURIBOR, and repayable on or before July 2023.

(d) As at 31 December 2018, the Group entered finance lease contracts for leasing of terminal equipment with a fellow subsidiary. The balance in respect of such finance lease arrangements of approximately RMB60,877,000 was included in loans from a fellow subsidiary for the non-current portion and of approximately RMB54,212,000 was included in trade and other payables due to fellow subsidiaries for the current portion. The average term of the finance lease contracts is 8 years, and bear interest ranging from 2% above to 11% below the RMB five-year benchmark lending rate, or 5.98%. The cost of assets acquired under the finance lease amounted to RMB338,617,000 as at 31 December 2018. The carrying values of the loan were not materially different from their fair values. The relevant balances were reclassified to lease liabilities upon adoption of HKFRS 16 on 1 January 2019.

(e) Finance lease obligations were included in borrowings until 31 December 2018, and reclassified to lease liabilities from 1 January 2019 upon adoption of HKFRS 16.

(f) The exposure of the Group's long-term borrowings to interest rate changes and the contractual repricing dates at balance sheet date are as follows:

	Less than one year RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2019				
Total borrowings	**11,099,642**	**54,295,563**	**38,229,647**	**103,624,852**
As at 31 December 2018				
Total borrowings	8,730,823	55,912,015	24,332,183	88,975,021

(g) The effective interest rates per annum as at 31 December 2019 were as follows:

		2019		
	US dollar	**RMB**	**EURO**	**HKD**
Bank loans	**2.15% to 4.3%**	**3.8% to 5.5%**	**0.5% to 5.5%**	**3.55%**
Loans from CS Finance	**–**	**3.6% to 4.0%**	**–**	**–**
Notes/bonds	**4.0% to 4.4%**	**2.5% to 4.4%**	**–**	**–**
Loans from COSCO Shipping (HK) Co., Ltd	**3.8%**	**–**	**–**	**–**

		2018		
	US dollar	RMB	EURO	HKD
Bank loans	1.8% to 4.3%	3.8% to 5.5%	0.5% to 5.2%	3.55%
Loans from CS Finance/COSCO Finance	–	3.56%	–	–
Loans from CS Finance	–	3.92%	–	–
Notes/bonds	4.0% to 4.4%	4.4% to 5.5%	–	–
Loans from non-controlling shareholders of subsidiaries	–	4.8%	–	–
Loans from a fellow subsidiary	–	5.0%	–	–
Finance lease obligation	2.78% to 4.94%	–	3.42% to 5.5%	–

As at 31 December 2019, balance of RMB69,215,164,000 (2018: RMB57,947,182,000) of bank loans bore floating interest rates.

27 Borrowings (Continued)

Notes: (Continued)

(h) The carrying amounts and fair values of the long-term borrowings are as follows:

	Carrying amounts		Fair values	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
Bank loans	78,580,175	54,016,981	78,327,197	54,026,220
Loans from COSCO Finance	–	248,503	–	248,503
Loans from CS Finance	56,800	72,000	56,800	72,000
Notes/bonds	18,008,308	17,828,855	18,021,676	17,817,159
Loan from a non-controlling shareholder of a subsidiary	3,369	4,715	3,369	4,715
Loan from a fellow subsidiary	–	60,877	–	60,877
Finance lease obligations	–	16,743,090	–	15,058,964
Loan from COSCO Shipping (HK) Co., Ltd.	6,976,200	–	6,976,200	–
	103,624,852	88,975,021	103,385,242	87,288,438

The fair values of the Group's non-current borrowings are determined based on cash flows discounted using the Group's weighted average borrowing rate per annum.

(i) The carrying amounts of short-term bank loans approximate their fair values.

(j) The carrying amounts of the long-term borrowings and short-term borrowings are denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
US dollar	80,505,257	94,012,492
RMB	31,166,212	34,955,857
EURO	5,786,806	5,861,560
HKD	2,418,607	2,365,731
	119,876,882	137,195,640

(k) The secured bank loans as at 31 December 2019 are secured, inter alia, by one or more of the following:

(i) First legal mortgage over certain property, plant and equipment with aggregate net book value of RMB52,383,376,000 (2018: RMB53,203,080,000) (notes 6(a) and 6(b));

(ii) Assignments of the charter, rental income and earnings, requisition compensation and insurance relating to certain container vessels;

(iii) Shares of certain subsidiaries;

(iv) Bank accounts of certain subsidiaries (note 21(a)); and

(v) A financial asset at FVOCI (note 16(c)).

(l) As at 31 December 2019, unsecured bank loans of RMB8,748,756,000 (31 December 2018: RMB23,636,573,000) are guaranteed by COSCO SHIPPING.

28 Provisions and other liabilities

	Provision for one-off housing subsidies RMB'000	Deferred income and others RMB'000	Total RMB'000
For the year ended 31 December 2019			
As at 1 January 2019	**39,982**	**313,583**	**353,565**
Decrease during the year	**–**	**(21,617)**	**(21,617)**
Provisions for the year	**–**	**32,328**	**32,328**
Currency translation differences	**–**	**629**	**629**
As at 31 December 2019	**39,982**	**324,923**	**364,905**
Less: current portion of provisions and other liabilities	**–**	**26,391**	**26,391**
Non-current portion of provisions and other liabilities	**39,982**	**298,532**	**338,514**
For the year ended 31 December 2018			
As at 1 January 2018	39,982	328,953	368,935
Decrease during the year	–	(23,599)	(23,599)
Provisions for the year	–	3,950	3,950
Currency translation differences	–	4,279	4,279
As at 31 December 2018	39,982	313,583	353,565
Less: current portion of provisions and other liabilities	–	2,393	2,393
Non-current portion of provisions and other liabilities	39,982	311,190	351,172

29 Put option liability

During the year 2019, the Group recognized a financial liability of US$212.6 million (equivalent to approximately RMB1,442 million) in relation to the put option granted to the non-controlling shareholder of COSCO SHIPPING Ports Chancay Peru S.A. ("CSP Chancay Terminal"), a subsidiary of the Group, to sell 40% interests in CSP Chancay Terminal to COSCO SHIPPING Ports. Such put option is exercisable any time during a 5-year period from the commercial operation date at the lower of fair market value and price caps set for each of the 5 consecutive years after the commencement of the terminal operation. As at 31 December 2019, the carrying amount of the put option liability is US$217.7 million (equivalent to approximately RMB1,519 million).

30 Pension and retirement liabilities

The Group operates a number of defined benefit and defined contribution pension and retirement schemes in the main countries in which the Group operates. The total charges to the consolidated income statement for the year were RMB360,036,000.

Notes:

(a) Retirement benefit obligations of COSCO SHIPPING Lines Limited and its subsidiaries, COSCO SHIPPING Ports

	2019 RMB'000	2018 RMB'000
Balance sheet obligations for:		
Early-retirement benefits for PRC employees	**15,310**	18,122
Post-retirement benefits for PRC employees	**359,848**	265,433
Total pension and retirement liabilities	**375,158**	283,555
Less: Current portion included in provisions and other liabilities (note 28)	**(26,141)**	–
Non-current portion of pension and retirement liabilities	**349,017**	283,555
Expensed in income statement for:		
Early-retirement benefits for PRC employees	**744**	1,851
Post-retirement benefits for PRC employees	**134,723**	28,386
	135,467	30,237

The Group recognizes a liability for the present value of the unfunded obligations relating to retirement benefits payable to certain normal retired or early retired employees in the consolidated balance sheet. The liability related to the benefit obligations for eligible retired employees existing at year end is calculated by independent actuaries, using the projected unit credit method. The actuarial liabilities of early retirement and post retirement as at 31 December 2019 totalled RMB375,158,000 (2018: RMB283,555,000). If the discount rate used to increase/decrease by 0.25% from management's estimates with all other variables held constant, the carrying amount of retirement benefit obligations as at 31 December 2019 would have been RMB6,270,000 lower or RMB6,530,000 higher.

30 Pension and retirement liabilities (Continued)

Notes: (Continued)

(a) Retirement benefit obligations of COSCO SHIPPING Lines Limited and its subsidiaries, COSCO SHIPPING Ports (Continued)

Movements of the net liabilities recognized in the consolidated balance sheets are as follows:

	2019			2018		
	Early retirement RMB'000	**Post retirement RMB'000**	**Total RMB'000**	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000
As at 1 January	**18,122**	**265,433**	**283,555**	22,369	260,709	283,078
Charged to the consolidated income statement	**744**	**134,723**	**135,467**	1,851	28,386	30,237
Remeasurements of post-employment benefit obligations	**–**	**(4,650)**	**(4,650)**	–	11,780	11,780
Benefits paid	**(3,556)**	**(35,690)**	**(39,246)**	(6,098)	(35,442)	(41,540)
Exchange difference	**–**	**32**	**32**	–	–	–
As at 31 December	**15,310**	**359,848**	**375,158**	18,122	265,433	283,555

The amounts of retirement benefit costs recognized in the consolidated income statement comprise:

	2019			2018		
	Early retirement RMB'000	**Post retirement RMB'000**	**Total RMB'000**	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000
Interest cost	**280**	**13,120**	**13,400**	400	(1,840)	(1,440)
Past service costs	**–**	**106,417**	**106,417**	–	–	–

The principal actuarial assumptions used were as follows:

	2019		2018	
	Early retirement	**Post retirement**	Early retirement	Post retirement
Discount rate	**3.00%**	**3.25%**	3.00%	3.25%
Retirement benefits inflation rates	**3.00% – 4.50%**	**0.00% – 8.00%**	3.00% – 4.50%	0.00% – 8.00%

30 Pension and retirement liabilities (Continued)

Notes: (Continued)

(b) Retirement benefit obligations of OOIL

The amounts recognized in the consolidated balance sheet are as follows:

	2019 RMB'000	2018 RMB'000
Funded scheme liabilities	**80,184**	21,962
	80,184	21,962
Net scheme liabilities	**80,184**	21,962

Net funded scheme assets/(liabilities)

The principal defined benefit scheme is operated in the United Kingdom which was valued by Barnett Waddingham LLP. The defined benefit scheme (the "Scheme") cover less than 1% of OOIL's employees and are funded. The assets of the Scheme are held in trust funds separate from OOIL. Contributions to the Scheme are assessed in accordance with the advice of qualified actuaries in compliance with local practice and regulations. The actuarial assumptions used to calculate the projected benefit obligations of OOIL's pension schemes vary according to the economic conditions of the countries in which they are situated.

The net scheme assets of the Scheme recognized in the consolidated balance sheet are determined as follows:

	2019 RMB'000	2018 RMB'000
Fair value of plan assets	**1,462,965**	1,305,450
Present value of funded obligations	**(1,543,149)**	(1,327,412)
Deficit of funded plan	**(80,184)**	(21,962)

30 Pension and retirement liabilities (Continued)

Notes: (Continued)

(b) Retirement benefit obligations of OOIL (Continued)

Movements in the fair value of the plan assets of the Scheme during the year are as follows:

	2019 RMB'000	2018 RMB'000
Balance at beginning of year	1,305,450	–
Acquisition of subsidiaries	–	1,368,002
Currency translation adjustments	73,412	710
Interest income on plan assets	36,066	18,257
Remeasurement loss on assets	116,881	(45,026)
Contributions from OOIL	21,021	582
Contributions from the plan members	937	349
Benefits paid	(90,802)	(37,424)
Balance at end of year	1,462,965	1,305,450

Movements in the present value of obligations of the Scheme during the year are as follows:

	2019 RMB'000	2018 RMB'000
Balance at beginning of year	1,327,412	–
Acquisition of subsidiaries	–	1,316,042
Currency translation adjustments	75,541	(1,289)
Current service cost	7,181	5,420
Interest expense	36,500	18,154
Experience losses on liabilities	16,823	2,525
Losses from changes to demographic assumptions	50,098	431
Losses from changes to financial assumptions	119,459	23,204
Contributions from the plan members	937	349
Benefits paid	(90,802)	(37,424)
Balance at end of year	1,543,149	1,327,412

30 Pension and retirement liabilities (Continued)

Notes: (Continued)

(b) Retirement benefit obligations of OOIL (Continued)

The charges of the Scheme recognized in the consolidated income statement are as follows:

	2019 RMB'000	2018 RMB'000
Current service cost	**7,181**	5,420
Interest expense	**36,500**	18,154
Interest income on plan assets	**(36,065)**	(18,257)
Net actuarial gains	**–**	(178)
Net expense recognized for the year	**7,616**	5,139

Charges of RMB7,616,000 were included in "selling, administrative and general expenses" in the consolidated income statement.

The main actuarial assumptions made for the Scheme were as follows:

	2019	2018
Discount rate	**1.90%**	2.80%
Inflation rate	**3.30%**	3.50%
Expected future salary increases	**2.30%**	3.50%
Expected future pension increases	**2.40%**	2.60%
Actual return on plan assets (RMB'000)	**152,947**	(54,459)

At 31 December 2019, if discount rate had been 0.2% higher/lower, with all other variables held constant, the fair value of the funded obligations would have been RMB41,857,000 lower/RMB43,950,000 higher. At 31 December 2019, if inflation rate had been 0.2% higher/lower, with all other variables held constant, the fair value of the funded obligations would have been RMB27,905,000 higher/RMB15,348,000 lower. The sensitivities show the likely effect of a single assumption being adjusted while holding all other assumptions constant.

Plan assets of the Scheme comprise the following:

	2019 RMB'000	2018 RMB'000
Equity	**470,335**	413,439
Debt	**918,689**	812,143
Others	**73,941**	79,868
	1,462,965	1,305,450

30 Pension and retirement liabilities (Continued)

Notes: (Continued)

(b) Retirement benefit obligations of OOIL (Continued)

Expected normal and deficit reduction contributions to the Scheme for the year ending 31 December 2019 is RMB20,929,000.

Through its defined benefit pension plans, OOIL is exposed to a number of risks as follows:

- Investment risk. The Scheme holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if deficit emerges.
- Interest rate and market risk. The Scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Scheme holds assets such as equities, the value of the assets and liabilities may not move in the same way.
- Inflation risk. A significant proportion of the benefits under the Scheme are linked to inflation. Although the Scheme's assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to deficits emerging.
- Longevity and other demographic risk. If members live longer than assumed, a deficit will emerge in the Scheme.

31 Trade and other payables and contract liabilities

	2019 RMB'000	2018 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 (note d)	430,612	246,069
– associates (note e)	120,083	104,777
– other related companies (note f)	1,188,908	1,563,051
	1,894,655	2,182,992
Total	34,233,284	29,698,425

31 Trade and other payables and contract liabilities (Continued)

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 RMB'000	2018 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

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

(b) Other payables and accruals

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

(c) The carrying amounts of trade and other payables (excluding contract liabilities) are denominated in the following currencies:

	2019 RMB'000	2018 RMB'000
US dollar	12,340,934	13,483,595
RMB	13,746,534	10,700,068
EURO	1,349,508	2,405,352
HK dollar	2,088,650	582,050
Other currencies	4,235,122	2,161,291
Total	33,760,748	29,332,356

(d) The balance included loans from a joint venture of US$32,253,000 (equivalent to approximately RMB225,003,000) (2018: US$32,784,000, equivalent to approximately RMB225,003,000), which are unsecured, bear interest at 2.30% (2018: 2.30%) per annum and repayable within twelve months.

(e) The balance included a loan from an associate of US$17,201,000 (equivalent to approximately RMB119,997,000) (2018: US$14,570,000 (equivalent to approximately RMB99,997,000)), which is unsecured, bears interest at 2.30% (2018: 2.30%) per annum and repayable within twelve months.

(f) The balance included loans from non-controlling shareholders of subsidiaries, which are unsecured. Balance of US$49,681,000 (equivalent to approximately RMB346,585,000) (2018: US$49,681,000 (equivalent to approximately RMB340,971,000)) is interest free and repayable within twelve months. Balance of US$43,003,000 (equivalent to approximately RMB299,997,000) (2018: US$43,711,000 (equivalent to approximately RMB299,997,000) and US$43,711,000 (equivalent to approximately RMB299,997,000)) bears interest at 4.35% per annum (2018: 4.35% and 4.75% per annum respectively) and repayable within twelve months. As at 31 December 2018, balance of US$2,082,000 (equivalent to approximately RMB14,289,000) bear interest at 0.30% above 1-year US dollar London Interbank Offered Rate ("LIBOR") per annum and was repaid in Aug 2019.

The remaining balances are unsecured, interest free and have no fixed terms of repayment.

32 Expenses by nature

	2019 RMB'000	2018 RMB'000
Cost of services and inventories sold (note a)		
Container shipping business		
– Equipment and cargo transportation costs	68,823,907	52,972,808
– Voyage costs (note b)	30,910,352	26,015,232
– Vessel costs (note c)	23,233,647	20,952,083
	122,967,906	99,940,123
Other related business costs	8,351,853	7,049,810
Cost of services related to container shipping business	131,319,759	106,989,933
Container terminal business costs	5,190,955	4,669,129
Elimination between different businesses	(1,476,852)	(1,130,516)
Tax and surcharges	178,030	197,396
Total	135,211,892	110,725,942
Selling, administrative and general expense		
Administrative staff costs	7,487,488	4,847,078
Depreciation and amortization	818,536	330,677
Expense relating to short-term lease and lease with low value assets	215,770	388,619
Office expense	324,230	148,408
Transportation and travelling expense	183,014	137,939
Auditors' remuneration		
– Audit	53,695	42,977
– Audit related services	10,066	8,596
– Non-audit services	18,119	15,401
Telecommunication and utilities	130,777	101,532
Repair and maintenance expense	163,582	90,583
Legal and professional fees	72,185	313,021
Others	464,292	392,101
Total	9,941,754	6,816,932

Notes:

(a) Cost of services and inventories sold included depreciation expenses of RMB11,246,779,000, service components included in vessel's time charter, low value lease and short-term lease of RMB8,140,652,000.

(b) Voyage costs mainly comprised bunkers and port charges.

(c) Vessel costs mainly comprised depreciation, secured components included in vessel's time charter, low value lease and short-term lease.

33 Other income and other expense

	2019 RMB'000	2018 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 expense	(466,842)	(216,436)

34 Finance income and costs

	2019 RMB'000	2018 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 (note 2 (a))	(1,284,365)	(301,007)
– notes/bonds (note 27(b))	(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 (note 6(c))	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)

35 Income tax expenses

	2019 RMB'000	2018 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 rates 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.

(b) The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	2019 RMB'000	2018 RMB'000
Profit before income tax	**4,059,415**	3,649,367
Less: Share of profits less losses of joint ventures and associates	**(2,060,342)**	(2,077,527)
	1,999,073	1,571,840
Calculated at a tax rate of 25% (2018: 25%)	**499,768**	392,960
Effect of different tax rates of domestic and overseas entities	**(27,910)**	213,156
Income not subject to income tax	**(2,231,031)**	(1,538,415)
Expenses not deductible for taxation purposes	**2,549,781**	1,560,580
Utilization of previously unrecognized tax losses	**(177,176)**	(147,018)
Tax losses not recognized	**136,005**	194,405
Withholding income tax upon distribution of profits and payment of interest	**224,572**	145,762
Other temporary differences not recognized	**8,348**	(13,894)
(Over)/under provision in prior years	**(16,747)**	11,242
Effect on deferred tax assets/liabilities due to the change in tax rates	**12,957**	183
Income tax expense	**978,567**	818,961

35 Income tax expenses (Continued)

Notes: (Continued)

(c) Except for the income tax RMB4,995,000 (2018: RMB124,102,000) relating to the deferred tax provided on the fair value gain (2018: fair value loss) on financial assets at FVOCI, RMB3,074,000 (2018: RMB2,644,000) deferred tax asset to the cash flow hedges in 2019, there was no income tax relating to components of other comprehensive income for the year ended 31 December 2019 and 2018.

36 Dividend

The Directors did not recommend the payment of interim or final dividend for the year ended 31 December 2019 (2018: Nil).

37 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 operations 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 operations	**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, did not have 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 significant dilutive effect on the earnings per share for the year ended 31 December 2018.

38 Staff costs

An analysis of staff costs, including Directors', supervisors' and key management's emoluments, is set out below:

	2019 RMB'000	2018 RMB'000
Wages, salaries and crew expenses (including bonus and share-based payments)	**9,787,824**	6,161,471
Housing benefits (note a)	**284,020**	240,667
Retirement benefits costs		
– defined benefit plans (note 30(b))	**177,966**	30,237
– defined contribution plans (note b)	**1,318,209**	922,541
Welfare and other expenses	**1,553,953**	1,090,318
	13,121,972	8,445,234

Notes:

(a) These include contributions to PRC government sponsored housing funds (at rates ranging from 7% to 30% of the employees' basic salaries) for full time employees in the PRC during the year.

(b) The employees of the subsidiaries in the PRC participate in various retirement contribution plans organized by the relevant municipal and provincial governments in the PRC under which the Group was required to make monthly contributions to these plans at rates ranging from 5% to 22%, depending on the applicable local regulations, of the employees' basic salaries for the year.

In addition, the Group participates in various defined contribution retirement schemes for its qualified employees in certain countries outside the PRC. Employees' and employers' contributions are calculated based on various percentages of employees' gross salaries or fixed sums and length of service. The assets of the schemes are held separately from those of the administered funds independently.

No forfeited contributions were available as at 31 December 2019 and 2018 to reduce future contributions.

Contributions totaling RMB544,960,000 (2018: RMB403,182,000) payable to various retirement benefit plans as at 31 December 2019 are included in pension and retirement liabilities and trade and other payables.

39 Emoluments of directors, supervisors and senior management

(a) Directors', chief executives' and supervisors' emoluments

Details of the remuneration of each of the directors, the chief executives and the supervisors are set out below:

	Year ended 31 December 2019				
Name	Fees RMB'000	Salaries and allowances RMB'000	Benefits in kind RMB'000	Retirement benefit contributions RMB'000	Total RMB'000
Xu Lirong	–	–	–	–	–
Huang Xiaowen*1	–	–	–	–	–
Wang Haimin	–	1,001	25	78	1,104
Zhang Wei (張為)*1	–	4,308	–	–	4,308
Yang Zhijian*2	–	936	28	40	1,004
Feng Boming	–	1,223	–	–	1,223
Zhang Wei (張煒)*1	–	–	–	–	–
Chen Dong*1	–	–	–	–	–
Philip Yang	458	–	–	–	458
Wu Dawei	156	–	–	–	156
Zhou Zhonghui	158	–	–	–	158
TEO Siong Seng	456	–	–	–	456
Fu Xiangyang*1	–	–	–	–	–
Hao Wenyi*1	–	–	–	–	–
Fang Meng*1	–	2,238	–	–	2,238
Deng Huangjun	–	2,581	–	–	2,581
Meng Yan	286	–	–	–	286
Zhang Jianping	286	–	–	–	286
	1,800	12,287	53	118	14,258

39 Emoluments of directors, supervisors and senior management (Continued)

(a) Directors', chief executives' and supervisors' emoluments (Continued)

Details of the remuneration of each of the directors, the chief executives and the supervisors are set out below: (Continued)

	Year ended 31 December 2018				
Name	Fees RMB'000	Salaries and allowances RMB'000	Benefits in kind RMB'000	Retirement benefit contributions RMB'000	Total RMB'000
Xu Lirong*4	–	–	–	–	–
Wan Min*3	–	–	–	–	–
Huang Xiaowen	–	–	–	–	–
Wang Haimin	–	2,568	64	76	2,708
Xu Zunwu*3	–	556	17	13	586
Zhang Wei (張為)	–	5,781	–	–	5,781
Ma Jianhua*3	–	1,212	39	35	1,286
Feng Boming	–	–	–	–	–
Zhang Wei (張煒)	–	–	–	–	–
Chen Dong	–	–	–	–	–
Philip Yang	460	–	–	–	460
Wu Dawei	156	–	–	–	156
Zhou Zhonghui	160	–	–	–	160
TEO Siong Seng	453	–	–	–	453
Koo Chee Kong Kenneth*3	85	–	–	–	85
Fu Xiangyang	–	–	–	–	–
Hao Wenyi	–	–	–	–	–
Qian Weizhong*3	–	2,098	49	56	2,203
Fang Meng	–	5,280	–	–	5,280
Deng Huangjun	–	–	–	–	–
Meng Yan	286	–	–	–	286
Zhang Jianping	286	–	–	–	286
	1,886	17,495	169	180	19,730

*1 Resigned during the year of 2019.
*2 Appointed during the year of 2019.
*3 Resigned during the year of 2018.
*4 Appointed during the year of 2018.

Note:

(i) During the year of 2019, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No directors of the Company waived or agreed to waive any emoluments during the year.

39 Emoluments of directors, supervisors and senior management (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year are as follows:

	Number of individuals 2019	2018
Directors	**1**	2
Employees	**4**	3
	5	5

The details of emoluments paid to the five highest paid individuals, have included one (2018: two) directors of the Company as disclosed in note 39(a) above. Details of emoluments paid to the remaining four (2018: three) highest paid non-director individuals for the year ended 31 December 2019 are as follows:

	2019 RMB'000	2018 RMB'000
– Salaries and allowances	**16,430**	9,111
– Discretionary bonuses	**3,723**	2,211
– Retirement benefit contributions	**1,807**	30
– Others	**186**	–
	22,146	11,352

The emoluments of the above non-director individuals fell within the following bands:

	Number of individuals 2019	2018
HK$3,500,001 to HK$4,000,000 (equivalent to approximately RMB3,080,000 to RMB3,520,000)	**–**	2
HK$4,000,001 to HK$4,500,000 (equivalent to approximately RMB3,520,000 to RMB3,960,000)	**–**	1
HK$5,500,001 to HK$6,000,000 (equivalent to approximately RMB4,840,000 to RMB5,280,000)	**1**	–
HK$6,000,001 to HK$6,500,000 (equivalent to approximately RMB5,280,000 to RMB5,720,000)	**2**	–
HK$6,500,001 to HK$7,000,000 (equivalent to approximately RMB5,720,000 to RMB6,160,000)	**1**	–
	4	3

40 Notes to the consolidated cash flow statement

(a) Reconciliation of profit before income tax to cash generated from operations:

	2019 RMB'000	2018 RMB'000
Profit before income tax		
– Continuing operations	**4,059,415**	3,649,367
– Discontinued operation	**–**	195,955
Depreciation		
– property, plant and equipment	**4,927,988**	3,894,833
– investment properties	**27,565**	8,944
– right-of-use assets	**6,757,710**	–
Amortization		
– intangible assets	**352,051**	240,585
– leasehold land and land use rights	**–**	59,756
Amortized amount of transaction costs on long-term borrowings and discount on issue of notes/bonds	**487,822**	93,309
Dividend income from listed and unlisted investments	**(91,205)**	(26,999)
Share of profits less losses of		
– joint ventures	**(694,209)**	(697,250)
– associates	**(1,366,133)**	(1,380,277)
Interest expenses	**4,886,153**	3,434,986
Interest income	**(995,803)**	(571,051)
Transaction cost arising from borrowings	**79,826**	197,567
Net loss/(gain) on disposal of property, plant and equipment	**1,704**	(117,067)
Fair value (gain)/loss from financial assets at FVPL, net	**(285,384)**	40,062
Net (gain)/loss on derivative financial instruments	**(37,399)**	33,968
(Reversal of)/impairment loss on investments at amortized cost	**(15,576)**	13,583
Interest income from financial assets	**–**	(81,225)
Impairment losses on financial assets	**19,912**	–
Net exchange loss/(gain)	**40,489**	(208,410)
Others	**26,382**	(46,051)
Operating profit before working capital changes	**18,181,308**	8,734,585
Decrease/(increase) in inventories	**41,020**	(1,003,519)
(Increase)/decrease in trade and other receivables and contract assets	**(335,470)**	308,708
Increase in trade and other payables and contract liabilities	**1,720,760**	281,709
Increase/(decrease) in provisions and other liabilities and pension and retirement liabilities	**1,034,857**	(31,070)
Decrease/(increase) in restricted bank deposits	**291,595**	(16,319)
Cash generated from operations	**20,934,070**	8,274,094

40 Notes to the consolidated cash flow statement (Continued)

(b) The reconciliation of liabilities arising from financing activities is as follows:

	Borrowings RMB'000	Notes/bonds RMB'000	Loans from non-controlling shareholders of subsidiaries RMB'000	Loans from a fellow subsidiary RMB'000	Loans from Investment in an associate and a joint venture RMB'000	Finance lease obligations RMB'000	Lease liabilities RMB'000	Total RMB'000
Balance as at 1 January 2018	45,529,956	17,374,249	706,416	132,601	378,500	6,528	-	64,128,250
Changes from financing cash flows								
Loans draw down	69,622,479	4,000,000	-	-	-	-	-	73,622,479
Loans repaid	(27,672,432)	(4,000,000)	-	-	-	-	-	(31,672,432)
Loans from non-controlling shareholders of subsidiaries	-	-	289,635	-	-	-	-	289,635
Repayment of loans from a non-controlling shareholder of a subsidiary	-	-	(378,584)	-	-	-	-	(378,584)
Repayment of loans from a fellow subsidiary	-	-	-	(89,260)	-	-	-	(89,260)
Repayment of loans from a joint venture	-	-	-	-	(282,418)	-	-	(282,418)
Loan from a joint venture	-	-	-	-	217,230	-	-	217,230
Cash inflow from finance lease	-	-	-	-	-	942,952	-	942,952
Repayment of finance lease	-	-	-	-	-	(805,844)	-	(805,844)
Acquisition of subsidiaries	12,060,180	-	-	-	-	15,920,102	-	27,980,282
Foreign exchange difference	2,990,302	424,719	342,502	17,536	11,688	633,949	-	4,420,696
Other non-cash movements	27,618	29,887	-	-	-	45,403	-	102,908
Balance as at 31 December 2018	102,558,103	17,828,855	959,969	60,877	325,000	16,743,090	-	138,475,894
Adjustments recognized on adoption of HKFRS 16 (note 2(a))	(4,451)	-	-	(60,877)	-	(16,743,090)	37,917,927	21,109,509
Balance at 1 January 2019	102,553,652	17,828,855	959,969	-	325,000	-	37,917,927	159,585,403
Changes from financing cash flows								
Loans draw down	55,071,906	3,000,000	-	-	-	-	-	58,071,906
Loans repaid	(59,433,481)	(1,500,000)	-	-	-	-	-	(60,933,481)
Loans from a non-controlling shareholders of a subsidiary	-	-	301,256	-	-	-	-	301,256
Repayment of loans from non-controlling shareholders of subsidiaries	-	-	(675,532)	-	-	-	-	(675,532)
Repayment of loans from a joint venture	-	-	-	-	(100,003)	-	-	(100,003)
Loan from a joint venture	-	-	-	-	120,004	-	-	120,004
Addition of lease liabilities	-	-	-	-	-	-	1,499,185	1,499,185
Increase in lease liabilities	-	-	-	-	-	-	689,200	689,200
Payment of lease liabilities	-	-	-	-	-	-	(9,090,092)	(9,090,092)
Other non-cash movements	410,871	24,192	-	-	-	-	1,171,972	1,607,035
Transfer to assets classified as for held for sale	-	-	-	-	-	-	(28,372)	(28,372)
Foreign exchange difference	1,762,257	155,262	67,635	-	-	-	662,162	2,647,316
Balance as at 31 December 2019	100,365,205	19,508,309	653,328	-	345,001	-	32,821,982	153,693,825

40 Notes to the consolidated cash flow statement (Continued)

(c) Disposal of subsidiaries

	2019 RMB'000
Assets classified as held for sale	
Property, plant and equipment	2,884,948
Intangible assets	960,197
Right-of-use assets	5,645,465
Trade and other receivables and contract assets	388,344
Cash and cash equivalents	411,012
Other assets	1,806,678
Total assets	12,096,644
Liabilities directly associated with assets classifies as held for sale	
Lease liabilities	5,779,045
Trade and other payables and contract liabilities	193,679
Other liabilities	283,105
Total liabilities	6,255,829
Gain on disposal after taxation	6,829,712
Cash consideration, net	12,670,527
Net cash inflow arising on disposal:	
Cash consideration	12,670,527
Less: Cash and cash equivalents disposed	(405,829)
	12,264,698

41 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 US$1,780 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.

41 Discontinued operation (Continued)

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
(i) Results		
Revenues	**1,533,505**	992,965
Other operating expense	**(1,012,262)**	(786,485)
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

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

42 Acquisition of subsidiaries

(a) Acquisition of a subsidiary – COSCO SHIPPING Ports Chancay Peru S.A. ("Chancay Terminal")

On 10 May 2019, COSCO SHIPPING Ports subscribed shares representing 60% equity interests in Chancay Terminal, which is currently in the design, development and construction of terminal at Port of Chancay and will be engaged in its operation and management after the completion of construction, for a consideration of US$225,000,000 (equivalent to approximately RMB1,550,700,000). US$56,250,000 (equivalent to approximately RMB387,675,000) of the subscription consideration was settled in cash upon completion and US$163,025,000 (equivalent to approximately RMB1,163,025,000) will be settled within 12 months.

42 Acquisition of subsidiaries (Continued)

(a) Acquisition of a subsidiary – COSCO SHIPPING Ports Chancay Peru S.A. ("Chancay Terminal") (Continued)

Details of net assets acquired are as follows:

	RMB'000
Purchase consideration	1,550,700
Fair value of net assets acquired shown as below	(1,274,510)
Total Goodwill	276,190

The assets and liabilities of the acquired container terminal operations as at the date of acquisition were as follow:

	Fair value RMB'000
Property, plant and equipment	926,243
Right-of-use assets	23,288
Other non-current assets	17,196
Deferred tax assets	9,980
Trade and other receivables and contract assets	1,163,183
Cash and cash equivalents	394,732
Deferred income tax liabilities	(297,762)
Loan from a shareholder	(81,932)
Lease liabilities	(26,093)
Trade and other payables and contract liabilities	(4,652)
Total identifiable net assets acquired	2,124,183
Less: non-controlling interests	(849,673)
	1,274,510
Purchase consideration settled in cash	(387,675)
Cash and cash equivalents acquired	394,732
Net cash inflow on acquisition	7,057

Notes:

(i) The goodwill is attributable to the anticipated profitability of the acquired business. It will not be deductible for tax purposes.

(ii) Acquired receivables

There are no acquired trade receivables.

(iii) Non-controlling interests

COSCO SHIPPING Ports recognizes the non-controlling interests in Chancay Terminal at its proportionate share of the acquired net identifiable assets.

(iv) Revenue and profit contribution

The acquired business contributed no revenue and net loss of approximately US$1,110,000 (equivalent to approximately RMB7,650,120) for the year ended 31 December 2019 since the date of acquisition. If the acquisition had occurred on 1 January 2019, there is no impact on COSCO SHIPPING Ports' revenue whereas profit for the year ended 31 December 2019 would have decreased by approximately US$111,000 (equivalent to approximately RMB765,012).

(v) Acquisition-related costs

Acquisition-related costs of US$905,000 (equivalent to approximately RMB6,237,260) are included in administrative expenses in the consolidated income statement and in operating cash flows in the consolidated cash flow statement.

42 Acquisition of subsidiaries (Continued)

(b) Acquisition of a subsidiary – Verbrugge Terminals Zeebrugge N.V.

On 30 December 2019, COSCO SHIPPING Ports acquired 100% equity interests in Verbrugee Terminals Zeebrugge N.V., a company engaged in terminal warehousing in Belgium, for a consideration of EURO13,757,000 (equivalent to approximately RMB106,220,000).

Details of net assets acquired are as follows:

	RMB'000
Purchase consideration	106,220
Fair value of net assets acquired shown as below	(106,220)
Total Goodwill	–

The assets and liabilities of the acquired container terminal operations as at the date of acquisition were as follow:

	Fair value RMB'000
Property, plant and equipment	108,997
Right-of-use assets	74,454
Trade and other receivables and contract assets	76
Cash and cash equivalents	7,809
Lease liabilities	(74,392)
Deferred tax liabilities	(8,539)
Trade and other payables and contract liabilities	(2,047)
Current income tax liabilities	(138)
Total identifiable net assets acquired	106,220
Purchase consideration settled in cash	(106,220)
Cash and cash equivalents acquired	7,809
Net cash outflow on acquisition	(98,411)

Notes:

(i) Acquired receivables

There are no acquired trade receivables.

(ii) Revenue and profit contribution

The acquired business contributed no revenue nor profit for the year ended 31 December 2019 since the date of acquisition. If the acquisition had occurred on 1 January 2019, there is no impact on COSCO SHIPPING Ports' revenue whereas profit for the year ended 31 December 2019 would have increased by US$49,000 (equivalent to approximately RMB337,708).

(iii) Acquisition-related costs

Acquisition-related costs were insignificant and have been included in administrative expenses in the consolidated income statement and in operating cash flows in the consolidated cash flow statement.

42 Acquisition of subsidiaries (Continued)

(c) Acquisition of a subsidiary – Tianjin Port Zhongji Zhenhua Logistics co. LTD. ("Zhenhua")

On 1 September 2019, the Group acquired 60% equity interests in Zhenhua, a company engaged in container storage management, for a consideration of RMB66,868,000.

Details of net assets acquired are as follows:

	RMB'000
Purchase consideration	66,868
Fair value of net assets acquired shown as below	(66,868)
Total Goodwill	–

The assets and liabilities of the acquired container terminal operations as at the date of acquisition were as follow:

	Fair value RMB'000
Property, plant and equipment	51,546
Right-of-use asset	61,261
Deferred tax assets	140
Trade and other receivables and contract assets	717
Cash and cash equivalents	23,102
Trade and other payables and contract liabilities	(1,032)
Total identifiable net assets acquired	135,734
Less: non-controlling interests	(54,294)
	81,440
Purchase consideration settled in cash	(66,868)
Cash and cash equivalents acquired	23,102
Net cash outflow on acquisition	(43,766)

Notes:

(i) Acquired receivables

There are no acquired trade receivables.

(ii) Non-controlling interests

The Group recognizes the non-controlling interests in Zhenhua at its proportionate share of the acquired net identifiable assets.

(iii) Revenue and profit contribution

The contributed revenue and profit for the acquired business since the date of acquisition was not significant.

(iv) Acquisition-related costs

Acquisition-related costs were insignificant and have been included in administrative expenses in the consolidated income statement and in operating cash flows in the consolidated cash flow statement.

43 Contingent liabilities

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

As at 31 December 2019, the Group is unable to ascertain the likelihood and amounts of the above mentioned claims. However, based on advice of legal counsel and/or information available to the Group, the Directors are of the opinion that the related claims amounts should not be material to the Group's consolidated financial statements for the year ended 31 December 2019.

(b) Guarantee

A subsidiary of COSCO SHIPPING Ports provided corporate guarantee to a joint venture. The Directors consider that it is not probable for a claim to be made against the Group and the fair value of the guarantee contract is not significant to the Group, and has not been recognized at the balance sheet date.

As at 31 December 2019, the Company provided guarantees for credit facilities and notes granted to its subsidiaries of RMB43,949,868,000(2018: RMB44,975,697,000).

44 Commitments

(a) Capital commitments

	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
Contracted but not provided for		
Containers	**306,854**	886,476
Container vessels	**–**	6,506,863
Terminal equipment	**2,072,173**	2,712,750
Other property, plant and equipment	**36,611**	667,158
Investments in terminals and other companies	**2,390,184**	2,648,224
Intangible assets	**4,525**	7,732
	4,810,347	13,429,203

Amounts of capital commitments relating to the Group's interest in the joint ventures not included in the above are as follows:

	As at 31 December 2019 RMB'000	As at 31 December 2018 RMB'000
Contracted but not provided for	**35,694**	90,224

44 Commitments (Continued)

(b) Lease commitments – where the Group is the lessee

The future aggregate minimum lease rental expenses under non-cancellable short-term leases are payable in the following years:

	As at 31 December 2019				
	Container vessels	Port concession	Containers	Leasehold land, buildings and other property, plant and equipment	Total
– not later than one year	**4,425,241**	**–**	**–**	**316,003**	**4,741,244**

As previously disclosed in the 2018 Annual Report and under previous lease standard, future aggregate minimum lease rental expenses under non-cancellable operating leases are payable in the following years:

	As at 31 December 2018				
	Container vessels	Port concession	Containers	Leasehold land, buildings and other property, plant and equipment	Total
– not later than one year	10,489,885	76,842	1,193,330	687,698	12,447,755
– later than one year and no later than five years	19,585,503	416,841	2,387,744	1,330,143	23,720,231
– later than five years	7,754,129	4,313,362	79,117	2,998,718	15,145,326
	37,829,517	4,807,045	3,660,191	5,016,559	51,313,312

45 Significant related party transactions

The Company is controlled by COSCO SHIPPING, the parent company and a state-owned enterprise established in the PRC.

COSCO SHIPPING itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. Government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include COSCO SHIPPING Group, other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO SHIPPING as well as their close family members.

For the purpose of the related party transaction disclosures, the Directors believe that it is meaningful to disclose the related party transactions with COSCO SHIPPING Group companies for the interests of financial statements users, although certain of those transactions which are individually or collectively not significant, are exempted from disclosure. The Directors believe that the information of related party transactions has been adequately disclosed in the consolidated financial statements.

In addition to the related party information and transactions disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties during the year.

	2019 RMB'000	2018 RMB'000
Continuing operations		
Transactions with COSCO		
Revenues		
Vessel service income	25,347	12,113
Expenses		
Interest expenses	20,489	64,000

45 Significant related party transactions (Continued)

	2019 RMB'000	2018 RMB'000
Continuing operations		
Transactions with fellow subsidiaries and the related entities of COSCO (including joint ventures and associates)		
Revenues		
Container shipping income	**1,254,822**	934,553
Freight forwarding income	**260,295**	308,142
Vessel services income	**116,172**	34,884
Crew service income	**5,743**	29,262
Terminal handling fee and storage income	**151,543**	178,826
Other income	**206,502**	24,956
Expenses		
Vessel costs		
Sub-charter expenses	**352,990**	177,014
Expenses relating to short-term leases – Vessel (2018: operating lease rental expenses)	**252,198**	4,008,694
Vessel services expenses	**250,003**	2,289,519
Crew expenses	**1,143,839**	630,471
Voyage costs		
Bunker costs	**15,695,995**	14,062,662
Port charges	**2,104,558**	2,035,701
Equipment and cargo transportation costs		
Commission and rebates	**194,428**	121,022
Cargo and transhipment and equipment and repositioning expenses	**242,683**	152,014
Freight forwarding expenses	**75,868**	102,915
General service expenses	**128,151**	150,874
Expenses relating to short-term leases and leases with low-value assets – Building (2018: operating lease rental expenses)	**40,731**	208,521
Expenses relating to short-term leases and leases with low-value assets – Container (2018: operating lease rental expenses)	**1,107,430**	2,016,502
Interest expense of lease liabilities	**462,671**	–
Other expense	**222,093**	129,189
Others		
Payment of lease liabilities	**4,519,777**	–
Concession fee	**414,277**	358,634
Purchase of containers	**1,886,254**	3,122,796
Installment of vessel under construction	**1,306,034**	2,960,210

45 Significant related party transactions (Continued)

	2019 RMB'000	2018 RMB'000
Continuing operations		
Transactions with joint ventures of the Group		
Revenues		
Management fee and service fee income	21,619	19,369
Other income	16,560	10,359
Expenses		
Port charges	1,792,322	1,297,606
Expenses relating to short-term leases or leases with low-value assets – Building (2018: operating lease rental expenses)	4,362	4,268
Equipment and cargo transportation costs		
Commission and rebates	2,301	9
Cargo and transhipment and equipment and repositioning expenses	161,024	197
Transactions with associates of the Group		
Revenues		
Freight forwarding and other income	133,387	11,414
Expenses		
Port charges	639,969	1,071,095
Transactions with associates of the COSCO SHIPPING		
Revenues		
Shipping related service income	436	–
Expenses		
Cargo and transhipment and equipment and repositioning expenses	858,021	–
Port charges	211,129	–
Transactions with non-controlling shareholders of subsidiaries		
Revenues		
Terminal handling and storage income	643,909	689,747
Other income	17,186	665
Expenses		
Electricity and fuel expenses	65,455	52,223
Other expense	94,043	68,732
Transactions with other related parties		
Revenues		
Shipping service income	100,444	97,860
Expenses		
Expenses relating to short-term leases – Vessel (2018: operating lease rental expenses)	29,971	108,607

Note:

These transactions were conducted either (i) based on terms as governed by the master agreements and subsisting agreements entered into between the Group and COSCO and its subsidiaries (other than the Group) ("COSCO Group") or between the Group and COSCO SHIPPING Group or (ii) based on terms as set out in the underlying agreements, statutory rates or market prices or actual cost incurred, or as mutually agreed between the Group and the parties in concern.

As at 31 December 2019 and 31 December 2018, majority of the Group's bank balances and bank borrowings are with state-owned banks.

46 Particulars of principal subsidiaries, joint ventures and associates

At 31 December 2019, the Group had the following principal subsidiaries, joint ventures and associates which, in the opinion of the Directors, materially affect the results and/or assets of the Group.

(a) Subsidiaries

As at 31 December 2019, the Group had direct and indirect interests in the following principal subsidiaries:

Name	Place of incorporation/ establishment and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2019
Capital held directly				
COSCO SHIPPING Lines Limited	China/Worldwide	Container transportation	RMB17,328,273,082	100.00%
China COSCO (Hong Kong) Company Limited	China Hong Kong	Investment holding	RMB64,100	100.00%
COSCO SHIPPING Holdings (Hong Kong) Co., Ltd	China Hong Kong	Investment holding	US$10,000	100.00%
Capital held indirectly				
Shanghai Pan Asia Shipping Company Limited	China	Container transportation	RMB1,504,188,680	63.24%
Shanghai COSCO Information & Technology Co., Ltd	China	Design and manufacture computer software, providing technology service and solution	RMB2,069,685	60.00%
Tianjin Binhai COSCO Container Logistics Co., Ltd	China	Container stack, cargo storage and cargo transportation	RMB190,000,000	60.00%
Shanghai Coscon logistics Co., Ltd	China	Container stack, cargo storage and cargo transportation	RMB403,000,000	100.00%
COSCO SHIPPING Container Lines Agencies Limited	China Hong Kong	Shipping agency	RMB1,063,700	100.00%
COSCO International Freight Co., Ltd.	China	Freight forwarding and transportation	RMB377,170,094	100.00%
COSCO SHIPPING Lines (Shanghai) Co., Ltd.	China	Freight forwarding and transportation	RMB114,003,453	100.00%
COSCO SHIPPING Lines (Ningbo) Co., Ltd.	China	Freight forwarding and transportation	RMB5,000,000	100.00%
COSCO SHIPPING Lines (Qingdao) Co., Ltd.	China	Freight forwarding and transportation	RMB24,295,332	100.00%
COSCO SHIPPING Lines (Tianjin) Co., Ltd.	China	Freight forwarding and transportation	RMB62,825,653	100.00%
COSCO SHIPPING Lines (Wuhan) Co., Ltd.	China	Freight forwarding and transportation	RMB44,681,134	51.00%
COSCO Wuhan Logistics Co., Ltd	China	Logistics	RMB109,400,000	49.00%
COSCO SHIPPING Lines (Dalian) Co., Ltd.	China	Freight forwarding and transportation	RMB20,000,000	100.00%
COSCO SHIPPING Lines (Xiamen) Co., Ltd.	China	Freight forwarding and transportation	RMB15,000,000	100.00%
COSCO Container Shipping Agency Co., Ltd.	China	Shipping agency	RMB84,717,009	100.00%
COSCO Xiamen Container Shipping Agency Co., Ltd.	China	Shipping agency	RMB10,000,000	100.00%
COSCO Shanghai Container Shipping Agency Co., Ltd.	China	Shipping agency	RMB10,000,000	100.00%
COSCO SHIPPING Lines (Southern China) Co., Ltd.	China	Freight forwarding and transportation	RMB50,000,000	100.00%
COSCO SHIPPING Lines (Hainan) Co., Ltd.	China	Freight forwarding and transportation	RMB5,500,000	100.00%

46 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(a) Subsidiaries (Continued)

As at 31 December 2019, the Group had direct and indirect interests in the following principal subsidiaries: (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2019
Capital held indirectly (Continued)				
COSCO SHIPPING Lines (Korea) Co., Ltd.	South Korea	Freight forwarding and shipping agency	RMB1,989,543	100.00%
COSCO SHIPPING Lines Americas, Inc.	United States of America	Shipping agency	RMB23,965,890	100.00%
COSCO SHIPPING Lines (Europe) Co., Ltd.	German/Europe	Shipping agency	RMB16,548,150	100.00%
COSCO (Hong Kong) Shipping Co., Ltd.	China Hong Kong	Freight forwarding and shipping agency	RMB1,066,100	100.00%
COSCO SHIPPING (Oceania) Pty Ltd	Australia	Shipping agency, freight forwarding and other international sea transport services	RMB384,830	100.00%
COHEUNG SHIPPING Co., Ltd.	China Hong Kong	Container transportation	RMB24,627,018	100.00%
COSCO (CAYMAN) Mercury Co., Ltd.	Cayman Islands/ China Hong Kong	Vessel chartering	RMB413,825	100.00%
COSCO SHIPPING Lines (Japan)	Japan	Marine services	RMB3,224,240	100.00%
New Golden Sea Shipping Pte. Co., Ltd.	Singapore	Freight forwarding	RMB119,182,788	100.00%
Shanghai COSCON Document Services Co.,Ltd.	China	Document services	RMB1,000,000	100.00%
COSCO SHIPPING Lines (Brazil)	Brazil	Freight forwarding and shipping agency	RMB2,208,692	100.00%
COSCO SHIPPING LINES (PANAMA) INC.	Panama	Freight forwarding and shipping agency	RMB83,174	100.00%
Shanghai Ocean Shipping Co., Ltd	China	Vessel management and manning service	RMB482,843,450	100.00%
Golden Sea Shipping Pte. Co., Ltd.	Singapore	Shipping Lines	RMB66,824,874	100.00%
China Shipping Container Lines Hainan Co., Ltd.	China	Freight forwarding and shipping agency	RMB10,000,000	100.00%
Tianjin Port Zhongji Zhenhua Logistics Co., Ltd.	China	Logistics	RMB100,000,000	60.00%
COSCO SHIPPING Lines (South Africa) Co., Ltd.	South Africa	Cargo and liner agency	RMB226	100.00%
COSCO SHIPPING lines West Asia FZE	United Arab Emirates	Cargo and liner agency	RMB5,667,006	100.00%
COSCO SHIPPING Ports Limited	Bermuda	Investment holding	US$40,596,000	48.84%
COSCO Investment Limited	British Virgin Islands/ China Hong Kong	Investment holding	1 ordinary share of US$1	100.00%
COSCO Assets Management Limited	China Hong Kong	Vessel owning	10,000 shares of US$1 each	100.00%
Sanlly Container Service Co., Ltd.	China	Shipping agency	RMB8,000,000	51.00%
Orient Overseas (International) Limited	Bermuda	Investment holding	US$62,579,000	75.00%
COSCO SHIPPING (CENTRAL AMERICA) INC.	Panama	Cargo and liner agency	US$10,000	100.00%
Faulkner Global Holdings Limited	British Virgin Islands/ China Hong Kong	Investment holding	US$10,000	100.00%

46 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(b) Joint ventures

As at 31 December 2019, the Company had indirect interests in the following principal joint ventures:

Name	Place of incorporation/ establishment and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2019
Yingkou Container Terminals Company Limited	China	Operation of container terminals	RMB8,000,000	24.42%
COSCO-PSA Terminal Private Limited	Singapore	Operation of container terminals	SGD286,213,000	23.93%
Ningbo Yuan Dong Terminals Limited	China	Operation of container terminals	RMB2,500,000,000	9.77%
Tianjin Port Euroasia International Container Terminal Co., Ltd.	China	Operation of container terminals	RMB1,260,000,000	14.65%
COSCO-HIT Terminals (Hong Kong) Limited	China Hong Kong	Operation of container terminals	HK$20 divided into 2 "A" ordinary shares, HK$20 divided into 2 "B" ordinary shares, and HK$40 divided into 4 non-voting 5% deferred shares	24.42%
Shanghai Pudong International Container Terminals Limited	China	Operation of container terminals	RMB1,900,000,000	14.65%
Piraeus Consolidation and Distribution Centre S.A.	Greece	Storage, consolidation and distribution	EURO1,000,000	24.42%
Xiamen Haicang Free Trade Port Zone Container Inspection Co., Ltd.	China	Container stevedoring, storage, inspection and auxiliary services	RMB10,000,000	10.94%
Qingdao Port Dongjiakou Ore Terminals Co., Ltd	China	Operation of iron ore terminal	RMB1,400,000,000	12.21%
COSCO-HPHT ACT Limited	British Virgin Islands	Investment holding	1,000 ordinary shares of US $1 each	24.42%
Euro-Asia Oceangate S.a.r.l	Luxembourg	Investment holding	US$40,000	19.53%
Dalian Dagang China Shipping Container Co., Ltd.	China	Operation of container terminals	RMB7,500,000	17.09%
Yingkou New Century Container Terminal Co., Ltd.	China	Operation of container terminals	RMB40,000,000	19.53%
Asia Container Terminals Holdings Limited	Cayman Islands	Investment holding	HK$1 divided into 1,000 ordinary shares	9.77%
Lianyungang Port Railway International Container Multimodal Transport Co., Ltd.	China	Logistics	RMB3,400,000	14.65%
Nansha Stevedoring Corporation Limited of Port of Guangzhou	China	Operation of container terminals	RMB1,260,000,000	19.53%
Qinzhou International Container Terminal Co., Ltd.	China	Operation of container terminals	RMB500,000,000	19.53%
Conte-Rail, S.A.	Spain	Operation of rail terminals	45,000 ordinary shares of EURO34.3 each	12.45%
OOCL (UAE) LLC	Dubai	Liner agency	300 ordinary shares AED300,000	36.75%
Tan Cang – COSCO – OOCL Logistics Company Limited	Vietnam	Container depot	Legal capital US$1,000,000	22.50%
Qingdao Orient International Container Storage & Transportation Co., Ltd.	China	Container depot	Registered capital RMB69,900,000	41.25%

46 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(c) Associates

As at 31 December 2019, the Company had indirect equity interests in the following principal associates:

Name	Place of incorporation/ establishment and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2019
Dalian Automobile Terminal Co., Ltd	China	Construction and operation of automobile terminals	RMB320,000,000	11.72%
Antwerp Gateway NV	Belgium	Operation of container terminals	EURO17,900,000	9.77%
Dawning Company Limited	British Virgin Islands	Investment holding	200 "A" shares of US$1 each and 800 "B" shares of US $1 each	9.77%
Suez Canal Container Terminal S.A.E.	Egypt	Operation of container terminals	1,856,250 ordinary shares of US$100 each	9.77%
Wattrus Limited	British Virgin Islands	Investment holding	32 "A" shares of US$1 each and 593 "B" shares of US$1 each	2.50%
Sigma Enterprises Limited	British Virgin Islands	Investment holding	2,005 "A" shares of US$1 each and 8,424 "B "shares of US$1 each	8.05%
Taicang International Container Terminal Co., Ltd.	China	Operation of automobile terminals	RMB450,800,000	19.07%
Kao Ming Container Terminal Corp.	China Taiwan	Operation of container terminals	TWD6,800,000,000	9.77%
COSCO Shipping Terminals (USA) LLC	USA	Investment holding	US$200,000	19.53%
Jiangsu Yantze Petrochemical Co., Ltd.	China	Operation of bulk liquid storage	RMB219,635,926	14.85%
Qinhuangdao Port New Habour Container Terminal Co., Ltd.	China	Operation of container terminals	RMB400,000,000	14.65%
Shanghai Mingdong Container Terminals Limited	China	Operation of container terminals	RMB4,000,000,000	9.77%
Tianjin Port Container Terminal Co., Ltd.	China	Operation of container terminals	RMB2,408,312,700	7.82%
Beibu Gulf Port Co., Ltd.	China	Operation of container terminals	RMB1,634,616,854	5.20%
Guangxi New Corridor International Container Terminal Co., Limited	China	Operation of container terminals	RMB10,000,000	12.21%
Fangchenggang Chista Terminals Co., Limited	China	Operation of container terminals	RMB10,000,000	9.77%
Tianjin Five Continents International Container Terminal Co., Ltd.	China	Operation of container terminals	RMB1,145,000,000	–

46 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(c) Associates (Continued)

As at 31 December 2019, the Company had indirect equity interests in the following principal associates: (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2019
Ningbo Meishan Bonded Port New Habour Terminal Operating Co., Ltd.	China	Operation of container terminals	RMB200,000,000	9.77%
Euromax Terminal Rotterdam B.V.	Netherlands	Operation of container terminals	65,000 "A" shares of EURO1 each and 35,000 "B" shares of EURO1 each	17.09%
Damietta International Port Company S.A.E	Egypt	Operation of container terminals	20,000,000 ordinary shares of US$10 each	9.77%
Dalian Container Terminal Co., Ltd.	China	Operation of container terminals	RMB3,480,000,000	9.28%
Qingdao Port International Co., Ltd.	China	Operation of container terminals	RMB6,036,724,000	9.02%
Qingdao Qianwan Intelligent Container Terminal Co., Ltd.	China	Operation of container terminals	RMB642,000,000	9.77%
Servicios Intermodales Bilbaoport,S.L.	Spain	Container storage and transportation	860,323 ordinary shares of EURO0.57 each	2.70%
APM Terminals Vado Holdings B.V.	Netherlands	Investment holding	10 ordinary shares of EURO100 each	19.53%
Ningbo Yuan Dong Terminal Ltd.	China	Terminal operating	Registered capital RMB2,500,000,000	15.00%
Tianjin Port Alliance International Container Terminal Co., Ltd.	China	Terminal operating	Registered capital US$160,000,000	15.00%
Zhongjing Supply Chain Technology Co., Ltd.	China	Supply chain management, technology and consulting	Registered capital RMB76,500,000	19.43%

Notes:

(i) The English names of certain subsidiaries, joint ventures and associates referred to in the consolidated financial statements represent management's best efforts at translating the Chinese names of these companies as no English names have been registered.

(ii) Although the Group held less than 50% or 20% effective equity interests in some subsidiaries and associates as disclosed above, respectively, the Group owns indirectly, through its non-wholly owned subsidiaries, more than 50% of the voting power of those subsidiaries and more than or equal to 20% of the voting power of those associates.

(iii) Although the Group's equity interests in some joint ventures as disclosed above are more than 50%, the Group does not have unilateral control over these joint ventures.

47 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	As at 31 December	
	2019	2018
	RMB'000	RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	**320**	701
Intangible assets	**1,544**	2,889
Investments in subsidiaries	**38,083,318**	32,055,920
Loans to subsidiaries	**21,657**	4,996,509
Total non-current assets	**38,106,839**	37,056,019
Current assets		
Trade and other receivables	**230,203**	77,987
Current portion of loans to subsidiaries	**6,349,110**	–
Cash and cash equivalents	**99,623**	275,698
Total current assets	**6,678,936**	353,685
Total assets	**44,785,775**	37,409,704
EQUITY		
Share capital	**12,259,529**	10,216,274
Reserves (note a)	**21,137,825**	15,708,684
Total equity	**33,397,354**	25,924,958
LIABILITIES		
Non-current liabilities		
Long-term borrowings	**3,993,858**	8,964,940
Current liabilities		
Trade and other payables	**332,564**	296,609
Short-term borrowings	**1,600,000**	1,751,230
Current portion of long-term borrowings	**4,989,941**	–
Taxes payable	**472,058**	471,967
Total current liabilities	**7,394,563**	2,519,806
Total liabilities	**11,388,421**	11,484,746
Total equity and liabilities	**44,785,775**	37,409,704

47 Balance sheet and reserve movement of the Company (Continued)

Note

(a) Reserve movement of the Company

	Capital reserve RMB'000	Statutory reserve fund RMB'000	Retained profits RMB'000	Exchange reserve RMB'000	Total RMB'000
As at 1 January 2018	39,134,574	913,032	(20,609,328)	(3,342,792)	16,095,486
Loss for the year	–	–	(386,802)	–	(386,802)
As at 31 December 2018	39,134,574	913,032	(20,996,130)	(3,342,792)	15,708,684
As at 1 January 2019	**39,134,574**	**913,032**	**(20,996,130)**	**(3,342,792)**	**15,708,684**
Issue of A-share	**5,659,319**	**–**	**–**	**–**	**5,659,319**
Fair value of share option granted	**79,448**	**–**	**–**	**–**	**79,448**
Loss for the year	**–**	**–**	**(309,626)**	**–**	**(309,626)**
As at 31 December 2019	**44,873,341**	**913,032**	**(21,305,756)**	**(3,342,792)**	**21,137,825**

48 Events after the balance sheet date

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. The aggregate sum of payables owing to COSCO SHIPPING Ports by the disposal entities of approximately US$29,967,000(equivalent to RMB209,056,000) were also transferred to SIPG (HK) on the same day at the same consideration. Any lower of the net asset values of Yangzhou Yuanyang Terminal and Zhangjiagang Terminal at completion, according to the post-closing audit, compared to that as at 31 March 2019 would be settled by COSCO SHIPPING Ports.

Upon completion of the disposals, CP (Yangzhou), Yangzhou Yuanyang Terminal, Win Hanverky and Zhangjiagang Terminal ceased to be subsidiaries of COSCO SHIPPING Ports. An after-tax disposal gain of approximately US$61,000,000(equivalent to RMB425,548,000) is expected to be recognized subject to the results of post-closing audit.

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.

Five Year Financial Summary

	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000 (Restated)	2015 RMB'000
Revenue	**150,540,591**	120,342,284	90,399,078	69,833,164	55,148,297
Profit/(Loss) before tax	**4,059,415**	3,649,367	5,703,036	(5,456,070)	1,742,096
Income tax	**(978,567)**	(818,961)	(872,351)	(506,439)	(530,884)
Profit/(Loss) from continuing operation for the year	**3,080,848**	2,830,406	4,830,685	(5,962,509)	1,211,212
Profit/(Loss) from discontinued operation for the year	**7,113,469**	195,955	–	(3,138,723)	997,392
Profit/(Loss) for the year	**10,194,317**	3,026,361	4,830,685	(9,101,232)	2,208,604
Profit/(Loss) attributable to:	**10,194,317**	3,026,361	4,830,685	(9,101,232)	2,208,604
– Equity holders of the Company	**6,690,106**	1,230,026	2,661,936	(9,906,003)	469,302
– Non-controlling interests	**3,504,211**	1,796,335	2,168,749	804,771	1,739,302
Total asset	**262,224,030**	228,143,805	133,190,005	119,652,733	160,493,498
Total liabilities	**(193,098,793)**	(171,790,916)	(89,479,425)	(82,103,864)	(107,322,423)
Total equity	**69,125,237**	56,352,889	43,710,580	37,548,869	53,171,075

Notes:

(a) The financial figures for the year 2019 and 2018 were extracted from the Consolidated Financial Statements.

(b) The financial figures for the year 2015 to 2017 were extracted from the 2018 annual report.

中遠海運控股股份有限公司

中國上海市虹口區東大名路658號8樓

http://hold.coscoshipping.com