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

2020

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 is 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 2021.

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

The Board resolved not to propose final dividend for the year 2020. The Board also resolved to propose the capitalization issue of 3 shares for every 10 shares to all shareholders of the Company by way of conversion of the capital reserve based on the total issued share capital of the Company as at the relevant record date. The proposal will be submitted to the 2020 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

Not applicable.

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	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	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

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, Zhang Min
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 management of COSCO SHIPPING Holdings, I would like to express my sincere gratitude to all our shareholders and customers globally for their attention and support to COSCO SHIPPING Holdings. Meanwhile, I would also like to appreciation our staff, both onshore and offshore, for their diligence and tenaciousness. Owing to their dedication and selfless dedication, COSCO SHIPPING Holdings overcame the impact of the COVID-19 pandemic and achieved remarkable operating results in 2020.

During the Reporting Period, under the Hong Kong Financial Reporting Standards, the revenue of the Company reached RMB171.259 billion, representing a year-on-year increase of 13.76%; the net profit attributable to shareholders of the listed company amounted to RMB9.927 billion, representing a year-on-year increase of RMB3.237 billion or 48.38%, and the basic earnings per share amounted to RMB0.81 per share.

The Board recommends the Company to issue 3 shares for every 10 shares to all shareholders of the Company by way of conversion of capital reserve to share capital.

Fully leverages the advantage of scale while refining the global network

In 2020, facing an upheaving market since the outbreak of the COVID-19 pandemic, COSCO SHIPPING Holdings actively shouldered its responsibilities, stuck closely to shipping services, and continuously operated sea routes as to bolster the global resumption of work and production as well as economic recovery. While leveraging its advantage of scale fully as a leading global liner, the Company firmly adhered to its globalization strategy, further expanded and improved its global route network layout and strove to expand further its routes coverage.

In 2020, as based on maintaining competitive edge on the major east-west services, COSCO SHIPPING Holdings timely took advantage of the changes in the global economic and trade pattern during the pandemic to raiseits shipping capacity in third-country markets, emerging markets and regional markets. Throughout the year, the cargo volume of the Company's two brands (COSCO SHIPPING Lines and OOCL) in emerging markets and non-China markets had respectively increased by 3.6% and 3.0% year-on-year, which served to further refine its global network layout.

In 2020, the OCEAN Alliance, to which the Company belongs, had launched the "DAY4" product suite. This product covered 329 vessels, with a shipping capacity of 3.86 million TEUs and 40 groups of alliance routes at the end of the period, which provided customers with a wider range of more stable and efficient services.

In respect of the terminal business, COSCO SHIPPING Ports, a subsidiary of the Company and as the world's leading ports operator, fully capitalized on its industry chain synergy advantages with the container shipping segment of the Company while practicing the concept of "lean operation" to continuously improve the quality and service level of terminals operation throughout the year. In 2020, the Company introduced 45 new routes to its holding terminals, thereby providing stable cargo volume for terminals operation during the pandemic.

Chairman's Statement

During the Reporting Period, the Company's container shipping business handled a shipping volume of 26.3445 million TEUs, up by 2.35% compared to 25.7391 million TEUs in 2019. COSCO SHIPPING Lines handled a shipping volume of 18.8825 million TEUs, representing a year-on-year increase of 0.52%. OOCL handled a shipping volume of 7.4619 million TEUs, representing a year-on-year increase of 7.30%. COSCO SHIPPING Ports achieved a total throughput of 123.8246 million TEU in its terminal business, representing a year-on-year increase of 0.03%.

As of the end of 2020, the Company's container fleet had 536 vessels with a total shipping capacity of 3,073,684 TEUs, up by 3.6% as compared to the end of 2019. The Company's shipping capacity continued to rank third in the world. COSCO SHIPPING Ports operated 210 container berths in 36 ports worldwide with an annual designed handling capacity of 136 million TEUs.

Innovative business models to ensure the stability of the container logistics supply chain

Facing the pandemic challenge, COSCO SHIPPING Holdings stuck closely to shipping services, actively improved service standards, refined the customer service system, and resolved customer difficulties. While solving difficulties for customers through various measures such as enlarging shipping capacity and optimizing services, the Company leveraged its advantage in global end-to-end transportation network to ensure the quality of route services. This could also ease the contradiction between the supply and demand for container transportation, and at the same time, guarantee the long-term stability of the container logistics supply chain.

In the second half of 2020, the Company ride on the container shipping market's recovery to add 40 vessels to its global routes, thus providing a guarantee to its shipping capacity during the recovery period. In order to ensure the quality of its route services, the Company actively adopted various measures to ensure the effective connection of schedules. According to the on-schedule rate statistics of Shanghai Shipping Exchange, the Company's on-schedule rate in cargo receipt and delivery ranked first in 2020, which fully reflects the reliability of its schedule service and is thus widely recognized by customers.

Facing the adverse impacts brought on by the pandemic, the Company endeavored to solve the bottleneck in container shipping in line with customers' demand by rolling out various transportation models such as "water-water trans-shipment", "water-railway transportation", "designated logistics vessel", and "air to sea", to meet customers' transportation demand in this extraordinary period. In response to the lack of containers in the market, the Company actively increased the transfers of overseas empty containers to relieve container supply pressure.

During the Reporting Period, the Company actively accelerated the construction of a new development pattern which highlights domestic economic loop as the main vehicle, to be supplemented by domestic and international economic double-loops. The Company sought to clear the offshore and onshore blocked points of this economic double-loops, and developed end-to-end projects such as the China-Europe Sea-rail Express, the China-Europe railway services and China Western Land-Sea Trade Corridor to organically connect the "Belt and Road" logistics channels. During the Reporting Period, the volume of container shipments completed on the China-Europe Sea-rail Express increased by 45% year-on-year. The volume of container shipments completed on China Western Land-Sea Trade Corridor increased by 74% year-on-year. The China-Europe railway services have been maintaining steady growth.

During the pandemic, to solve small and medium-sized enterprises' export difficulties, the Company launched the small and medium-sized customer service line on some routes to provide them with cabin – and container-guaranteeing services. It served to effectively simplify the communication process of freights for small and medium-sized customers.

Accelerating transformation and upgrade with new achievements in digital construction

In 2020, the Company accelerated digital transformation and upgrading, actively promoted the application of artificial intelligence, blockchain, big data, Internet of Things, 5G and other technologies in the shipping field, and proactively improved its supply chain service integration capability and comprehensive capability in research, judgment and analysis, and its efficient collaborative operation capability.

Firstly, in terms of improving the efficiency of middle – and back-office operations, the Company relied on IRIS-4 system to maintain a rapid response to remote services, laying a crucial foundation for improvement in the Company's marketing and customer service standards. Secondly, in terms of optimizing front-end services, the Company depended on the e-commerce platform to tap online products vertically and expand its global market coverage horizontally to meet its customers' demands for "contactless" services. As a result, the container volume of foreign trade e-commerce transaction services of COSCO SHIPPING Lines, a subsidiary of the Company, posted a year-on-year increase of 270% in 2020. Thirdly, in terms of building an industrial chain ecosystem, the paperless imported cargo discharge model powered by blockchain technology was further promoted, which reflected the Company's advantages in digital networking. In November 2020, COSCO SHIPPING Lines launched jointly with the Bank of China and other partners the world's first blockchain bill of lading with a property right.

In May 2020, Xiamen Ocean Gate Terminal of COSCO SHIPPING Ports began operation as the first all-5G-covered smart port in China. Currently, the basic 5G coverage of the port zone has been completed. By leveraging technologies such as edge computing, high precision location service, artificial intelligence and computed visualization, the terminal can realize 5G deployments such as autonomous driving, smart cargo tally, AGV management, smart security protection and others.

In-depth utilization of synergy potential to reduce cost and save expenses while guaranteeing service quality

In 2020, the global container logistics supply chain had been impacted by the COVID-19 epidemic. While striving to ensure the quality of customer service, the Company made good ise of the synergy potential of dual brands in the container shipping business by utilizing its advantageous dual-brand fleet network to improve and strengthen the cost and commercial synergies between dual brands and promoting integration of mid – and back-office functions and otherwise, so as to enable continuous application ofdual-brand synergies.

In the field of fuel procurement, the Company took advantage of the low market price level to lock in low-sulfur fuel sources for foreign trade in 2020 and 2021 and strived to achieve the lowest cost on the basis of quality and supply. In fuel utilization, the Company refined its management further in maritime operations, and gave full play to the synergistic advantages between the terminal business and the container shipping business and strived to ensure the operational efficiency of its fleet, achieving positive results.

During the Reporting Period, by leveraging a window period in global monetary policy and seizing market opportunities in the interest rate market and foreign exchange rate market, the Company strengthened the overall management of its capitals and debts and further reduced its corporate capital costs. As a result, the Company's financial expenses decreased significantly by 17.60% compared to last year, and the asset-liability ratio at the end of the Reporting Period decreased by 2.58 percentage points compared to the beginning of the Reporting Period. The Company continued to optimize the asset-liability structure, and further consolidated its competition base.

Chairman's Statement

Fulfilling social responsibilities and leading the sustainable development of the industry

In 2020, the Company endeavored to open up the "green channel" for the export of epidemic prevention materials and improved cargo transportation efficiency in all aspects from cargo loading and unloading to ship berthing and document handling. This was to ensure that all epidemic prevention materials and emergency supplies, such as masks and medical devices urgently needed during the outbreak were shipped to relevant areas as soon as possible.

The Company had a high concern over the physical health of its staff. By effectively implementing epidemic prevention measures, the Company coordinated the related parties to facilitate crew shifting, which accounted for 13,000 crew members and actively promoted the crew members' vaccination.

In 2020, with the IMO2020 low sulphur cap policy coming was in effect. The Company strictly implemented the low-sulfur oil policy and continued promoting and using various advanced energy-saving and emission reduction technologies. The Company also sought to effectively reduce fuel consumption through management measures such as optimizing fleet structure, optimizing shipping routes, and improving ship operation efficiency in ports, thereby reducing business operations' impact on the environmenl. In September, COSCO SHIPPING Lines was awarded again a gold prize by the U.S. Environmental Protection Agency as part of the "Protecting Blue Whales and Blue Sky" Program.

The Company gives full play to the international humanitarian spirit and actively carries out rescue operations for ships in distress. In September 2020, the Company's vessel COSCO MALAYSIA successfully rescued a sailboat in distress and four personnel on board in the waters of the Gulf of Mexico, 130 nautical miles west of Port of Tampa Bay, Florida, the United States.

Looking forward into 2021, as COVID-19 pandemic prevention and control is becoming a part of life, the world economy is expected to achieve restorative growth. However, the recovery could be unstable and uneven, while risks and challenges are still posed to medium – and long-term growth, China as the only major economy having achieved positive growth in 2020 vows to further inject a strong impetus into the recovery of the world economy. At the same time, new trends such as the differentiation of global trade centers, the upward shift of the market focus and the extension of the business focus, would also bring new challenges and opportunities to the transportation market.

Earlier in this year, main international economic organizations predicted that the world economy would continue to rebound from a low level on the whole in 2021. The International Monetary Fund (IMF) predicted that the growth rate of the global economy would be 5.5% and the value of global trade would have a recovery growth of 8.1% in 2021.

Meanwhile, the epidemic also shuffled the global industrial patterns and business models which would present new opportunities to develop a global container logistics supply chain. The execution of RCEP and the China-EU Comprehensive Agreement on Investment would directly contribute to the development of regional markets. Industrial chains have become more regionalized and localized. The formation of a new dual-circulation development pattern will promote further growth of the Chinese economy. China's enormous domestic market demand will propell new changes in global trade patterns and flow of goods.

Facing challenges and opportunities in the global economy and shipping market, COSCO Shipping Holdings as a global leading integrated container shipping service provider would focus sharply on "three links" (link to dual circulation, link to new ecology and link to first-class) to achieve higher quality and more sustainable development in accordance with the established strategies.

Optimizing global route networks and fulfilling mission as a global carrier

Facing the emergence of a new type of globalization under the pandemic as an everyday phenomenon, which coexisted with regional integration, the Company will seek to coordinate resource allocation and continue to optimize its global network layout. In January 2021, the OCEAN Alliance released the DAY5 route product and continued to improve and optimize the route's layout. The Company will based on top of the synergy of dual-brand resources and continue to enhance the cooperation within the alliance to provide to its customers' route products with wider coverage, shorter lead time, and more reliable schedule.

The Company will continue to actively respond to the "Belt and Road" initiative and follow closely with the trends in industrial chain and supply chain transformation, to step up its investment in shipping capacity in the emerging markets, regional markets and third-country markets, and optimize and adjust the structure of shipping capacity of routes in line with market demand, to further balance and stabilize all route services.

Strengthening brand coordination and expanding end-to-end service value chain

The COVID-19 pandemic has accelerated the development trend of regional integration of the industrial chain. Based on a higher starting point, the Company will seek to strengthen strategic synergies brought on by dual-brand. With a goal of improving service capability, the Company is constantly strengthening the integration of multiple values, innovating operation models in multimodal transport, and enhancing the ability of end-to-end solutions, thereby helping to upgrade the competitiveness of the container logistics supply chain.

In the future, the Company's dual-brands will continue to aim at stabilizing operation and deepening integration to realize resource utilization and value creation with higher efficiency and at a higher level. These are based on the integrated development of route network, end-to-end network and digital network to promote the expansion of end-to-end service capabilities, and work hard to add more value to traditional industry services.

Taking advantage of its global networks layout, the Company will also strengthen the construction of China-Europe Land and Sea Express and the new western land-sea corridor, with railway construction at the heart of these projects. The Company will further strengthen and improve the global end-to-end operation network to interconnect with the global route capacity network, therefore endowing a large land-sea integrated service corridor with wider coverage and higher efficiency.

Chairman’s Statement

Promoting digital transformation of the industry and continuously enhancing customer service capability

The Company will continue to speed up the pace of its digital transformation and upgrade to build up a digital ecosystem in the industry and constantly enhance the ability to provide timely and efficient online services.

The Company will promote the deep integration of end-to-end digital technologies to create an end-to-end specialized system platform, support a more efficiently intelligent logistics network and standardized end-to-end products, and provide customized solutions to customers to effectively expand the contents of end-to-end value-added services.

Going forward, the Company will continue to strengthen its construction of internal information system to foster operational efficiency and process optimization. Meanwhile, by relying on the platform of the Internet of Things (IoT) professional companies, the Company will actively push forward the formation of technical standards on the container IoT. It is especially worth noting that the Global Shipping Business Network (GSBN) has recently been established and in operation in Hong Kong after receiving regulatory approval from the relevant global regulatory authority. The Company will work to improve the industry of digital ecosystems by accelerating the integration and innovation of blockchain technology and industry.

2021 is the first year of China’s 14th Five-Year Plan. As the most significant component of China COSCO SHIPPING Group’s core businesses and as the listed platform of the container shipping service supply chain, COSCO SHIPPING Holdings will stay confident and continue to focus on the “three links” while carrying on pandemic prevention and control on an everyday basis. The Company vows to actively embrace the opportunities brought forth by China’s economic growth and global economic recovery to develop global container transportation market, and endeavour to evolve itself into one of the most popular benchmarking enterprises with the top international brand value in the transportation sector of the capital market. All in all, these moves will serve to provide customers with better services and to create greater value for shareholders.

XU Lirong

30 March 2021

Summary of Accounting Data

Results for the year ended 31 December 2020 (the "Reporting Period") prepared under the Hong Kong Financial Reporting Standards

	For the year ended 31 December 2020 RMB'000	For the year ended 31 December 2019 RMB'000	Change in Amount RMB'000
Revenue from continuing operations	**171,258,834**	150,540,591	20,718,243
Profit before income tax from continuing operations	**13,947,709**	4,059,415	9,888,294
Profit after income tax from continuing operations	**13,187,494**	3,080,848	10,106,646
Profit for the year from discontinued operation	**–**	7,113,469	(7,113,469)
Profit for the period	**13,187,494**	10,194,317	2,993,177
Profit attributable to equity holders of the Company	**9,927,098**	6,690,106	3,236,992
Basic and diluted earnings per share (RMB)	**0.81**	0.55	0.26
Final dividend per share (RMB)	**–**	–	–
Final dividend payout ratio	**–**	–	–
Total assets	**271,926,074**	262,224,030	9,702,044
Total liabilities	**193,229,017**	193,098,793	130,224
Non-controlling interests	**34,783,191**	33,765,561	1,017,630
Equity attributable to equity holders of the Company	**43,913,866**	35,359,676	8,554,190
Net debt to equity ratio	**53.80%**	101.54%	-47.74%
Gross profit margin	**14.10%**	10.18%	3.92%

Management Discussion and Analysis

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

	Period from 1 January to 31 December 2020 RMB' 000	Period from 1 January to 31 December 2019 RMB' 000	Difference RMB' 000
Revenue	**171,258,834**	150,540,591	20,718,243
Operating profit	**15,574,719**	7,222,834	8,351,885
Profit before income tax from continuing operations	**13,947,709**	4,059,415	9,888,294
Profit after income tax from continuing operations	**13,187,494**	3,080,848	10,106,646
Profit after tax from discontinued operation	**–**	7,113,469	(7,113,469)
Profit for the period	**13,187,494**	10,194,317	2,993,177
Profit attributable to equity holders of the Company	**9,927,098**	6,690,106	3,236,992
Profit attributable to equity holders of the Company arising from:			
– Continuing operations	**9,927,098**	1,355,004	8,572,094
– Discontinued operation	**–**	5,335,102	(5,335,102)
Basic earnings per share (RMB)	**0.81**	0.55	0.26

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

The revenue from the continuing operations of the Company under Hong Kong Financial Reporting Standards during the Reporting Period was RMB171.259 billion, representing an increase of 13.76% as compared to that of the last year; the Group realized a profit attributable to equity holders of the Company of RMB9.927 billion, representing an increase of 48.38% as compared to that of last year, of which the profit attributable to equity holders of the Company generated from continuing operations was RMB9.927 billion, representing an increase of 632.62% as compared to that of last year; and basic earnings per share was RMB0.81.

The Board recommends the Company to issue 3 shares for every 10 shares to all shareholders of the Company by way of conversion of capital reserve to share capital.

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

Item	**For the year ended 31 December 2020 RMB' 000**	For the year ended 31 December 2019 RMB' 000	Difference RMB' 000
Revenue	**171,258,834**	150,540,591	20,718,243
Cost of services and inventories sold	**(147,117,042)**	(135,211,892)	(11,905,150)
Other income and expense, net	**1,447,146**	1,855,801	(408,655)
– Other income	**2,018,765**	2,322,643	(303,878)
– Other expense	**(571,619)**	(466,842)	(104,777)
Selling, administrative and general expenses	**(9,906,472)**	(9,941,754)	35,282
Finance income	**634,269**	849,900	(215,631)
Finance costs	**(4,364,819)**	(6,073,661)	1,708,842
Share of profits less losses of			
– joint ventures	**655,548**	694,209	(38,661)
– associates	**1,447,992**	1,366,133	81,859
Income tax expenses	**(760,215)**	(978,567)	218,352
Net cash flows generated from operating activities	**44,930,556**	21,202,372	23,728,184
Net cash flows (used in)/generated from investing activities	**(3,187,313)**	4,028,710	(7,216,023)
Net cash flows used in financing activities	**(36,238,291)**	(9,537,865)	(26,700,426)

Management Discussion and Analysis

2. Revenue

Overview

In 2020, the revenues of the Group amounted to RMB171,258,834,000, representing an increase of RMB20,718,243,000 or 13.76% as compared to that of last year.

Revenue from container shipping business

In 2020, container shipping volume and revenue per TEU increased as compared to that of last year. As a result, the revenue amounted to RMB166,008,592,000, which represents an increase of RMB21,202,284,000 or 14.64% as compared to that of last year, of which COSCO SHIPPING Lines generated revenues of RMB112,137,270,000 from container shipping business, representing an increase of RMB13,574,374,000 or 13.77% as compared to that of last year.

Revenue from terminal business

In 2020, revenue generated from the terminal business amounted to RMB7,005,898,000, representing a decrease of RMB211,334,000 or 2.93% as compared to that of last year, which was mainly due to the impact of COVID-19 pandemic and the disposal of Zhangjiagang Terminal and Yangzhou Yuanyang Terminal at the beginning of 2020, and the decrease in revenue as compared to that of last year as a result of the decrease in revenue throughput of the controlled terminals of COSCO SHIPPING Ports in 2020 as compared to that of last year.

Major customers

Total sales to the top five customers of the Group in 2020 amounted to RMB8,526,802,000, accounting for 4.98% of the total sales for the year.

3. Costs

Cost analysis

Business segment	Components of cost	From 1 January to 31 December 2020 RMB' 000	From 1 January to 31 December 2019 RMB' 000	Difference RMB' 000	Percentage of change (%)
Container shipping business	Equipment and cargo transportation costs	**81,360,918**	68,823,907	12,537,011	18.22%
	Voyage costs	**28,505,587**	30,910,352	(2,404,765)	(7.78%)
	Vessel costs	**25,533,628**	23,233,647	2,299,981	9.90%
	Other related business costs	**7,978,303**	8,351,853	(373,550)	(4.47%)
	Tax	**149,682**	131,410	18,272	13.90%
	Subtotal	**143,528,118**	131,451,169	12,076,949	9.19%
Container terminal business	Container terminal business costs	**5,296,732**	5,190,955	105,777	2.04%
	Elimination between different businesses	**(1,750,145)**	(1,474,920)	(275,225)	18.66%
	Tax and surcharges	**42,337**	44,688	(2,351)	(5.26%)
	Total operating costs	**147,117,042**	135,211,892	11,905,150	8.80%

Management Discussion and Analysis

Overview

In 2020, the operating cost of the Group amounted to RMB147,117,042,000, representing an increase of RMB11,905,150,000 or 8.80% as compared to that of last year.

Container shipping business cost

In 2020, the container shipping business cost amounted to RMB143,528,118,000, representing an increase of RMB12,076,949,000 or 9.19% as compared to that of last year, of which, the container shipping business cost incurred by COSCO SHIPPING Lines in 2020 amounted to RMB100,464,410,000, representing an increase of RMB9,735,134,000 or 10.73% as compared to that of last year.

Terminal business cost

In 2020, the terminal business cost amounted to RMB5,296,732,000, representing an increase of RMB105,777,000 or 2.04% as compared to that of last year.

4. Other profit or loss items

Other income and expense, net

The other income and expense, net in 2020 was RMB1,447,146,000, representing a decrease of RMB408,655,000 as compared to that of last year.

COSCO SHIPPING Ports has disposed of the equity interests of Zhangjiagang Terminal, Yangzhou Yuanyang Terminal, Jiangsu Yangtze Petrochemical Co., Ltd and Guangxi Qinzhou Container Terminal Co., Ltd. (廣西欽州集裝箱碼頭有限公司), resulting in net gain from disposal of RMB627,916,000 for the period. It has also disposed of the equity interests in Tianjin Five Continents Container Terminal Co., Ltd. (天津五洲集裝箱碼頭有限公司) and Nanjing Port Longtan Container Co., Ltd., resulting in net gain from disposal of RMB242,321,000 for the last year. Net loss from foreign exchange of RMB401,196,000 was included in 2020, and net gain from foreign exchange of RMB462,989,000 was included for the last year.

Selling, administrative and general expenses

In 2020, the selling, administrative and general expenses of the Group amounted to RMB9,906,472,000, representing a decrease of RMB35,282,000 or 0.35% as compared to that of last year.

Finance income

In 2020, mainly due to a decrease in deposit interest rates as compared to that of last year, the finance income of the Group amounted to RMB634,269,000, representing a decrease of RMB215,631,000 or 25.37% as compared to that of last year.

Finance costs

In 2020, the finance costs of the Group amounted to RMB4,364,819,000, representing a decrease of RMB1,708,842,000 or 28.14% as compared to that of last year. In 2020, the interest rate of loans decreased as compared to that of last year. In 2020, the Company strengthened the management of funds and debts, and implemented the low-cost financing and loan replacement, which led to a relatively significant decrease in interest costs.

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 RMB2,103,540,000 in 2020, representing an increase of RMB43,198,000 as compared to that of last year.

Income tax expenses

Income tax expenses of the Group in 2020 amounted to RMB760,215,000, representing a decrease of RMB218,352,000 as compared to that of last year.

Major suppliers

Total purchases from the top five suppliers of the Group in 2020 amounted to RMB15,128,605,000, accounting for 10.30% of the total purchases for the year.

Analysis of discontinued operation during the Reporting Period

In 2020, the Group did not have discontinued operations. In the last year, the Group recorded profit after tax from discontinued operations of RMB7,113,469,000, including an operating profit of RMB283,757,000 realized before the sales of Long Beach Container Terminal, and the net gain after tax of RMB6,829,712,000 on the disposal of Long Beach Container Terminal.

5. Cash flow

As at the end of 2020, the cash and cash equivalents amounted to RMB52,630,330,000, representing an increase of RMB2,865,530,000 or 5.76% as compared to that as at the end of last 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 2020, the cash inflow from operating activities amounted to RMB44,930,556,000, representing an increase of RMB23,728,184,000 or 111.91% as compared to that of last year mainly due to the substantial improvement in the performance of container shipping business.

(2) Net cash flow from investing activities

In 2020, the net cash outflow from investing activities amounted to RMB3,187,313,000, which included the cash outflows for the construction of container vessels, the purchase of containers and the terminal construction projects and the net cash inflow from cash consideration of disposals of Yangzhou Yuanyang Terminal and Zhangjiagang Terminal, etc. The net cash inflow amounted to RMB4,028,710,000 in last year.

(3) Net cash flow from financing activities

In 2020, the net cash outflow from financing activities amounted to RMB36,238,291,000, representing an increase of RMB26,700,426,000 as compared to that of last year. The cash inflow from financing activities of RMB26,784,796,000 that consists of cash inflow generated from borrowings from banks and non-bank financial institutions and cash inflow generated from capital increase of minority shareholders of holding subsidiaries. The cash outflow from financing activities of RMB63,023,087,000 included cash outflow generated from repayment of debts to banks and non-bank financial institutions and cash outflow generated from profit distribution to minority shareholders by subsidiaries and rental paid for right-of-use asset lease, etc.

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

The balance of cash and cash equivalents decreased by RMB2,639,421,000 at the end of 2020, which was primarily due to the decrease in the exchange rate of US dollar against RMB for the Reporting Period.

(II) Working Capital, Financial Resources and Capital Structure

Overview

As at 31 December 2020, the total assets of the Group amounted to RMB271,926,074,000, representing an increase of RMB9,702,044,000 or 3.70% from the end of last year. The total liabilities amounted to RMB193,229,017,000, representing an increase of RMB130,224,000 or 0.07% from the end of last year.

As at 31 December 2020, the total outstanding borrowings (interest bearing liabilities net of lease liabilities) of the Group were RMB94,971,671,000. After deducting the cash and cash equivalents, the net amount was RMB42,341,341,000, representing a decrease of RMB27,845,757,000 or 39.67% as compared to that at the end of last year. As at 31 December 2020, the net current liabilities of the Group were RMB2,065,094,000 as compared to the net current assets of RMB1,627,562,000 at the end of last year. As at 31 December 2020, the net debt to equity ratio was 53.80%, representing a decrease of 47.74% as compared to that at the end of last year. The formula for calculating the net debt to equity ratio is: net debt to equity ratio = (total borrowings – cash and cash equivalents)/owner's equity.

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

Debt analysis *(excluding discontinued operation)*

Categories	As of 31 December 2020 RMB' 000	As of 31 December 2019 RMB' 000
Short-term borrowings	**6,130,490**	16,252,030
Long-term borrowings	**88,841,181**	103,624,852
Among which: Less than one year	**15,884,981**	11,099,640
one to two years	**10,318,571**	17,336,279
three to five years	**30,810,521**	36,959,286
Over five years	**31,827,108**	38,229,647
Total of long-term and short-term borrowings	**94,971,671**	119,876,882

Borrowings by categories

As at 31 December 2020, the Group had bank borrowings of RMB70,634,406,000, notes and bonds payable of RMB15,449,759,000 and other borrowings of RMB8,887,506,000, representing 74.37%, 16.27% and 9.36% of the total borrowings, respectively. Of the bank borrowings, secured borrowings amounted to RMB25,706,143,000 and unsecured borrowings amounted to RMB44,928,263,000, representing 27.06% and 47.31% of the total borrowings, respectively. Most of the borrowings of the Group bear interest at floating rate.

Borrowings by currency

As of 31 December 2020, the borrowings of the Group denominated in US dollar amounted to RMB63,756,248,000, borrowings denominated in RMB amounted to RMB23,606,222,000, borrowings denominated in EURO amounted to RMB5,757,593,000, and borrowings denominated in Hong Kong dollar amounted to RMB1,851,608,000, representing 67.13%, 24.86%, 6.06% and 1.95% of the total borrowings, respectively.

Secured borrowings

As of 31 December 2020, certain properties, plant and equipment and right-of-use assets of the Group with net book value of RMB70,522,618,000 (as at 31 December 2019: RMB52,383,376,000) were mortgaged to banks and financial institutions as collaterals for borrowings in the total amount of RMB26,213,943,000 (as at 31 December 2019: RMB34,881,411,000), representing 68.58% of the total value of the property, plant and equipment and right-of-use assets (as at 31 December 2019: 50.28%).

Company 's guarantees *(excluding discontinued operation)*

As at 31 December 2020, the Group had provided guarantees in the amount of RMB35,689,869,000 to subsidiaries (as at 31 December 2019: RMB43,949,868,000).

Contingent liabilities

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

As at 31 December 2020, 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 2020.

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 at 31 December 2020, the Group had 12 container vessels under construction. The capital commitments for future construction of container vessels is RMB11,689,612,000.

As at 31 December 2020, the Group 's capital commitments for investment in terminals amounted to RMB4,538,658,000 in aggregate, of which the commitments for purchasing fixed assets amounted to RMB2,145,230,000 and the equity investment commitment of terminals amounted to RMB2,393,428,000.

Facilities and financing plans

Facilities

As at 31 December 2020, the unutilized bank loan facilities of the Group were RMB66,591,244,000. The Group paid 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 the repayment of debts due, debts replacement and its future material capital expenditure into consideration to manage financing arrangements in advance, enhance capital and debts management, and optimize the utilization efficiency of funds and to control the scale of debts effectively.

(III) Investment analysis

1. Overall analysis of external equity investments

As at 31 December 2020, the total balance of the Group's equity investments in associated companies and joint ventures amounted to RMB31,345,522,000, representing an increase of RMB582,958,000 from the end of last year. In the Reporting Period, the Group had four new associated companies and joint ventures and closed down four of its associated companies and joint ventures.

Significant equity investments

Unit: RMB' 000

Invested Companies	Shareholding at the beginning of the period (%)	Shareholding at the end of the period (%)	Increase in the investment costs during the year
Qingdao Port International Co., Ltd.	18.46	19.79	392,463
COSCO SHIPPING Finance Co., Ltd.	11.04	11.04	353,414

Notes:

① In 2020, COSCO SHIPPING Ports' equity interest in Qingdao Port International Co., Ltd. increased by 1.33% through acquisition at the secondary market at the consideration of HK$441,324,300.

② On 24 April 2020, COSCO SHIPPING Lines and its wholly-owned subsidiary, COSCO International Freight Co., Ltd., entered into the Capital Increase Agreement with other fourteen shareholders of COSCO SHIPPING Finance Co., Ltd., including COSCO SHIPPING, pursuant to which they have agreed to increase the registered capital of COSCO SHIPPING Finance Co., Ltd. in proportion to their respective shareholding in an aggregate amount of RMB353,414,400, of which RMB250,976,000 was contributed by COSCO SHIPPING Lines at its own fund and RMB102,438,400 was contributed by COSCO International Freight Co., Ltd. at its own fund. This transaction constitutes a connected transaction of the Company. For details, please see the relevant announcement of the Company dated 24 April 2020.

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	–	1,066,819	656,143	-5,141	-410,676
Guangzhou Port Co., Ltd.	3.98	944,409	828,516	10,356	-115,893
Shanghai Tianhongli Asset Management Co., Ltd.	19.00	482,271	495,674	2,097	13,403
Ocean Hotel Shanghai Co., Ltd.	10.00	112,257	109,857	–	-2,400
Yantai Port Co., Ltd.	3.90	198,837	146,837	–	-52,000
Hui Xian Holdings Ltd.	7.90	109,249	51,288	54,513	-57,961
Qinhuangdao Port Co., Ltd.	0.88	57,933	48,466	3,861	-9,467
Other financial assets at fair value	–	192,300	106,934	3,945	-85,366
Total	**–**	**3,164,075**	**2,443,715**	**69,631**	**-720,360**

(IV) Industry Operation Information

Container shipping business

In 2020, the sudden outbreak of the COVID-19 pandemic brought about many uncertainties to the global economy and trade. Both global economy and trade declined and the container shipping market was also impacted to a greater extent. The global demand for container transportation demonstrated a trend of first decline and then rise during the year, and the loaded container traffic declined slightly on the whole. According to the the statistics of Container Trades Statistics (the "**CTS**"), the world loaded container traffic in 2020 dropped by 1.0% as compared to that of last year, which is better than expected at the beginning of the year.

During the Reporting Period, the Company closely monitored the trend of the epidemic, controlled the pace, and took initiative in improving shipping capacity to support the resumption of work and production, so as to meet the shipping needs of customers to the greatest extent. Meanwhile, the Company unswervingly implemented the strategy of globalization, focused on enhancing the advantages of dual-brand core business, and gave full play to strategic synergy, thus competitive advantages of dual-brand routes network being further strengthened to achieve synergetic effect. During the year, the services of maritime alliances continued to be upgraded, cooperation among the members of maritime alliances further deepened, and the advantages of major east-west services continued to be strengthened. The Company proactively adapted to changes in the global industrial chain structure and yielded pleasing results in external expansion by continuously increasing strategic shifts in emerging markets and developing north-south routes. The Company rapidly grasped the new growth pole of global economy, and relying on the Piraeus Port strategy, coordinated the formation of a unique competitive advantage of Piraeus Port jointly with the alliance members. Based on the construction of the Hainan Free Trade Zone, the Company independently opened the first intercontinental route affiliated to Hainan Yangpu, adding a strategic fulcrum for the Company to develop emerging markets in the South Pacific.

Focusing on the structural adjustment of global transportation demand chain, the Company continued to strengthen the sales linkage of global marketing resources and delivered results in targeted marketing. During the Reporting Period, the Company centered on customer needs, and based itself on solving the bottleneck of global supply chain during the epidemic to launch the “water-water transshipment and water-railway transportation” service in China and overseas, which opened up the connection between customer supply and demand, and optimized the efficiency of customers’ supply chain. In particular, the China-Europe Sea-rail Express became a brand-new benchmark leading the end-to-end service sector, and the new China Western Land-Sea Corridor focused on building a large-scale integrated sea-rail transportation logistics platform of ports, shipping and cargo in the southwest. In terms of service quality improvement, the Company started with consolidating the foundation of global service network to return to the essence of shipping, and continuously enhanced the timeliness, reliability and satisfaction of services by raising service standards, improving customer service system, solving customer’s problems and other aspects, thereby gradual transforming its advantages in scale of fleet into customer service.

Meanwhile, the Company continued to speed up the digital transformation and upgrade. The Company took advantages of the IRIS4 system during the pandemic. All links in the transportation chain maintained a rapid response to remote services, laying a crucial foundation for improvement in the Company’s marketing and customer service standards. At the same time, the Company depended on the e-commerce platform for domestic and foreign trade to tap online products vertically and expand its global market coverage horizontally, so as to meet its customers’ demands for “contactless” services. During the Reporting Period, the Company actively built an industrial chain ecosystem with blockchain technology, and the effect of digital network began to appear. The Company continued to build a safe and trustworthy data exchange platform in the industry. Upon review and approval by relevant global regulatory authorities, the GSBN was successfully established and put into operation, which will become a key milestone in the process of the Company’s digital transformation.

(1) **Containers**

Containers shipped by the Group (TEU)

Routes	Current period	Same period of last year	Percentage of Change (%)
Trans-Pacific	4,981,838	4,636,818	7.44
Asia and Europe (including the Mediterranean)	4,917,841	4,907,352	0.21
Asia Region (including Australia)	8,346,979	7,985,493	4.53
Other international region (including the Atlantic)	2,460,510	2,473,322	-0.52
Mainland China	5,637,295	5,736,118	-1.72
Total	**26,344,463**	**25,739,103**	**2.35**

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

Routes	Current period	Same period of last year	Percentage of Change (%)
Trans-Pacific	2,815,386	2,669,999	5.45
Asia and Europe (including the Mediterranean)	3,421,633	3,484,236	-1.80
Asia Region (including Australia)	5,092,248	4,898,993	3.94
Other international region (including the Atlantic)	1,915,960	1,995,615	-3.99
Mainland China	5,637,295	5,736,118	-1.72
Total	**18,882,522**	**18,784,961**	**0.52**

(2) **Revenue from routes**

Revenue from routes by the Group (RMB' 000)

Routes	Current period	Same period of last year	Percentage of Change (%)
Trans-Pacific	48,709,934	40,758,236	19.51
Asia and Europe (including the Mediterranean)	34,500,757	28,953,172	19.16
Asia Region (including Australia)	40,972,961	34,076,924	20.24
Other international region (including the Atlantic)	20,263,618	18,867,048	7.40
Mainland China	12,166,044	12,314,994	-1.21
Total	**156,613,314**	**134,970,374**	**16.04**

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

Routes	Current period	Same period of last year	Percentage of Change (%)
Trans-Pacific	28,004,277	23,452,383	19.41
Asia and Europe (including the Mediterranean)	24,373,499	20,542,565	18.65
Asia Region (including Australia)	25,237,582	20,967,181	20.37
Other international region (including the Atlantic)	16,633,322	14,919,651	11.49
Mainland China	12,269,840	12,394,230	-1.00
Total	**106,518,520**	**92,276,010**	**15.43**

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

Routes	Current period	Same period of last year	Percentage of Change (%)
Trans-Pacific	7,059,001	5,913,847	19.36
Asia and Europe (including the Mediterranean)	4,999,820	4,200,983	19.02
Asia Region (including Australia)	5,937,766	4,944,417	20.09
Other international region (including the Atlantic)	2,936,586	2,737,529	7.27
Mainland China	1,763,093	1,786,853	-1.33
Total	**22,696,266**	**19,583,629**	**15.89**

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

Routes	Current period	Same period of last year	Percentage of Change (%)
Trans-Pacific	4,058,356	3,402,841	19.26
Asia and Europe (including the Mediterranean)	3,532,186	2,980,639	18.50
Asia Region (including Australia)	3,657,409	3,042,249	20.22
Other international region (including the Atlantic)	2,410,487	2,164,778	11.35
Mainland China	1,778,134	1,798,350	-1.12
Total	**15,436,572**	**13,388,858**	**15.29**

(3) Major performance indicators

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

Items	Current period	Same period of last year	Difference
Revenue from container shipping business (RMB' 000)	166,008,592	144,806,308	21,202,284
Including: Revenue from routes (RMB' 000)	156,613,314	134,970,374	21,642,940
EBIT (RMB' 000)	14,644,097	6,617,250	8,026,847
EBIT margin	8.82%	4.57%	4.25%
Net profit (RMB' 000)	12,013,969	2,354,690	9,659,279

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 of last year	Difference
Revenue from container shipping business (RMB' 000)	112,137,270	98,562,896	13,574,374
Including: Revenue from routes (RMB' 000)	106,518,520	92,276,010	14,242,510
EBIT (RMB' 000)	7,583,120	3,890,937	3,692,183
EBIT margin	6.76%	3.95%	2.81%
Net profit (RMB' 000)	5,715,398	1,157,526	4,557,872

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

Items	Current period	Same period of last year	Difference
Revenue from container shipping business (USD' 000)	24,057,822	21,010,782	3,047,040
Including: Revenue from routes (USD' 000)	22,696,266	19,583,629	3,112,637
Revenue per TEU from international routes (USD/TEU)	1,010.91	889.71	121.20
EBIT (USD' 000)	2,122,210	960,135	1,162,075
Net profit (USD' 000)	1,741,054	341,656	1,399,398

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 of last year	Difference
Revenue from container shipping business (USD' 000)	16,250,836	14,301,059	1,949,777
Including: Revenue from routes (USD' 000)	15,436,572	13,388,858	2,047,714
Revenue per TEU from international routes (USD/TEU)	1,031.20	888.24	142.96
EBIT (USD' 000)	1,098,939	564,558	534,381
Net profit (USD' 000)	828,270	167,952	660,318

Notes:

The revenue from routes and major performance indicators above were translated into US dollars at an average exchange rate of: RMB6.9004: USD1 in 2020 and RMB6.8920: USD1 in 2019.

Terminal business

In 2020, the total throughput of COSCO SHIPPING Ports, a subsidiary of the Group, amounted to 123,824,600 TEUs, representing an increase of 0.03% as compared to that of last year, of which, the throughput of controlled terminals amounted to 22,328,700 TEUs, representing a decrease of 11.06% as compared to that of last year; the throughput of non-controlled terminals amounted to 101,495,900 TEUs, representing an increase of 2.85% as compared to that of last year.

Location of terminal	Current period (TEU)	Same period of last year (TEU)	Percentage of Change (%)
Bohai Rim Region	**41,884,560**	40,659,612	3.01%
Yangtze River Delta Region	**14,768,442**	20,238,468	-27.03%
Southeast Coast and others	**5,445,662**	5,783,821	-5.85%
Pearl River Delta Region	**27,898,470**	27,469,330	1.56%
Southwest Coast	**5,383,701**	1,638,621	228.55%
Overseas	**28,443,740**	27,994,483	1.60%
Total	**123,824,575**	123,784,335	0.03%
Of which: Controlled terminals	**22,328,730**	25,104,282	-11.06%
Non-controlled terminals	**101,495,845**	98,680,053	2.85%

Major acquisition and disposal of assets and equity

1. On 18 September 2019, COSCO SHIPPING Ports, as seller, entered into three share purchase agreements with Shanghai International Port Group (HK) Co., Limited ("**SIPG (HK)**"), as purchaser, in relation to the sale and purchase of the indirect interests of COSCO SHIPPING Ports in Nanjing Longtan Container Co., Ltd. (南京港龍潭集裝箱有限公司) (via COSCO Ports (Nanjing) Limited (中遠碼頭(南京)有限公司), Yangzhou Yuanyang Terminal International Ports Co., Ltd. (揚州遠揚國際碼頭有限公司) (via COSCO Ports (Yangzhou) Limited (中遠碼頭(揚州)有限公司) and Win Hanverky Investments Limited) and Zhangjiagang Win Hanverky Container Terminal Co., Ltd. (張家港永嘉集裝箱碼頭有限公司) (via Win Hanverky Investments Limited), respectively. The aggregated consideration under such agreements was approximately RMB1,064,119,000. Such transactions constitute connected transactions of the Company under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). For details of such transactions, please refer to the announcement of the Company dated 19 September 2019.

   The disposal of the interests in Nanjing Longtan Container Co., Ltd. (南京港龍潭集裝箱有限公司) was completed in December 2019 and the disposal of the interests in Yangzhou Yuanyang Terminal International Ports Co., Ltd. (揚州遠揚國際碼頭有限公司) and Zhangjiagang Win Hanverky Container Terminal Co., Ltd. (張家港永嘉集裝箱碼頭有限公司) was completed in February 2020.

2. On 26 November 2019，COSCO SHIPPING Ports entered into a share transfer agreement and a shareholder agreement with Qingdao Port International Development (Hong Kong) Co., Ltd. (青島港國際發展(香港)有限公司) ("**Qingdao Port (Hong Kong)**") and COSCO SHIPPING Ports (Abu Dhabi) Limited (中遠海運港口(阿布扎比)有限公司) ("**Target Companies**"), pursuant to which, COSCO SHIPPING Ports transferred 33.335% shares (i.e. 6,667 shares) of the Target Companies to Qingdao Port (Hong Kong) at a consideration of US$59,276,030 (equivalent to approximately RMB416.971 million), and thus indirectly transferred 30.0015% shares of CSP Abu Dhabi Terminal L.L.C., (90% of which are held directly and by way of trust by the Target Companies). For details, please refer to the overseas regulatory announcement of the Company dated 26 November 2019.

   The transaction was completed on 23 April 2020.

SUBSEQUENT EVENTS

Save as disclosed in Note 48 of the 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

In recent years, the progress of globalization was facing challenges, the global economy was on a winding path to recovery, and the growth in demand for container transportation was slow and flat. On the other hand, under the background of the regular epidemic prevention and control, the center of the world's economic and trade arena had gradually shifted to emerging economies, and the rapid development of trade regionalization had made the "diversity" characteristics of global trade become increasingly obvious.

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 container 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 integration development. Operation strategies of mainstream shipping liners gradually change, and it is a general trend to extend the business scope to upstream and downstream of the supply chain. 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. The COVID-19 epidemic has further promoted the digitization development of the shipment industry. New technologies such as blockchain, cloud computing, big data and artificial intelligence will bring innovative ideas and efficiency enhancement to container liners to accelerate and drive the industry to a more efficient, convenient and intelligent development channel. In addition, technological innovation driven by energy-saving and emission reduction, fuel switch under the environmental protection regulations, and vessels renewal under the clean shipping trend will continue to play a key role in the development of the supply side.

After a series 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 leading companies were further demonstrated. With higher concentration in the industry, the market competition landscape will be more rational. With the deepening of allied cooperation, the scope of allied cooperation operation will continue to expand in the future. Under the background of the regular epidemic prevention and control globally and the new trade pattern, the focus of industry competition will gradually shift to value creation. The transformation of shipping liners from maritime transportation carriers to integrated logistics service providers, combined with the acceleration of shipping digitization construction under the opportunity of digitization development and the shift from providing homogenized services to providing differentiated services, will make the industry competition landscape more diversified.

Terminal business 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.

Terminal operators have participated in the entire supply chain business one after another, 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 the concept of competition and cooperation has been deeply rooted in the mind of people.

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, we will focus on potential layout in emerging markets, such as Middle East, Africa, Southeast Asia and South America. 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, blockchain 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

COSCO SHIPPING Holdings will endeavor to become one of the most popular benchmark companies with the highest international brand value in the transportation sector of capital market, as well as one of the most comprehensively competitive and most influential multi-national enterprise groups in both container shipping and terminal around the world, by continuously promoting the strategies and business synergies of both the container shipping segment and terminal operation management segment, continuously enhancing comprehensive competitiveness, and promoting high-quality development.

On the container shipping segment, the Company will advance the "three networks" integrated development of global shipping capacity route network, end-to-end service network and digital information network, promote the simultaneous upgrade of global sales network and global service network, build a new strategic pattern of "Three Networks in One and Five Dimensions in One" of mutual support, organic integration and cyclical promotion, and continue to promote the maximization of brand value and benefit specialization to approach the goal of becoming a "customer-oriented, value-leading and world-class integrated container ecosystem service provider".

On the terminal operation management segment, the Company will strive to be the global leading integrated port operator through the two-wheel drive development of "M&A-driven leapfrog growth" and "refined operation", supplemented by three major changes of "establishing informatized and digitalized platform", "building industrial chain extension support center", and "improving organizational control and talent training system".

The Company 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 keep a close eye on the change trend of the market climate, and endeavor to build an ecological community of the industrial chain by accelerating the upgrade of the global route shipping capacity network, end-to-end service network and digital information network, strengthening the integration of multiple values and deepening upstream and downstream cooperation.

The Company has been always adhering to the globalization development strategy, fulfilling the mission of serving the globe and constantly optimizing the structure of the route shipping capacity. While consolidating the competitiveness of the routes, the Company will actively follow the trend of industrial and supply chains transfer by continuously deploying more shipping capacity in emerging markets, regional markets and third-country markets so as to balance its global presence and development. As epidemic prevention and control measures have been normalized, we will make effective and flexible adjustment to its shipping capacity to maintain an overall balance between the overall shipping capacity supply and global demand, and further balance and stabilize route service. The Company will continue to strengthen the synergetic effects of the dual brands strategy, and stabilize operation and deepen integration to coordinate resources; the Company will promote the coordination and deep integration of the dual brands business, further consolidate the competitiveness of low cost, make strategic coordination more effective so that the dual brands strategy can develop further.

The epidemic has accelerated the regional integrated development of the industrial chain. In this regard, the Company will continue to be mainly engaged in the shipping business and set service capability enhancement as its goal. The Company will continue to strengthen the integration of multiple values, make innovations to the multimodal transport operation model and strengthen the capability in end-to-end supply chain solutions to secure more competitiveness in the industrial chain. Meanwhile, the Company will further accelerate the pace of digitalized transformation and upgrade and promote the R&D efforts of GSBN digital products, and, by accelerating the integration and innovation of the blockchain technologies and the industry, achieve data interaction and overall coordination between upstream and downstream industrial chains and link the transportation chain and the value chain seamlessly. The Company will continue to consolidate its global sales network, seek new market growth and opportunities. Furthermore, the Company will upgrade the global service network to meet customers' demand for personalized and differentiated services and constantly improve service quality.

As epidemic prevention and control measures have been normalized, the Company will maintain its strategic focus unswervingly, develop its core competitiveness in a new business form, promote higher-quality development in an all-rounded manner and continue to move towards the goal of becoming a world-class comprehensive service provider in the container ecosystem that is customer-oriented and boasts leading values.

Terminal business

The Company will fully utilize the advantages of internal synergies to strengthen service capabilities for shipping alliances and improve 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, COSCO SHIPPING Ports will utilize its own competitive edges to seek investment opportunities in Middle East, Africa, Southeast Asia, South Americas and boost its terminal projects in due course. Meanwhile, COSCO SHIPPING Ports 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 COSCO SHIPPING 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. COSCO SHIPPING Ports will accelerate the expansion of terminal extended business and develop the high-end warehousing businesses, to realize the extension to the upstream and downstream industries and further improve its profitability.

As a world leading terminal operator, COSCO SHIPPING Ports continues to enhance the operational efficiency of its terminals, and it plans to apply the Navis N4 system to its controlled terminal companies within three to four years.

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 optimize its terminal assets and operational efficiency, and to improve the overall profitability of the Company.

(IV) Possible Risks

1. Risks of Political Condition

Description of the risks

Amidst the uncertainties in the global political landscape in 2021 and the changes in geopolitical landscapes of several regions, the Company has been subject to uncertainties in respect of stability in globalized operation of network, development and operation of localized markets, accessibility to opportunities of and operation of port investments in 2021.

Analysis for causes and impacts of the risks

Changes in the geopolitical landscape of some regions and, even more, possible regional conflicts may have uncertain influence on and tremendous challenges in the Company's continuous development of the globalized operation of network, stable running of the terminal business and the development of overseas markets in 2021.

Strategies and suggestions for addressing the risks

Establish a solid and comprehensive mechanism of information collection and reporting for political risks at Company level; pilot promotion and establishment of a mechanism to evaluate country (regional) political risks for the Company; vigorous tracking of changes in high risk incidents and get prepared for addresses to differentiation.

2. **Risks of Precautions for the Epidemic**

Description of the risks

Shipping logistics and port industry, as the basic industry, the capacity of some its shipping routes has become tensed as a result of several factors such as interruption of supply chain order of a number of countries and regions, congestion and lowered operational efficiency of ports and capacity deficient of containers at upstream in the short run due to the epidemic.

Analysis for causes and impacts of the risks

With the emergence of the public hygiene issue and the changes in macro economy and the related industries, the Company may be placed in an unfavorable position in its business development in the future, which affects the Company's ability in maintaining and enhancing the income and yield under particular business environment.

Strategies and suggestions for addressing the risks

The Company has promptly responded by formulating a program of global emergency services, which is intended to control the impacts caused by the epidemic to the least extent through solid production and operation, better customer service, grasping of the market and ensuring orderly global services under the premise of ensured efficient precautions for the epidemic domestically and overseas. The Company will continue to stay tuned to work and production resumption on the part of the customers, timely adjust its capacity and formulate address plan for market changes, optimize assets allocation for global capacity, control the operation costs of shipping routes, ensure efficient transshipment and stabilize and enhance efficiency of shipping routes; further enhance production capacity and supply capacity of terminals and resume preparation and plan for peak production for the purpose of comprehensive protection for operation upon production resumption and its explosive growth, so as to prevent shortage. While increasing its revenue, the Company has enhanced its effort in the control and precaution of the epidemic by formulating an offshore terminal emergency plan under the epidemic to prevent any adverse impact on the operation of offshore terminals amid the epidemic development.

3. **Risks of Regulatory Policies of the Industry**

Description of the risks

The global economic, trading and political landscapes in 2021 will continue to be complicated with adjustment to industry-related policies on such as trade, taxation, environment, antitrust, national safety, shipping logistics by a number of international organizations and countries, and heightened oversight of law enforcement by means of compliance policies.

Causes and impacts of the risks

Relevant policies and enforcement efforts are in a continuously changing condition. If the Company can't establish a continuous tracking and research mechanism for policies, evaluate compliance risks and opportunities brought by regulatory policies and actively respond to them, the Company's global container shipping and logistics business, port investments and operations may be adversely affected.

Strategies and suggestions for addressing the risks

(1) To keep abreast of changes in various policies and be well-prepared for compliance management and continuous compliance risk assessment.

(2) To establish a dynamic screening and identification mechanism for policies and regulations with identification of policy risks as the Company's focus for construction of compliance management system.

(3) To establish a regular evaluation mechanism for continuous identification of defective and weak elements in the course of addressing risks of policies and laws and regulations, and to enhance the Company's ability in preventing and resolving policy risks and compliance risks through constant improvement and rectification mechanism.

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 the Accounting Standards for Business Enterprises and HKFRSs.

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

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

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

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

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

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

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

7. Disclosure of cash dividends in regular reports: The Company shall disclose the details regarding the formulation and implementation of its cash dividend policy in regular reports. In case of any adjustments or amendments to cash dividend policy, it shall also explain in detail the conditions and the procedures for such adjustment or amendments. The Company's Board of Directors must complete the distribution of dividends (in cash or in the form of shares) within two months after the resolution approving the relevant profit distribution proposal has been passed at a shareholders' general meeting. According to the Company's audited 2020 financial report prepared in accordance with the Accounting Standards for Business Enterprises and the Hong Kong Financial Reporting Standards, as of 31 December 2020, the aggregate undistributed profit of the Company was negative. According to the relevant requirements of the "Company Law of the People's Republic of China" and the Articles of Association of the Company, after due consideration, the Board recommended that no profit should be distributed for 2020.

The Proposals for Final Dividend Distribution and Conversion Capital Reserve to Share Capital of the Company for 2020

The Board resolved not to propose final dividend for the year 2020. The Board also resolved to propose capitalization issue of 3 shares for every 10 shares by way of conversion of the capital reserve to share capital based on the total share capital of the Company as of the relevant record date. As of 30 March 2021, the total share capital was 12,259,529,227 shares, and a total 3,677,858,768 shares will be issued under the capitalization issue. The total number of issued shares will be increased to 15,937,387,995 following the completion of the capitalization issue. In the event that the Company issues shares due to the share option incentive scheme or other activities before the record date in respect of the capitalization issue, the proportion of capital reserve capitalization per share would remain unchanged and the total number of shares to be issued would increase accordingly. Further announcement(s) will be made on the adjustment of abovementioned capitalization shares. The proposals for profit distribution and capital reserve capitalization is subject to the approval at the general meeting of the Company. The details on the proposals for profit distribution and capital reserve capitalization will be disclosed in the circular to be despatched to the shareholders of the Company in due course.

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

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

Unit: RMB

Year of Distribution	Number of Bonus shares for every 10 shares (share)	Dividend for every 10 shares (RMB) (tax inclusive)	Number of scrip shares for every 10 shares (share)	Cash dividend (tax inclusive)	Net profit/(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 (%)
2020	0.00	0.00	0.00	0.00	9,927,098,239.01	0.00
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

(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.

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 any announcement or had subsequent change

Not applicable

III. Material Contracts and Performance Thereof

Not applicable

Significant Events

(II) Guarantees

Unit: Yuan Currency: RMB

External guarantees provided by the Company (excluding guarantees provided for its subsidiaries)												
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
COSCO SHIPPING Ports (Antwerp) NV	Subsidiary	Antwerp Gateway NV	187,754,505.00	15 June 2020	15 June 2020	29 June 2040	General guarantee	No	No		No	Yes	Associates
Total amount of guarantees provided during the Reporting Period (excluding guarantees provided for subsidiaries)													187,754,505.00
Total outstanding guarantee amount as at the end of the Reporting Period (A) (excluding guarantees provided for subsidiaries)													187,754,505.00
Guarantees provided by the Company and its subsidiaries for its subsidiaries													
Total amount of the guarantees provided to subsidiaries during the Reporting Period													-8,259,999,369.74
Total outstanding guarantee amount of the guarantees provided to subsidiaries as at the end of the Reporting Period (B)													35,689,868,896.49
Total amount of the guarantees provided by the Company (including guarantees for subsidiaries)													
Total amount of guarantees (A+B)													35,877,623,401.49
Total amount of guarantees as a percentage to the net assets of the Company (%)													45.59
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)													0.00
The portion of total amount of guarantee in excess of 50% of the net assets (E)													35,773,225,001.49
Total amount of the above three categories of guarantees (C+D+E)													0.00
Explanation on outstanding guarantees which may cause several and joint liability													35,773,225,001.49
Explanation on guarantees													None

(III) Other material contracts

Not applicable

IV. Other Significant Events

In order to further improve the corporate governance structure and strengthen the protection of the rights and interests of small and medium shareholders, in accordance with the relevant requirements of the "Company Law of the People's Republic of China" (revised in October 2018), the "Guidelines for Governance of Listed Companies" (revised in September 2018) issued by China Securities Regulatory Commission, the "Guidelines for the Articles of Association of Listed Companies" (revised in April 2019) and the "Reply of the State Council on the Adjustment of the Notice Period of the General Meeting and Other Matters Applicable to the Overseas Listed Companies" (Guo Han [2019] No. 97) issued by the State Council and other relevant regulations, the "Articles of Association" of the Company (the "**Articles of Association**") and its annexes (i.e. the "Rules of Procedures for Shareholders' General Meetings", the "Rules of Procedures for the Board of Directors" and the "Rules of Procedures for the Board of Supervisors") and the "Administrative Measures for Information Disclosure" of the Company were revised upon consideration and approval. In December 2020, the revised "Articles of Association" had completed the industrial and commercial filing procedures at the Market Supervision and Administration Bureau in China (Tianjin) Pilot Free Trade Zone. In accordance with Article 233 of the "Articles of Association", the revised "Articles of Association" and its annexes took effect, and the revised "Administrative Measures for Information Disclosure" became effective simultaneously. For details, please refer to the Company's announcement dated 28 August 2020 and 30 November 2020, respectively, and the circular dated 16 November 2020.

V. Fulfillment of Social Responsibilities

(I) Poverty alleviation work of the Company

1. Targeted poverty alleviation plan

   The Company proactively practised the concepts of targeted poverty alleviation and targeted poverty elimination were diligently implemented. In accordance with the overall plans, comprehensive deployment and specific content of poverty alleviation at various government levels, we cooperated actively with the local government to carry out poverty alleviation work at designated locations. By combining with the industrial advantages of COSCO SHIPPING Holdings, targeted 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

   The Company streamlined the national policy on poverty alleviation in designated areas in recent years and summarized the achievements in poverty alleviation in designated areas by the Company over the years, determined the line of thought for poverty alleviation in designated areas, clarified the working principles, and specified the organization structure was improved and the duties and responsibilities. After taking into account the actual situation of poverty alleviation targets, poverty alleviation projects were determined and funds were in place in time during the course of the project implementation, ensuring that the poverty alleviation work was carried out in an orderly and effective manner.

3. Results in targeted poverty alleviation

Unit: RMB0'000

Index	Quantity and development status
Overall situation	
Funds	2,021.78

4. Subsequent targeted poverty alleviation work

In accordance with the new requirements for poverty alleviation of "Shaking off Poverty while continuing to fulfill responsibilities, provide assistance, implement favorable policy and impose regulatory measures (摘帽四不摘)", the Company further strengthened targeted 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 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 2020, 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. Proactive 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 2020 in accordance with Appendix 27 to 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. COSCO SHIPPING Lines, COSCO SHIPPING Ports and OOIL, being subsidiaries of the Company, had dedicated personnel to monitor the latest changes in the domestic and international environmental protection trends, and new requirements and new standards were assimilated continuously into the responsive policies and administrative measures for environmental protection to continuously improve the environment management mechanism. In 2020, COSCO SHIPPING Holdings had not violated against any environmental laws and regulations.

Changes in Equity and Shareholders' Information

I. Changes in Equity

A total of 1,021,627,435 shares subject to selling restrictions in the non-public issuance of shares of the Company have expired on 24 January 2020 (being the date of lock-up period) and released for trading in the market on 3 February 2020. As at the end of the Reporting Period, the total number of shares of the Company was 12,259,529,227 shares, including 1,021,627,435 outstanding shares subject to selling restrictions in circulation and 11,237,901,792 shares not subject to selling restrictions in circulation.

II. Shareholder and actual controller

(I) Total number of Shareholders:

Total number of ordinary Shareholders as at the end of the Reporting Period	240,754
Total number of ordinary Shareholders as at the end of the month before the disclosure date of the annual report	285,453

Changes in Equity and Shareholders' Information

(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

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
	Shareholdings of the top 10 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	0	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
Hong Kong Securities Clearing Company Limited	230,926,226	296,468,225	A SHARES	2.42	0	Nil	Other
Wuhan Iron and Steel Corporation	0	250,000,000	A SHARES	2.04	0	Nil	State-owned legal person
Eastern Airlines Industry Investment Co., Ltd.	-112,433,817	112,433,907	A SHARES	0.92	0	Nil	State-owned legal person
Ningbo Meishan Bonded Port Area Xin Da Ying Xin Investment Partnership (Limited Partnership)	-66,137,533	66,137,599	A SHARES	0.54	0	Nil	Domestic non-state-owned legal person
China Structural Reform Fund Corporation Limited	-59,523,785	59,523,834	A SHARES	0.49	0	Nil	State-owned legal person
CSSC Investment Development Co., Ltd. (中船投資發展有限公司)	-56,060,396	57,696,217	A SHARES	0.47	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
Hong Kong Securities Clearing Company Limited	296,468,225	RMB-denominated ordinary shares	296,468,225
Wuhan Iron and Steel Corporation	250,000,000	RMB-denominated ordinary shares	250,000,000
Eastern Airlines Industry Investment Co., Ltd.	112,433,907	RMB-denominated ordinary shares	112,433,907
Ningbo Meishan Bonded Port Area Xin Da Ying Xin Investment Partnership (Limited Partnership)	66,137,599	RMB-denominated ordinary shares	66,137,599
China Structural Reform Fund Corporation Limited	59,523,834	RMB-denominated ordinary shares	59,523,834
CSSC Investment Development Co., Ltd. (中船投資發展有限公司)	57,696,217	RMB-denominated ordinary shares	57,696,217
Guo Xin Central Enterprise Operation Investment Fund Management (Guangzhou) Co., Ltd. – Guo Xin Central Enterprise Operation (Guangzhou) Investment Fund (LLP)	56,878,327	RMB-denominated ordinary shares	56,878,327
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.

Changes in Equity and Shareholders' Information

III. Controlling shareholder and actual controller

(I) Specific description of controlling shareholder

1 Legal person

Details of direct controlling shareholder:

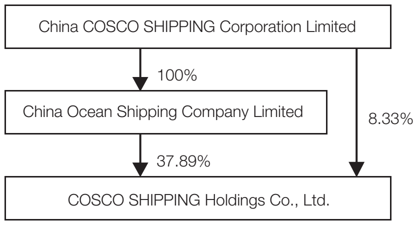
Name	China Ocean Shipping Company Limited
Person in charge or legal representative	Xu Lirong
Date of establishment	22 October 1983
Principal business	International freight; supporting international freight; procurement of ships, containers and maintenance and spare parts manufacturing business; ship 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) 50.23%; COSCO SHIPPING International (Hong Kong) (0517HK) 68.476%; COSCO SHIPPING International (Singapore) (COS SP) 53.35%; Piraeus Port Authority S.A. (PPA GA) 51%; OOIL (0316HK) 75%; Hainan Strait Shipping (002320) 58.98% Major shareholdings: China Merchants Bank (600036, 3968HK) 6.46%; China Merchants Securities (600999, 6099HK) 6.26%; Guangzhou Port (601228) 7.92%; Qingdao Port (601298, 6198HK) 19.79%; Beibu Gulf Port (000582) 10.65%; Qilu Expressway (1576HK) 30.00%; etc.
Others	Nil

Changes in Equity and Shareholders' Information

Details of indirect controlling shareholder:

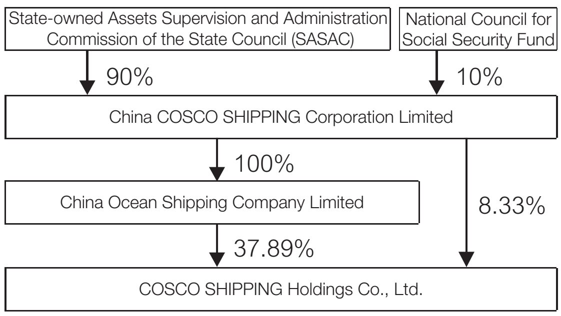
Name	China COSCO SHIPPING Corporation Limited
Person in charge or legal representative	Xu Lirong
Date of establishment	5 February 2016
Principal business	International freight, supporting International freight; import and export of goods and technology; agent of international freight by sea, road, and 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) 45.28%; COSCO SHIPPING Ports (1199HK) 50.23%; COSCO SHIPPING Technology (002401) 48.90%; COSCO SHIPPING International (Hong Kong) (0517HK) 68.476%; COSCO SHIPPING International (Singapore) (COS SP) 53.35%; Piraeus Port Authority S.A. (PPA GA) 51%; OOIL (0316HK) 75%; Hainan Strait Shipping (002320) 58.98%. Major shareholdings: China Merchants Bank (600036, 3968HK) 9.97%; China Merchants Securities (600999, 6099HK) 10.02%; Lanhai Medical Investment (600896) 7.73%; Shanghai International Port (Group) (600018) 15.067%; Guangzhou Port (601228) 7.92%; Qingdao Port (601298, 6198HK) 21.27%; Beibu Gulf Port (000582) 10.65%; Rizhao Port Jurong (6117HK) 6.385%; Qilu Expressway (1576HK) 30.00%; CHINA BOHAI BANK (9668HK) 11.12%.
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% 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 SHIPPING Ports Finance (2013) Co., Ltd. 4.375% Guaranteed Notes due 2023	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

The 4.375% Guaranteed Notes due 2023 issued by COSCO SHIPPING PORTS FINANCE (2013) CO., LTD.:

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

The 4% Credit Enhanced Bonds due 2022 issued by COSCO Finance (2011) Ltd.:

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.

The 4.375% Guaranteed Notes due 2023 issued by COSCO SHIPPING PORTS FINANCE (2013) CO., LTD.:

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

The 4% Credit Enhanced Bonds due 2022 issued by COSCO Finance (2011) Ltd.:

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.

The 4.375% Guaranteed Notes due 2023 issued by COSCO SHIPPING PORTS FINANCE (2013) CO., LTD.:

No rating result.

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

The 4% Credit Enhanced Bonds due 2022 issued by COSCO Finance (2011) Ltd.:

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.

The 4.375% Guaranteed Notes due 2023 issued by COSCO SHIPPING PORTS FINANCE (2013) CO., LTD.:

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

The 4% Credit Enhanced Bonds due 2022 issued by COSCO Finance (2011) Ltd.:

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.

The 4.375% Guaranteed Notes due 2023 issued by COSCO SHIPPING PORTS FINANCE (2013) CO., LTD.:

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	2020	2019	Year-on-year increase or decrease (%)
EBITDA	30,426,297,318.54	30,051,750,083.65	1.25
Liquidity ratio	0.97	1.03	-5.28
Quick ratio	0.91	0.94	-2.77
Asset-liability ratio (%)	71.06	73.64	Down by 2.58 percentage points
All debt ratio of EBITDA	32.73	26.77%	Up by 5.96 percentage points
Interest coverage ratio	4.37	2.90	50.58
Cash interest coverage ratio	14.54	5.88	146.61
Interest coverage ratio of EBITDA	7.37	4.84	52.11
Loan repayment rate (%)	100.00	100.00	0.00
Interest coverage (%)	100.00	100.00	0.00

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.

Corporate Bonds

IX. Bank facilities of the Company during the Reporting Period

As at 31 December 2020, the loan facilities of the Group were approximately RMB170.355 billion, of which RMB103.763 billion was utilized and RMB66.591 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[1] (許立榮)

Mr. Xu, aged 63, is the chairman of the board and the party secretary of China COSCO SHIPPING Corporation Limited, an executive Director and the chairman of the Board and an executive director and the chairman of the board of directors of Orient Overseas (International) Limited (a non- wholly owned subsidiary of the Company and a company listed on the Stock Exchange (stock code: 316)). Mr. Xu started his career in March 1975. Mr. Xu was previously the deputy chief, assistant to the general manager, deputy manager and general manager of Shanghai Ocean Shipping Co., Ltd's shipping manager department; 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, a member of the party committee and the deputy party secretary of COSCO SHIPPING Lines Co., Ltd.; the deputy general manager, a member of the party committee and the deputy party 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 58, is the vice chairman of the Board and an executive Director of the Company, the deputy general manager and member of the party group of China COSCO SHIPPING Corporation Limited, an executive director and the chief executive officer of Orient Overseas (International) Limited (a non-wholly owned subsidiary of the Company and a company listed on the Stock Exchange (stock code:316)), and serves as director of certain subsidiaries of China COSCO SHIPPING. Mr. Huang started his career in 1981 and had served as the section chief of the container shipping section of Guangzhou Ocean ShippingCompany Limited (廣州遠洋運輸公司); the general manager of container transportation department of China Ocean Shipping Company (formerly known as "China Ocean Shipping (Group) Company"); the container business advisor of Shanghai Haixing Shipping Co., Ltd. (上海海興輪船股份有限公司); the 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) (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)); 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)); the deputy general manager and a member of the party group of China Shipping (Group) Company; the chairman of COSCO SHIPPING Lines Co., Ltd.; the chairman of COSCO SHIPPING Bulk Co. Ltd. (中遠海運散貨運輸有限公司); the chairman and an executive director of COSCO SHIPPING Energy Transportation Co., Ltd., (中遠海運能源運輸股份有限公司) (a company listed on the Stock Exchange (stock code: 1138) and the Shanghai Stock Exchange (stock code: 600026)); and 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) (a non-wholly owned subsidiary of the Company and a company listed on the Stock Exchange (stock code: 1199)). 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.

Directors, Supervisors and Senior Management

Mr. WANG Haimin[4] (王海民)

Mr. Wang, aged 48, was the vice chairman of the Board and executive Director of the Company. He is currently a director and the deputy party secretary of China COSCO SHIPPING, 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, an executive director and chief executive officer of OOIL, a director, joint chief executive officer and a member of the executive committee of Orient Overseas Container Line Limited and a non-executive director of COSCO SHIPPING Ports Limited,. Mr. Wang 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. YANG Zhijian[1] (楊志堅)

Mr. Yang, aged 56, is 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, the chairman of the board, chief executive officer and chairman of the executive committee of Orient Overseas Container Line Limited and a director of certain subsidiaries of China COSCO SHIPPING. 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.

Directors, Supervisors and Senior Management

Mr. FENG Boming[1] (馮波鳴)

Mr. Feng, aged 51, is an executive Director of the Company and an executive director and the chairman of the board of directors of COSCO SHIPPING Ports Limited (a company listed on the Stock Exchange (stock code: 1199)). Mr. Feng is an executive director of Orient Overseas (International) Limited and a non-executive director of each of the following listed companies: COSCO SHIPPING International (Hong Kong) Co., Limited (a company listed on the Stock Exchange (stock code: 517)), Qingdao Port International Co. Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 601298) and on the Stock Exchange (stock code: 6198)) and Piraeus Port Authority S.A. (a company listed on the Athens Stock Exchange). Mr. Feng is also a director of each of COSCO SHIPPING (Hong Kong) Co., Limited, COSCO SHIPPING Investment Holdings Co., Limited (formerly known as COSCO SHIPPING Financial Holdings Co., Limited), Hainan Harbour & Shipping Holding Co., Ltd. and a director of certain subsidiaries of 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 supervisor of the strategic management implementation office of China Ocean Shipping Co., Ltd./the Company and a non-executive Director of the Company, a non-executive director of COSCO SHIPPING Ports Limited, a non-executive director of COSCO SHIPPING Development Co. Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 601866) and the Stock Exchange (stock code: 2866)) and a non-executive director of COSCO SHIPPING Energy Transportation Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600026) and the Stock Exchange (stock code: 1138)), a director of COSCO SHIPPING Bulk Co., Ltd. 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 ports management and operation, enterprise strategy management, business management and container shipping management. Mr. Feng graduated from University of Hong Kong with a master of business administration degree and is an economist.

Mr. WU Dawei[1] (吳大衛)

Mr. Wu, aged 67, 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 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., the director of Huaneng International Power Development Company and 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)). 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 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.

Directors, Supervisors and Senior Management

Mr. ZHOU Zhonghui[1] (周忠惠)

Mr. Zhou, aged 73, is an independent non-executive Director of the Company. Mr. Zhou is a post-graduate and has a doctorate degree, and he is a certified public accountant. He is a council member of the Chinese Institute of Certified Public Accountants, a fellow member of the Chinese Institute of Certified Public Accountants, 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 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 CPAs Limited Company (普華永道中天會計師事務所) and senior partner of PricewaterhouseCoopers, the chief accountant of China Securities Regulatory Commission, a member of the International Advisory Committee of China Securities Regulatory Commission and a member of the Auditing Standards Committee of the Chinese Institute of Certified Public Accountants. Mr. Zhou has been serving as an independent non-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)). Mr. Zhou 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 Shanghai Stock Exchange (stock code: 601601) and the Stock Exchange (stock code: 02601)), 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) (a company listed on the Stock Exchange (stock code: 01349) and the Shanghai Stock Exchange (stock code: 688505)), 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)), an independent non-executive director of CITIC Securities Co., Ltd. (中信証券股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600030) and the Stock Exchange (stock code: 6030), 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. Zhou previously served as the independent non-executive director of BesTV (a company previously listed on the Shanghai Stock Exchange (stock code: 600637)).

Mr. TEO Siong Seng[1] (張松聲)

Mr. Teo, aged 66, is an independent non-executive Director of the Company. Mr. Teo currently serves as the managing director of the Pacific International Lines Pte Ltd, 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 also serves as an honorary president of Singapore Chinese Chamber of Commerce & Industry, an honorary vice chancellor of National University of Singapore and a committee member of Committee on the Future Economy. He was also the chairman of Singapore Business Federation, the president of Singapore Shipping Association, 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 Siong Seng previously served as an independent non-executive director of the Company and COSCO SHIPPING Development Co., Ltd. (中遠海運發展股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 601866) and the Stock Exchange (stock code: 2866)). He is also currently an independent director of COSCO SHIPPING Energy Transportation Co., Ltd. (中遠海運能源運輸股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600026) and the Stock Exchange (stock code: 1138), an independent director of Keppel Corporation (a company listed on the Singapore Exchange Limited (stock code: BN4)), Wilmar International (a company listed on the Singapore Exchange Limited (stock code: F34)) and the chairman of China-Singapore International Logistics Park (Nanning). Mr. Teo has extensive experience in corporate governance in terms of shipping companies and listed companies. Mr. Teo graduated from Glasgow University with a First Class Honours Degree in Naval Architecture & Ocean Engineering.

Prof. MA Si-hang Frederick[1] (馬時亨)

Prof. Ma Si-hang Frederick, aged 69, is an independent non-executive Director of the Company. Prof. Ma currently serves as a non-executive director of Husky Energy Inc. (a company listed on Toronto Stock Exchange (stock code: HSE)), an independent non-executive director of FWD Group, a director of New Frontier Health Corporation and an independent non-executive director of Guangshen Railway Co. Ltd. (a company previously listed on the Shanghai Stock Exchange (stock code: 601333) and currently listed on the Stock Exchange (stock code: 525)). Prof. Ma is an honorary professor of the Faculty of Economic and Finance of the University of Hong Kong, an honorary professor of the Business School of the Chinese University of Hong Kong, an honorary consultant of the Faculty of Accounting of the Central University of Finance and Economics, a member of the Chief Executive's Council of Advisers on Innovation and Strategic Development, the chairman of the Council of the Education University of Hong Kong, a member of the International Advisory Committee of China Investment Corporation, a member of the Global Consulting Committee of Bank of America and a member of the International Advisory Committee of Investcorp. Prof. Ma previously served as the managing director of RBC Dominion Securities Inc., the vice chairman and managing director of Kumagai Gumi Co. Ltd. (Hong Kong Branch), the general manager and head of Asia of the private banking department of Chase Bank, the Asia Pacific Chief Executive Officer of JPMorgan Chase's private banking (a company listed on the New York Stock Exchange (stock code: JPM)), the financial controller and executive director of PCCW Limited, the Secretary for Financial Services and the Treasury, the Secretary for Commerce and Economic Development, the non-executive chairman of China Strategic Holdings (a company listed on the Stock Exchange (stock code: 0235)), an independent non-executive director of China Resources Land Limited (a company listed on the Stock Exchange (stock code: 1109)), an independent non-executive director of Hutchison Port Holdings Limited, an external director of China Oil and Foodstuffs Corporation, an external director of the China Mobile Communications Group Co. Ltd. (a company listed on the New York Stock Exchange (stock code: CHL) and the Stock Exchange (stock code: 941)), an independent non-executive director of the Agricultural Bank of China, an independent non-executive director of the Aluminum Corporation of China Limited (a company listed on the Shanghai Stock Exchange (stock code: 601600) and the Stock Exchange (stock code: 2600)) and the non-executive chairman of MTR Corporation Limited (a company listed on the Stock Exchange (stock code: 66)). Prof. Ma graduated from the University of Hong Kong with a bachelor's degree in Economics and History, was awarded the Gold Bauhinia Star and appointed a Non- Official Justice of the Peace.

Mr. YANG, Liang Yee Philip[2] (楊良宜)

Mr. Yang, aged 72, was an independent non-executive Director of the Company and is an independent non-executive director of OOIL and an independent non-executive director of COSCO SHIPPING Ports Limited. 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.

Directors, Supervisors and Senior Management

Mr. YANG Shicheng[1] (楊世成)

Mr. Yang Shicheng, aged 56, is currently the chairman of the supervisory committee of the Company, now serves as a full-time external director of COSCO (Tianjin) Co., Ltd. and COSCO SHIPPING Bulk Co., Ltd. and a supervisor of COSCO SHIPPING (Dalian) Co., Ltd. (中遠海運(大連)有限公司)/COSCO Shipping Ferry Co., Ltd. Mr. Yang had been the deputy manager of the business department of COSCO Bulk Carrier Co., Ltd. (中遠散貨運輸有限公司), the director of the business division under the transportation department, the deputy general manager of the transportation department, the executive vice dean (corresponding to the level of the department principal) of the research and development center and a member of the Party Committee of China Ocean Shipping (Group) Company, the general manager of COSCO (UK) Ltd., the deputy general manager and a member of the Party Committee of COSCO SHIPPING Energy Transportation Co., Ltd. and the chairman and the party secretary of the Party Committee of COSCO SHIPPING Investment Dalian Co., Ltd. (中遠海運大連投資有限公司). Mr. Yang Shicheng graduated from the University of Bristol in U.K, majoring in business law and holding a master's degree in laws. He is a senior economist.

Mr. DENG Huangjun[3] (鄧黃君)

Mr. Deng, aged 59, 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 University, majoring in shipping accounting. He is a senior accountant.

Mr. SONG Tao[3] (宋濤)

Mr. Song Tao, aged 47, is currently a supervisor representing staff and workers of the Company and the secretary of the Party Committee and the deputy general manager of Shanghai PanAsia Shipping Co., Ltd.* (上海泛亞航運有限公司) (a subsidiary of the Company). Mr. Song had been the deputy general manager, the deputy general manager (presiding over the work) and the general manager of the internal trade department of China Shipping Container Lines Co., Ltd. (currently known as COSCO SHIPPING Development Co., Ltd. (中遠海運發展股份有限公司), a company listed on the Stock Exchange (stock code: 2866) and the Shanghai Stock Exchange (stock code: 601866)), the general manager of the domestic operation department and the director of the comprehensive division of China Shipping Container Lines Co., Ltd., the general manager, the deputy secretary of the Party Committee and the secretary of the Disciplinary Committee of Shanghai Puhai Shipping Co., Ltd.* (上海浦海航運有限公司) (a subsidiary of the Company). Mr. Song graduated from Shanghai Maritime Transportation Institute with an undergraduate degree, majoring in marine communication and navigation.

Mr. MENG Yan[1] (孟焰)

Mr. Meng Yan, aged 65, 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. Mr. Meng is also an independent director of Beijing Bashi Media Co., Ltd., Sinotrans Limited, Qi An Xin Technology Group Inc. (a company listed on the Shanghai Stock Exchange (stock code: 688561)), 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 1997. 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.

Mr. ZHANG Jianping[1] (張建平)

Mr. Zhang Jiangping, aged 55, is currently an independent Supervisor. He is a professor and tutor of PhD candidates 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 was the vice president of the International Business School of the University of International Business and Economics, the visiting professor of the EMBA senior financial management programs of more than ten universities, the financial and strategic consultant of more than ten companies, the chief consultant of the financial department group of a municipal people's government, a member of the expert committee of the China General Chamber of Commerce and a director of the Beijing Accounting Society. He has obtained ten national and provincial honors and four school-level honors, published 16 books, authored more than 20 scientific research papers and hosted and participated in 15 national, provincial and school-level discussions. He is currently an independent non-executive 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. (深圳世聯行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.

Mr. YE Jianping (葉建平)

Mr. Ye Jianping, aged 57, is currently the deputy general manager of the Company. He is the Chief Operating Officer, a director and a member of the executive committee of Orient Overseas Container Line Limited and the deputy general manager of COSCO SHIPPING Lines Co., Ltd.. Mr. Ye has been a director of Orient Overseas Container Line Limited since 2018 and a member of Executive Committee of Orient Overseas Container Line Limited since 2015.He had served as a director of Asia-Europe Trade Department, a director of Intra-Asia Trade Department and the Chief Executive Officer of OOCL Logistics. Mr. Ye graduated from Lixin Accounting Institute (currently known as Shanghai Lixin University of Accounting and Finance) with a Diploma of Accounting,and obtained a Master of Business Administration from Oklahoma City University.

Mr. YAO Erxin (姚爾欣)

Mr. Yao, aged 64, was 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., and the director of the corporate operation, corporate market and global regional management and a member of executive committee of Orient Overseas Container Line Limited. 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.

Directors, Supervisors and Senior Management

Mr. ZHANG Mingwen (張銘文)

Mr. Zhang, aged 42, 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 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 63, was the deputy general manager of the Company. Mr. Siu joined OOIL in 1987 and served in various capacities of OOIL for 30 years, including: the chief information officer, a director of the corporate services department and a member of the executive committee of Orient Overseas Container Line Limited, the chief executive officer of CargoSmart and the deputy general manager of COSCO SHIPPING Lines Co., Ltd.. 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 46, is currently the deputy general manager of the Company, deputy general manager of COSCO SHIPPING Lines and a director of the corporation planning division, a member of the executive committee of OOCL and a director of several subsidiaries of the Company. 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 55, is currently the secretary to the Board and company secretary of the Company, and the general legal counsel 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 Institute of Chartered Secretaries and Administrators (FCIS) and The Hong Kong Institute of Chartered Secretaries (FCS). Mr. Guo graduated from Northern Jiaotong University, majoring in transportation economics. He holds a doctorate degree and is a senior economist.

Note:

This section was prepared based on the information available on 19 April 2021, being the latest practicable date before printing of this annual report for ascertaining certain information herein.

Remarks:

1. On 30 November 2020, the Shareholders of the Company approved (i) the re-appointment of Mr. Xu Lirong, Mr. Huang Xiaowen, Mr. Yang Zhijian and Mr. Feng Boming as executive Directors; (ii) re-appointment of Mr. Wu Dawei, Mr. Zhou Zhonghui, Mr. Teo Siong Seng as independent non-executive Directors; and (iii) the appointment of Prof. Ma, Si-hang Frederick as independent non-executive Directors at the extraordinary general meeting. The Shareholders of the Company approved (i) the appointment of Mr. Yang Shicheng as a Supervisor representing the Shareholders; and (ii) re-appointment of Mr. Meng Yan and Mr. Zhang Jianping as independent Supervisors at the extraordinary general meeting. On the same day, with unanimous approval upon consideration at the first meeting of the sixth session of the Board, Mr. Xu Lirong and Mr. Huang Xiaowen were appointed as the chairman and the vice chairman of the sixth session of the Board, respectively. For details, please refer to the announcement of the Company dated 30 November 2020.

2. On 30 November 2020, Mr. Yang, Liang Yee Philip ceased to be an independent non-executive Director due to the six-year restriction in respect of the term of office of independent non-executive Directors. For details, please refer to the announcement of the Company dated 30 November 2020.

3. On 30 November 2020, the Company convened the congress of the representatives of staff and workers to elect Mr. Deng Huangjun and Mr. Song Tao as Supervisors representing staff and workers. For details, please refer to the announcement of the Company dated 30 November 2020.

4. On 28 August 2020, Mr. Wang Haimin resigned as the vice chairman of the Board and an executive Director of the Company. For details, please refer to the announcement of the Company dated 28 August 2020.

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 2020.

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 2020.

Corporate Governance Report

A. Directors

A1. The Board

Principle of the Code
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. Accordingly, a regular meeting does not include the practice of 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 2020, the Company convened 11 Board meetings. Attendance of members of the Board at Board meetings in 2020 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>11/11</td><td>100%</td><td>2/2</td><td>100%</td></tr>
<tr><td>HUANG Xiaowen</td><td>1/1</td><td>100%</td><td>–</td><td>–</td></tr>
<tr><td>WANG Haimin</td><td>7/7</td><td>100%</td><td>1/1</td><td>100%</td></tr>
<tr><td>YANG Zhijian</td><td>11/11</td><td>100%</td><td>2/2</td><td>100%</td></tr>
<tr><td>FENG Boming</td><td>11/11</td><td>100%</td><td>2/2</td><td>100%</td></tr>
<tr><td>YANG Liang Yee Philip</td><td>10/10</td><td>100%</td><td>2/2</td><td>100%</td></tr>
<tr><td>WU Dawei</td><td>11/11</td><td>100%</td><td>2/2</td><td>100%</td></tr>
<tr><td>ZHOU Zhonghui</td><td>11/11</td><td>100%</td><td>2/2</td><td>100%</td></tr>
<tr><td>TEO Siong Seng</td><td>11/11</td><td>100%</td><td>2/2</td><td>100%</td></tr>
<tr><td>MA Si-hang Frederick</td><td>1/1</td><td>100%</td><td>–</td><td>–</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 thirty-eighth meeting of the fifth session of the Board considered the resolution in relation to the purchase of five units of 23,000 TEUs container vessels by OOCL and connected transactions, on which Xu Lirong, Wang Haimin, Yang Zhijian, Feng Boming and Yang, Liang Yee Philip abstained from voting. 2. The thirty-ninth meeting of the fifth session of the Board considered the resolution in relation to the adjustment to the share option incentive scheme of COSCO SHIPPING Holdings, on which Xu Lirong, Wang Haimin, Yang Zhijian and Feng Boming abstained from voting. 3. The fortieth meeting of the fifth session of the Board considered the resolution in relation to the capital increase of COSCO SHIPPING Finance Company Limited by COSCO SHIPPING Lines and its subsidiaries, on which Xu Lirong, Wang Haimin, Yang Zhijian and Feng Boming abstained from voting. 4. The forty-third meeting of the fifth session of the Board considered the resolution in relation to the grant of reserved opitons to participants under the share option incentive scheme, on which Xu Lirong, Wang Haimin, Yang Zhijian and Feng Boming abstained from voting. 5. The forty-sixth meeting of the fifth session of the Board considered the resolution in relation to the purchase of seven units of 23,000 TEUs container vessels by OOCL and connected transactions, on which Xu Lirong, Wang Haimin, Yang Zhijian, Feng Boming and Yang, Liang Yee Philip abstained from voting. 6. The forty-sixth meeting of the fifth session of the Board considered the resolution in relation to the charter and lease of vessels by COSCO SHIPPING Lines from COSCO SHIPPING Development, on which Xu Lirong, Wang Haimin, Yang Zhijian and Feng Boming abstained from voting.

Code provisions	Compliance	Procedures of Corporate Governance
		When the forty-sixth meeting of the fifth session of the Board considered the resolution in relation to the composition of the sixth session of the Board and relevant allowances, Wu Dawei, Zhou Zhonghui and Teo Siong Seng abstained from voting on the approval of relevant allowances of the sixth session of the Board and the sixth session of the Supervisory Committee given that they had continued to be independent directors of the Company.
• 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.
• 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.

Code provisions	Compliance	Procedures of Corporate Governance
• 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 2020, 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 Shareholders' general meetings in person and continued to promote and improve investor relationship, and has dedicated himself to realizing maximum returns of Shareholders.
• 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 2020, 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.

Code provisions	Compliance	Procedures of Corporate Governance
• 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 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 2020 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	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 directors 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.

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 2020, the remuneration committee convened three meetings to consider the Proposal on Adjusting the Scope of Incentive Objects of the Share Option Incentive Scheme of the Company; consider and confirm the Proposal for the 2019 Annual Appraisal of the Senior Management of COSCO SHIPPING Holdings; consider the Proposal on the 2019 Annual Remuneration Redemption Plan of the Senior Management of COSCO SHIPPING Holdings; the Performance of the Remuneration Committee of the Board in 2019; Proposal on the Revision of the "Share Option Incentive Scheme of COSCO SHIPPING Holdings Co., Ltd. (Second Draft) (《中遠海運控股股份有限公司股票期權激勵計劃（草案二次修訂稿）》)" and its Summary; "Proposal on Adjusting the List of Incentive Objects and the Number of Granted Rights of the Share Option Incentive Scheme (《關於調整股票期權激勵計劃激勵對象名單及授予權益數量的議案》) and the Proposal on Granting Share Option to Incentive Objects of Share Option Incentive Scheme (《關於向股票期權激勵計劃激勵對象授予股票期權的議案》). The Company made recommendations to the Board in respect of the 2019 corporate performance appraisal and individual performance appraisal of senior management, the previous revisions of the Share Option Incentive Scheme of COSCO SHIPPING Holdings, the adjustment on the list of incentive objects and the number of share options granted for the first time, the agreement on granting share options to the incentive objects.

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.
• 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.

Code provisions	Compliance	Procedures of Corporate Governance
• 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 • 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	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.

C2. Risk management and internal controls

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.*
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.

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 2020 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.

Code provisions	Compliance	Procedures of Corporate Governance
• 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.
• 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. Wu Dawei (an independent non-executive Director) and Prof. Ma Si-hang Frederick (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 2020, the audit committee held four meetings in total, at which 20 issues such as the annual reports, interim reports, quarterly reports, effectiveness of risk management and internal control, internal audit, appointment of domestic and international accountancy firms, etc. were fully reviewed and considered. The audit committee fully affirmed the work efficiency of COSCO SHIPPING Holdings, while providing recommendations in respect of expanding the global coverage and improving the shipping competitiveness, respectively.

The audit committee arrived at the opinion that the financial reports of COSCO SHIPPING Holdings for various periods in 2020 which had been reviewed were prepared in compliance with the accounting standards of China and Hong Kong, the content of disclosure therein also satisfied the requirements of the listing system and regulations of both places.

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. Wu Dawei as a member 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 five subordinate special committees, including the strategic development committee, the risk management committee, the audit committee, the remuneration committee, the nomination 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
XU Lirong	–	–	–	–	–
HUANG Xiaowen(1)	–	–	–	–	–
WANG Haimin(2)	0/0	–	–	–	–
YANG Zhijian(3)	–	–	–	–	2/2
FENG Boming(4)	0/0	–	–	3/3	–
YANG, Liang Yee Philip(5)	0/0	–	4/4	–	2/2
WU Dawei	–	2/2	4/4	3/3	2/2
ZHOU Zhonghui	–	–	4/4	3/3	–
TEO Siong Seng(6)	0/0	2/2	–	–	–
MA Si-hang Frederick (7)	0/0	–	–	–	–

(1) On 30 November 2020, Mr. HUANG Xiaowen was appointed as the vice chairman of the Board and an executive Director of the Company.

(2) On 28 August 2020, Mr. WANG Haimin ceased to be the vice chairman of the Board and an executive Director of the Company.

(3) On 30 November 2020, Mr. YANG Zhijian ceased to be the chairman of the risk management committee and a member of the strategic development committee of the Board of the Company.

(4) On 30 November 2020, Mr. FENG Boming ceased to be a member of the remuneration committee of the Board of the Company; on the same date, Mr. FENG Boming was appointed as the chairman of the risk management committee and a member of the strategic development committee.

(5) On 30 November 2020, Mr. YANG, Liang Yee Philip ceased to be an independent non-executive Director, the chairman of the nomination committee, a member of the strategic development committee and the audit committee of the Company.

(6) On 30 November 2020, Mr. TEO Siong Seng was appointed as a member of the remuneration committee of the Company.

(7) On 30 November 2020, Prof. MA, Si Hang Frederick was appointed as an independent non-executive Director, the chairman of the nomination committee, a member of the strategic development committee and the audit committee of the Company.

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 five subordinate special committees, including the strategic development committee, the risk management committee, the audit committee, the remuneration committee, the nomination 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 non-executive 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 non-executive 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 is also a member of the Future Economy Council of Singapore. Prof. MA, Si Hang Frederick, our independent non-executive Director, is an honorary professor of the Faculty of Economics and Finance of The University of Hong Kong and the Faculty of Business Administration of The Chinese University of Hong Kong, respectively, and serves as a director in Husky Energy, FWD Group, New Frontier Health Corporation and other companies.

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.

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 latest Articles of Association approved at the 2020 first extraordinary general meeting of the Company on 30 November 2020, 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 ten 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 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.
• 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

	2020
HK$2,000,000 to HK$2,500,000 (equivalent to approximately RMB1,780,000 to RMB2,220,000)	1
HK$2,500,001 to HK$3,000,000 (equivalent to approximately RMB2,220,000 to RMB2,670,000)	1
HK$4,500,001 to HK$5,000,000 (equivalent to approximately RMB3,560,000 to RMB4,000,000)	1
HK$5,000,001 to HK$5,500,000 (equivalent to approximately RMB4,450,000 to RMB4,890,000)	1
HK$8,500,001 to HK$9,000,000 (equivalent to approximately RMB7,560,000 to RMB8,000,000)	1
HK$10,000,001 to HK$10,500,000 (equivalent to approximately RMB8,890,000 to RMB9,340,000)	1
Total	6

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, 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. Yang, Liang Yee Philip (independent non-executive Director) and Mr. WU Dawei (independent non-executive Director). On 30 November 2020, Mr. Yang, Liang Yee Philip ceased to be an independent 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 30 November 2020, the audit committee under the 6th session of the Board comprised Mr. Zhou Zhonghui (chairman of audit committee of the Company), Mr. Wu Dawei (independent non-executive Director) and Prof. Ma Si-hang Frederick (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 management of connected transactions, respectively.

The audit committee arrived at the opinion that the financial reports of COSCO SHIPPING Holdings for various periods in 2020 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 comprised Mr. Wu Dawei (chairman of remuneration committee of the Company), Mr. Feng Boming (executive Director) and Mr. Zhou Zhonghui (independent non-executive Director). On 30 November 2020, Mr. Feng Boming ceased to be a member of the remuneration committee of the Board of the Company and Mr. TEO Siong Seng was appointed as a member of the remuneration committee of the Company. With effect from 30 November 2020, the remuneration committee under the 6th session of the Board comprised Mr. Wu Dawei (chairman of the remuneration committee of the Company), Mr. Zhou Zhonghui (independent non-executive Director) and Mr. TEO Siong Seng (independent non-executive Director).

During the Reporting Period, the remuneration committee held four meetings, at which it reviewed matters such as the performance appraisal of the senior management of COSCO SHIPPING Holdings in 2020, made recommendation to the Board on the remuneration of directors, reviewed the remuneration packages of the Company's senior management staff in 2020 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. Yang Zhijian (executive Director) and Mr. Wu Dawei (independent non-executive Director). On 30 November 2020, Mr. Yang, Liang Yee Philip ceased to be an independent non-executive Director and the chairman of the nomination committee of the Board of the Company, and Prof. MA, Si Hang Frederick was appointed as the chairman of the nomination committee of the Company. With effect from 30 November 2020, the nomination committee under the 6th session of the Board comprised Prof. Ma Si-hang Frederick (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 Mr. Huang Xiaowen was nominated as an executive director and a candidate for vice chairman of the fifth session of the Board and a member of the sixth session of the Board of COSCO SHIPPING Holdings.

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 2020. 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 RMB56,574,000, RMB10,122,000 and RMB15,350,000, respectively.

Nature of services

	2020 (RMB' 000)	2019 (RMB' 000)
Audit services	**56,574**	53,695
Audit related services	**10,122**	10,066
Non-audit services		
• Tax related services	**9,184**	8,980
• Circular related services	**240**	200
• Other advisory services	**4,106**	5,569

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" in this report.

Directors' Report

Directors' Report

The Board is pleased to present the Directors' Report of the year 2020 together with the audited financial statements of the Group for the year ended 31 December 2020.

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 2020 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 10 and pages 29 to 31 respectively. The particulars of important events affecting the Group that have occurred since the end of the financial year 2020 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) Possible risks" on page 29 and pages 33 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 12 to 38 of this report. For details of the discussion on the Company's environmental policies and performance, please refer to "(II) Social responsibilities" and "(III) Environment protection" on page 42.

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.

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 128. 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 32 to 33 and page105, 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 41 to 42.

Results of the Group

The Group's results for the year ended 31 December 2020 are set out on pages 156 to 158 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 2020, 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 25 to the consolidated financial statements. There were no distributable reserves of the Company as at 31 December 2020.

Statutory Reserve Funds

Details of the statutory reserve funds are set out in note 25 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 7 to the consolidated financial statements.

Employees' Retirement Plans

Details of the employees' retirement plans are set out in note 29 to the consolidated financial statements.

Directors' Report

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 24 to the consolidated financial statements.

Donations

Charitable donations made by the Group during the year under review amounted to approximately RMB19,085,100.

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 (Vice chairman)(1)	30 November 2020	N/A
WANG Haimin (Former vice chairman)(2)	16 December 2016	28 August 2020
YANG Zhijian	9 October 2019	N/A
FENG Boming	9 October 2019	N/A
Independent non-executive Directors		
YANG, Liang Yee Philip(3)	20 May 2014	30 November 2020
WU Dawei	25 May 2017	N/A
ZHOU Zhonghui	25 May 2017	N/A
TEO Siong Seng	25 May 2017	N/A
MA, Si Hang Frederick(4)	30 November 2020	N/A

Notes:

(1) On 30 November 2020, Mr. HUANG Xiaowen was appointed as the vice chairman of the Board and an executive Director of the Company.

(2) On 28 August 2020, Mr. WANG Haimin resigned as an executive Director and the vice chairman of the Board of the Company.

(3) On 30 November 2020, Mr. YANG, Liang Yee Philip ceased to be an independent non-executive Director of the Company.

(4) On 30 November 2020, Prof. MA, Si Hang Frederick was appointed as an independent non-executive Director of the Company.

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
YANG Shicheng(1)	Chairman of the supervisory committee	30 November 2020	N/A
DENG Huangjun	Employee Supervisor	30 January 2019	N/A
SONG Tao(2)	Employee Supervisor	30 November 2020	N/A
MENG Yan	Independent Supervisor	20 May 2014	N/A
ZHANG Jianping	Independent Supervisor	20 May 2014	N/A

Notes:

(1) On 30 November 2020, Mr. YANG Shicheng was appointed as the chairman of the supervisory committee of the Company.

(2) On 30 November 2020, Mr. SONG Tao was appointed as an employee Supervisor 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.

Directors' 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. 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.

2. On 30 October 2019, the Company and COSCO SHIPPING entered into the financial services agreement (the "**Financial Services Agreement**") in relation to the provision of certain financial services by COSCO SHIPPING Finance Company Limited ("**COSCO SHIPPING Finance**") to the Company and its subsidiaries for a term of three years from 1 January 2020 to 31 December 2022.

   COSCO SHIPPING is the indirect controlling Shareholder and is also the de facto controller of COSCO SHIPPING Finance, and therefore members of the COSCO SHIPPING Group are connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules. Accordingly, the Financial Services Agreement constitutes a connected transaction of the Company.

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

3. On 30 October 2019, the Company and COSCO SHIPPING entered into the master shipping services agreement (the "**Master Shipping Services Agreement**") in relation to mutual provision of shipping services between the Group and the COSCO SHIPPING Group for a term of three years from 1 January 2020 to 31 December 2022.

   COSCO SHIPPING is the indirect controlling Shareholder of the Company and is therefore a connected person of the Company. Accordingly, the transactions contemplated under the Master Shipping Services 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.

4. On 30 October 2019, the Company and COSCO SHIPPING entered into the master port services agreement (the "**Master Port Services Agreement**") in relation to mutual provision of port services between the COSCO SHIPPING Group and the Group for a term of three years from 1 January 2020 to 31 December 2022.

   COSCO SHIPPING is the indirect controlling Shareholder of the Company 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.

   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.

5. On 30 October 2019, the Company and COSCO SHIPPING entered into the master vessel and container asset services agreement (the "**Master Vessel and Container Asset Services Agreement**") in relation to, among others, the leasing of vessels and containers by the Group from the COSCO SHIPPING Group and the sale of containers by COSCO SHIPPING Group to the Group for a term of three years from 1 January 2020 to 31 December 2022.

   COSCO SHIPPING is the indirect controlling Shareholder of the Company 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.

   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.

6. On 30 October 2019, the Company and COSCO SHIPPING entered into the new master general services agreement (the "**Master General Services Agreement**") in relation to mutual provision of general services between the Group and the COSCO SHIPPING Group for a term of three years from 1 January 2020 to 31 December 2022.

   COSCO SHIPPING is the indirect controlling Shareholder of the Company 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.

   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.

7. 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 (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.

   COSCO SHIPPING is the indirect controlling Shareholder of the Company 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.

8. On 30 October 2019, the Company and Pacific International Lines Pte Ltd ("**Pacific International Lines**") entered into the master shipping and terminal services agreement (the "**PIL Master Shipping and Terminal Services Agreement**") in relation to the mutual provision of shipping services and terminal services between the Group and Pacific International Lines and/or its subsidiaries and associates ("**Pacific International Lines Group**") for a term of three years from 1 January 2020 to 31 December 2022.

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 PIL Master Shipping and Terminal Services Agreement constitute continuing connected transactions for 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.

9. On 30 October 2019, the Company and Shanghai International Port (Group) Co., Ltd. ("**SIPG**") entered into the shipping and terminal services agreement (the "**SIPG Shipping and Terminal Services Agreement**") in relation to the provision of shipping services by the Group to SIPG and its subsidiaries or associates (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.

   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 is therefore a connected person of the Company at the subsidiary level. Accordingly, the transactions contemplated under the SIPG Shipping and Terminal Services 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.

10. On 10 March 2020, the buyers (Newcontainer No. 108 (Marshall Islands) Shipping Inc, Newcontainer No. 109 (Marshall Islands) Shipping Inc., Newcontainer No. 110 (Marshall Islands) Shipping Inc., Newcontainer No. 111 (Marshall Islands) Shipping Inc. and Newcontainer No. 112 (Marshall Islands) Shipping Inc.,) being five indirect wholly-owned subsidiaries of OOIL, and therefore indirect non-wholly owned subsidiaries of the Company, respectively entered into five shipbuilding contracts on substantially the same terms with Dalian COSCO KHI Ship Engineering Co., Ltd. ("**Dalian KHI**") and Nantong COSCO KHI Ship Engineering Co., Ltd. ("**Nantong KHI**") for the construction of the respective vessels for an aggregate consideration of US$778.4 million (the "**March Transation**").

    COSCO SHIPPING is a controlling shareholder of the Company and a connected person of the Company. Nantong KHI is an associate of COSCO SHIPPING which indirectly holds 50% equity interest in Nantong KHI. Dalian KHI is an indirect subsidiary of COSCO SHIPPING. COSCO SHIPPING (through its wholly-owned subsidiaries) holds 36% equity interest, and Nantong KHI directly holds 30% equity interest, respectively, in Dalian KHI. Accordingly, both Nantong KHI and Dalian KHI are connected persons of the Company under Chapter 14A of the Listing Rules, and the transaction constitutes a disclosable and connected transaction of the Company.

    For details, please refer to the announcement dated 11 March 2020, the circular dated 27 April 2020 and the announcement on the resolutions passed at the annual general meeting, the A Share class meeting and the H Share class meeting dated 18 May 2020 of the Company.

11. On 30 October 2020, the buyers (Newcontainer No.113 (Marshall Islands) Shipping Inc., Newcontainer No.115 (Marshall Islands) Shipping Inc., Newcontainer No.116 (Marshall Islands) Shipping Inc., Newcontainer No.117 (Marshall Islands) Shipping Inc., Newcontainer No.118 (Marshall Islands) Shipping Inc., Newcontainer No.119 (Marshall Islands) Shipping Inc. and Newcontainer No.120 (Marshall Islands) Shipping Inc.), being seven indirect wholly-owned subsidiaries of OOIL, and therefore indirect non-wholly owned subsidiaries of the Company, respectively entered into such shipbuilding contracts on substantially the same terms with Dalian KHI and Nantong KHI for the construction of the respective vessels for an aggregate consideration of US$1,103.876 million.

    As both Nantong KHI and Dalian KHI are connected persons of the Company, and the transaction constitutes a disclosable and connected transaction of the Company. The shipbuilding transaction and the March Transaction constitute a series of transactions made within a 12-month period and shall be aggregated pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules. The shipbuilding transaction also constitutes a disclosable and connected transaction of the Company.

    For details, please refer to the announcement dated 30 October 2020, the circular dated 16 November 2020 and the announcement of the resolution passed at the Extraordinary General Meeting dated 30 November 2020 of the Company.

12. On 30 October 2020, COSCO SHIPPING Lines (a wholly-owned subsidiary of the Company) (as the lessee) and COSCO SHIPPING Development (as the lessor) entered into the vessel leasing service master agreement (the "**Vessel Leasing Service Master Agreement**"), pursuant to which the COSCO SHIPPING Lines Group has agreed to charter from the COSCO SHIPPING Development Group the 74 Vessels under bareboat charter for an aggregate lease payment of US$4,618,343,445.

    Pursuant to HKFRS 16 Leases, the entering into of the vessel leasing service master agreement by COSCO SHIPPING Lines as a lessee will require the Group to recognise the present value of aggregate lease payments under the vessel leasing service master agreement in its consolidated financial statements as the Right-of-Use Asset. Thus, the entering into of the vessel leasing service master agreement and the transactions contemplated thereunder are regarded as a deemed acquisition of asset under Rule 14.04(1)(a) for the purposes of Chapter 14 of the Listing Rules. COSCO SHIPPING is the indirect controlling Shareholder and is therefore a connected person of the Company. The transactions contemplated under the vessel leasing service master agreement constitute major transactions and connected transactions of the Company.

    For details, please refer to the announcement dated 30 October 2020, the circular dated 16 November 2020 and the announcement on the resolution passed at the extraordinary general meeting dated 30 November 2020 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 2020 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				Transactional annual cap for the year ended 31 December 2020 ('000)	Actual transaction amount for the year ended 31 December 2020 ('000)
1.	Transactions under the Financial Services Agreement				
	(a)	Maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Group	RMB	29,000,000	17,188,294
2.	Transactions under the Master Shipping Services Agreement				
	(a)	Purchase of shipping services from the COSCO SHIPPING Group	RMB	36,000,000	16,660,103
	(b)	Provision of shipping services to the COSCO SHIPPING Group	RMB	3,000,000	2,184,290
3.	Transactions under the Master Port Services Agreement				
	(a)	Purchase of shipping services from the COSCO SHIPPING Group	RMB	3,200,000	2,908,341
	(b)	Provision of shipping services to the COSCO SHIPPING Group	RMB	800,000	132,334
4.	Transactions under the Master Vessel and Container Asset Services Agreement		RMB	20,000,000	8,178,329
5.	Transactions under the Master General Services Agreement				
	(a)	Purchase of general services from the China COSCO SHIPPING Group	RMB	400,000	248,343
	(b)	Provision of general services to the China COSCO SHIPPING Group	RMB	90,000	6,070
6.	Transactions under the PIL Master Shipping and Terminal Services				
	(a)	Purchase of services from Pacific International Lines	RMB	300,000	32,178
	(b)	Provision of services to Pacific International Lines	RMB	900,000	123,532
7.	Transactions under the SIPG Shipping and Terminal Services Agreement				
	(a)	Purchase of terminal services from Shanghai International Port Group	RMB	3,000,000	2,089,798
	(b)	Provision of shipping services to Shanghai International Port Group	RMB	500,000	17,434

Review of Continuing Connected Transactions for 2020

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 2020 (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 2020, 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 2020, 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:

		Number of shares/Percentage of total issued share capital of the Company					
Name	Capacity and nature of interest	Long position	% (approx.)	Short position	% (approx.)	Lending pool	% (approx.)
China Ocean Shipping Co., Ltd. (a State-owned enterprise in China and a direct controlling shareholder of the Company)	Beneficial owner controlled corporation Interest of	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. On 30 May 2019, the Further Revised Scheme was considered and approved by the extraordinary general meeting, A Share class meeting and H Share class meeting of the Company. Pursuant to the Further Revised Scheme, the total number of underlying A Shares in relation to the share options to be granted shall not exceed 218,236,900 A Shares, representing approximately 2.25% of the A share capital of the Company and approximately 1.78% of the total issued share capital of the Company as at 30 June 2020.

On 3 June 2019 (the "**Date of Grant for the First Batch of the Share Options**"), 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 for the First Batch of the Share Options, 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 for the First Batch of the Share Options was RMB4.78 per A Share.

In the process of registration after the Date of Grant for the First Batch of the Share Options, 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.

In order to further enhance the corporate governance of the Company and to promote the Company's operating results and sustainable and healthy development, on 30 March 2020, the Board approved the inclusion of, among others, Directors (excluding independent Directors) to the scope of Participants. The relevant amendments were approved by the shareholders of the Company at the shareholders' meetings and the class meetings on 18 May 2020 (the "**Share Option Incentive Scheme (Revised)**"). Please refer to the related announcements of the Company dated 30 March 2020 and 18 May 2020.

On 29 May 2020 (the "**Date of Grant for Reserved Share Options**"), 16,975,200 reserved share options were granted by the Board to 39 participants under the Share Option Incentive Scheme (Revised). The exercise price was RMB3.50 per A Share. The exercise price will be adjusted in accordance with the relevant requirements under the Share Option Incentive Scheme (Revised) 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 for Reserved Share Options, the closing price of A Shares was RMB3.16 per A Share. The closing price of A Shares on the trading day immediately before the Date of Grant for Reserved Share Options was RMB3.19 per A Share. Please refer to the related announcement of the Company dated 29 May 2020. On 7 July 2020, COSCO SHIPPING Holdings completed the registration in respect of the grant of the Reserved Share Options with 16,975,200 share options and 39 participants registered. For details, please refer to the overseas regulatory announcement of the Company dated 8 July 2020.

Directors' Report

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

(1) Share options granted to the directors and chief executive of the Company

		Number of share options						
Name of Participant	Position of Participant	Outstanding as at 1 January 2020	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 31 December 2020	Date of grant
YANG Zhijian	Director and General Manager	NA	936,000	–	–	–	936,000	Note (2)
FENG Boming	Director	NA	936,000	–	–	–	936,000	Note (2)

(2) Share options granted to all participants

		Number of share options						
Participants	Number of Participants (person-time)	Outstanding as at 1 January 2020	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 31 December 2020	Date of grant
Directors and chief executive of the Company	2	–	1,872,000	–	–	–	1,872,000	Note (2)
Senior management of the Company	7	5,097,000	–	–	–	–	5,097,000	Note (1)
Senior management personnel of the subsidiaries of the Company	13	10,166,000	–	–	–	–	10,166,000	Note (1)
	2	–	1,508,000	–	–	–	1,508,000	Note (2)
Other key business personnel and management personnel of the Company	440	174,919,200	–	–	–	–	174,919,200	Note (1)
	35	–	13,595,200	–	–	–	13,595,200	Note (2)
Total	**499**	**190,182,200**	**16,975,200**	**–**	**–**	**–**	**207,157,400**	

Notes:

(1) Such A share options were granted on 3 June 2019 (i.e. the Date of Grant for the First Batch of the Share Options).

(2) Such A share options were granted on 29 May 2020 (i.e. the Date of Grant for Reserved Share Options).

Validity Period

The Further Revised Scheme (subsequently revised as the "Share Option Incentive Scheme (Revised)") shall be effective for 10 years upon approval by the shareholders' meetings on 30 May 2019.

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 for the First Batch of the Share Options (or, as the case may be, the Date of Grant for Reserved Share Options) and ending on the last trading day of the 36-month period from the Date of Grant for the First Batch of the Share Options (or, as the case may be, the Date of Grant for Reserved Share Options). 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 for the First Batch of the Share Options (or, as the case may be, the Date of Grant for Reserved Share Options) and ending on the last trading day of the 48-month period from the Date of Grant for the First Batch of the Share Options (or, as the case may be, the Date of Grant for Reserved Share Options). 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 for the First Batch of the Share Options (or, as the case may be, the Date of Grant for Reserved Share Options) and ending on the last trading day of the 84-month period from the Date of Grant for the First Batch of the Share Options (or, as the case may be, the Date of Grant for Reserved Share Options). The exercisable share options shall be 34% of the total number of share options granted.

Conditions of Exercise

The following conditions must be satisfied before the share options (including the share options granted on 3 June 2019 and the reserved share options granted on 29 May 2020 by the Company) become effective and exercisable by the Company and the Participants pursuant to the terms of the Share Option Incentive Scheme:

(i) the Company having achieved the following performance targets, and none of the circumstances as stipulated in the relevant requirements of the SASAC and the CSRC that the share options shall not become effective having occurred:

Exercise period	Performance targets
Exercise period in respect of the first batch of the share options	(a) the EOE for 2020 shall be no less than 12.15% and the 75th percentile of the peer benchmark companies;
	(b) the growth rate of the net profit attributable to the owners of the parent company for 2020 shall be no less than 8% as compared to that of the financial year ended 31 December 2018; and
	(c) the EVA for 2020 shall reach the target assigned by COSCO SHIPPING and the change in EVA is greater than 0.
Exercise period in respect of the second batch of the share options	(a) the EOE for 2021 shall be no less than 13% and the 75th percentile of the peer benchmark companies;
	(b) the growth rate of the net profit attributable to the owners of the parent company for 2021 shall be no less than 18% as compared to that of the financial year ended 31 December 2018; and
	(c) the EVA for 2021 shall reach the target assigned by COSCO SHIPPING and the change in EVA is greater than 0.
Exercise period in respect of the third batch of the share options	(a) the EOE for 2022 shall be no less than 14% and the 75th percentile of the peer benchmark companies;
	(b) the growth rate of the net profit attributable to the owners of the parent company for 2022 shall be no less than 30% as compared to that of the financial year ended 31 December 2018; and
	(c) the EVA for 2022 shall reach the target assigned by COSCO SHIPPING and the change in EVA is greater than 0.

(ii) the Participants of the share options granted on 3 June 2019 having met the following conditions conducted pursuant to the revised appraisal measures for the Share Option Incentive Scheme, and none of the circumstances under which a person shall not become a Participant as set out in the Share Option Incentive Scheme having occurred:

Exercise of the first batch of the Share Options	Exercise of the second batch of the Share Options	Exercise of the third batch of the Share Options
the Participant having obtained an assessment grade of "qualified" (or equivalent to "qualified") or above in his/her performance review for 2020	the Participant having obtained an assessment grade of "qualified" (or equivalent to "qualified") or above in his/her performance review for 2021	the Participant having obtained an assessment grade of "qualified" (or equivalent to "qualified") or above in his/her performance review for 2022

(iii) the Participants of the reserved share options granted on 29 May 2020 having met the following conditions conducted pursuant to the revised appraisal measures for the Share Option Incentive Scheme, and none of the circumstances under which a person shall not become a Participant as set out in the Share Option Incentive Scheme having occurred:

Exercise of the first batch of the Share Options	Exercise of the second batch of the Share Options	Exercise of the third batch of the Share Options
the Participant having obtained an assessment grade of "qualified" (or equivalent to "qualified") or above in his/her performance review for 2021	the Participant having obtained an assessment grade of "qualified" (or equivalent to "qualified") or above in his/her performance review for 2022	the Participant having obtained an assessment grade of "qualified" (or equivalent to "qualified") or above in his/her performance review for 2023

(iv) According to relevant regulations, in order to protect the interests of the minority Shareholders and potential shareholders of the Company, in connection with the non-public issuance of A shares by the Company, the Directors (excluding independent non-executive Directors) and senior management of the Company have undertaken to ensure the Company's strict implementation of the remedial measures of the current return. The Directors (excluding independent non-executive Directors) and senior management of the Company who are also Participants under the Share Option Incentive Scheme, in addition to fulfilling the conditions of exercise above, shall also fulfill the condition of the Company implementing the remedial measures of the current return. The remuneration committee of the Company will appraise the implementation of the remedial measures of the return by the Company.

If one or more of the conditions of exercise in respect of any exercise period are not satisfied, such part of the share options shall lapse and be cancelled by the Company.

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 for the First Batch of the Share Options) and 29 May 2020 (i.e. the Date of Grant for Reserved Share Options) as the benchmark dates to determine the fair value of the share options respectively. According to the preliminary calculation by the Company: the fair value of each share option of the first batch is RMB2.00[(1)] and the value of 190,182,200 registered share options granted on the Date of Grant for the First Batch of the Share Options is RMB380,364,400; the fair value of each reserved share option is RMB0.85[(1)] and the value of 16,975,200 registered share options granted on the Date of Grant for Reserved Share Options is RMB14,428,920. 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 of the first batch of the share options granted	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%[(2)]
Market price of A Shares	RMB3.19, being the closing price of A Shares as traded on the Shanghai Stock Exchange on 28 May 2020
Exercise price of Reserved Share Options	RMB3.50, being the exercise price determined by the Board in accordance with the rules stipulated by the SASAC
Expected life of Reserved Share Options	3.83 years, being the weighted expected effective period
Risk-free yield:	2.33%, being the 3.83-year yield to maturity of national bond rate
Expected volatility:	35.2%, based on the historical volatility of the Company
Expected rate of dividend:	0%[(2)]

Notes:

(1) 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.

(2) 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.

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. The following are the principal terms of the COSCO SHIPPING Ports Share Option Scheme:

The purposes of the COSCO SHIPPING Ports Share Option Scheme are to enable COSCO SHIPPING Ports (i) to establish and cultivate a performance-oriented culture, under which value is created for the shareholders of COSCO SHIPPING Ports, and to establish an interests-sharing and restraining mechanism between the shareholders of COSCO SHIPPING Ports and the management of COSCO SHIPPING Ports; (ii) to further improve the corporate governance structure of COSCO SHIPPING Ports and provide a unified mechanism to balance the interests among the shareholders, decision-makers and executives of COSCO SHIPPING Ports to secure stable and long-term development of COSCO SHIPPING Ports; (iii) to coordinate the short-term and long-term incentives of the management and professional talents of COSCO SHIPPING Ports, to cultivate and strengthen the key personnel, to attract different kinds of talents more flexibly and to improve the long-term development of COSCO SHIPPING Ports; (iv) to effectively motivate the management and key personnel of COSCO SHIPPING Ports to enhance their performance and the core competitiveness of COSCO SHIPPING Ports; and (v) to further enhance the competitive advantage of COSCO SHIPPING Ports in the labour market, to attract, retain and incentivise senior management and personnel at key positions of COSCO SHIPPING Ports for achieving the strategic targets of COSCO SHIPPING Ports, to enhance the realisation of the long-term strategic targets of COSCO SHIPPING Ports and to strengthen cohesion of COSCO SHIPPING Ports.

Eligible participants for the COSCO SHIPPING Ports Share Option Scheme include the directors of COSCO SHIPPING Ports, key management personnel such as senior management members at the headquarters of COSCO SHIPPING Ports and departmental deputy managers and above, and management personnel (including senior and mid-level management personnel) appointed to subsidiaries and other invested companies of COSCO SHIPPING Ports, and senior management members of subsidiaries of COSCO SHIPPING Ports excluding independent non-executive directors, shareholders or de facto controllers of COSCO SHIPPING Ports who on their own or in aggregate holding more than 5% of the shares of COSCO SHIPPING Ports and their respective spouses, parents, children or other associates (as defined under the Listing Rules).

The number of share options to be granted to each participant shall be determined on the basis that the estimated benefit upon exercise of the share options will not exceed 40% of twice of his/her total annual emolument (inclusive of the estimated benefit upon exercise of the share options). The number of share options granted under the proposed initial grant was determined according to the annual salary level in 2016. If the performance of COSCO SHIPPING Ports is exceptionally outstanding, the cap on the benefit upon exercise of the share options mentioned above may be adjusted according to the regulations of the SASAC. The specific operation and arrangement will be implemented by the board of COSCO SHIPPING Ports in accordance with the then regulations of the SASAC.

The maximum entitlement for any one participant for the COSCO SHIPPING Ports Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

As at the date of this report, a total of 51,403,380 shares (representing approximately 1.55% of the total issued shares of COSCO SHIPPING Ports) may be issued upon exercise of all share options which were granted and yet to be exercised under the share option scheme of COSCO SHIPPING Ports. Pursuant to the terms of the COSCO SHIPPING Ports Share Option Scheme, since 19 June 2019 (i.e. the date falling one year after the first grant of share options under the COSCO SHIPPING Ports Share Option Scheme), no share options could be granted under the COSCO SHIPPING Ports Share Option Scheme.

Share options under the COSCO SHIPPING Ports Share Option Scheme cannot be exercised during the two-year period commencing from the date of grant of the share options (the "**Restriction Period**"). 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, and each batch of share options vested is exercisable within the relevant exercise period. For details of the vesting and exercise periods in respect of the share options granted, please refer to note 1 of the table regarding movement of the share options of COSCO SHIPPING Ports in 2020 which is set out at the end of this section.

The validity period within which the participants for the COSCO SHIPPING Ports Share Option Scheme can take up the underlying shares under the share options is 5 years from the date of grant of the share options and no consideration is payable on acceptance of the share options.

The exercise price in relation to each share option of COSCO SHIPPING Ports is determined based on the principle of fair market value and in any event should be the highest of: (i) the closing price of the shares of COSCO SHIPPING Ports as stated in the daily quotation sheet of the Stock Exchange on the date when a share option is formally granted; (ii) the average closing price of the shares of COSCO SHIPPING Ports as stated in the daily quotation sheet of the Stock Exchange for the five consecutive trading days immediately preceding the date on which a share option was formally granted; and (iii) the nominal value of the shares of COSCO SHIPPING Ports.

The COSCO SHIPPING Ports Share Option Scheme is valid and effective for a period of 10 years commencing from the date of adoption and will expire on 7 June 2028.

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 At 1 January 2020	Granted during the year	Exercised during the year	Transfer (to)/from other categories during the year	Lapsed/ cancelled during the year	Outstanding At 31 December 2020	% of total number of issued Shares	Exercise period	Notes
COSCO SHIPPING Ports										
Directors										
Mr. DENG Huangjun	7.27	1,200,000	–	–	–	–	1,200,000	0.04%	19.6.2020-18.6.2023	(1), (2)
		1,200,000	–	–	–	–	1,200,000			
Continuous contract employees	7.27	44,572,743	–	–	(1,819,613)	(1,853,715)	40,899,415	1.23%	19.6.2020-18.6.2023	(1), (3),(4)
	8.02	851,966	–	–	–	(246,995)	604,971	0.02%	29.11.2020-28.11.2023	(5), (6)
	8.48	848,931	–	–	–	–	848,931	0.03%	29.3.2021-28.3.2024	(7)
	7.27	666,151	–	–	–	–	666,151	0.02%	23.5.2021-22.5.2024	(8)
	7.57	1,273,506	–	–	–	–	1,273,506	0.04%	17.6.2021-16.6.2024	(9)
Others	7.27	4,492,607	–	–	1,819,613	–	6,312,220	0.19%	19.6.2020-18.6.2023	(1), (4)
		52,705,904	–	–	–	(2,100,710)	50,605,194			
		53,905,904	–	–	–	(2,100,710)	51,805,194			

Notes:

(1) Such 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 provisions 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 Restriction Period. Besides, subject to the fulfilment of the relevant vesting conditions, such 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 were 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. Details of the vesting conditions for the share options are more particularly set out in section headed "11. Performance Target before the Options can be granted and vested – Performance Conditions for the vesting of Share Options" of the circular of the Company dated 18 May 2018.

(2) Such share options represent the personal interest held by the relevant director as a beneficial owner.

(3) Amongst the 1,853,715 share options, 1,669,480 share options were lapsed due to resignation or retirement of the relevant employees and 184,235 share options were cancelled according to the results of personal performance appraisal of the relevant employees.

(4) Such 1,819,613 share options were transferred from the category of "continuous contract employees" to the category of "others" pursuant to the terms of the COSCO SHIPPING Ports Share Option Scheme.

(5) Such 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 and were also subject to the Restriction Period. Besides, subject to the fulfilment of the relevant vesting conditions, such 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 were 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.

(6) Amongst the 246,995 share options, 233,501 share options were lapsed due to the resignation of the relevant employees and 13,494 share options were cancelled according to the results of personal performance appraisal of the relevant employees.

(7) Such 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 and were also subject to the Restriction Period. Besides, subject to the fulfilment of the relevant vesting conditions, such 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 were vested on 29 March 2021; (b) 33.3% of the share options will be vested on 29 March 2022; and (c) 33.4% of the share options will be vested on 29 March 2023.

(8) Such 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 and were also subject to the Restriction Period. Besides, subject to the fulfilment of the relevant vesting conditions, such 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) 33.3% of the share options will be vested on 23 May 2022; and (c) 33.4% of the share options will be vested on 23 May 2023.

(9) Such 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 subject to the Restriction Period. Besides, subject to the fulfilment of the relevant vesting conditions, such 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 17 June 2021; (b) 33.3% of the share options will be vested on 17 June 2022; and (c) 33.4% of the share options will be vested on 17 June 2023.

(10) As to whether various batches of share options to be vested in 2021 can be vested, the Board of COSCO SHIPPING Ports will review and consider if the relevant exercise conditions have been fulfilled.

(11) No share options were granted or exercised under the COSCO SHIPPING Ports Share Option Scheme during the reporting period.

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, 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 (寧波沚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 the end of 2020, the equity interest in Shanghai Pan Asia was held by COSCO SHIPPING Lines, Shanghai International Port (Group) Co., Ltd., Fosun Industrial Investment, Hongyang and 共青城寰海投資管理合夥企業(有限合夥) (Fosun Group Project Team) as to 62%, 20%, 9.9382%, 8% and 0.0618%, respectively. The participating employees, of a total number of 151, are core management personnel of Shanghai Pan Asia, accounting for 35% of its total headcount.

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

As at 31 December 2020, 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 2020	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[1]	Beneficial owner	100,000 H Shares	0.00388%	0.00082%
	Beneficial owner	936,000 A Shares	0.00967%	0.00763%
Mr. FENG Boming[2]	Interest of spouse	530,000 A Shares	0.00548%	0.00432%
	Beneficial owner	936,000 A Shares	0.00967%	0.00763%
Mr. TEO Siong Seng	Beneficial owner	150,000 H Shares	0.00581%	0.00122%

Note:

1. As at 31 December 2020, Mr. Yang Zhijian held 936,000 A share options under the A share option incentive scheme of the Company.

2. As at 31 December 2020, Mr. Feng Boming held 936,000 A share options under the A share option incentive scheme of the Company. In addition, 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. DENG Huangjun	Interest of spouse	38,000 A shares	0.00048%	0.00033%
COSCO SHIPPING Ports	Mr. FENG Boming	Beneficial owner	32,379 ordinary shares	0.00098%	0.00098%
	Mr. DENG Huangjun[1]	Beneficial owner	1,253,154 ordinary shares	0.03780%	0.03780%

Note:

1. As at 31 December 2020, Mr. DENG Huangjun was interested in 53,154 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 "COSCO SHIPPING Ports Share Option Scheme" of this report.

Save as disclosed above, as at 31 December 2020, 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 2020 required to be disclosed under Rule 13.22 of the Listing Rules is set out below:

	RMB' 000
Non-current assets	13,245,214
Current assets	1,810,210
Current liabilities	(653,710)
Non-current liabilities	(12,150,669)
Net assets	2,251,045
Share Capital	144,468
Reserves	1,842,253
Non-controlling interests	264,324
Capital and reserves	2,251,045

As at 31 December 2020, interests in such affiliated companies attributable to COSCO SHIPPING Ports amounted to RMB2,684,964,000.

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 38 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 2020.

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 2020.

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.

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 is essential and makes important contribution to the corporate success and to enhancing Shareholder value. Please refer to pages 62 to 103 of this annual report for details.

Employees and Remuneration Policies

As at 31 December 2020, there were approximately 29,379 employees in the Group. Total staff costs for the Group for the year, including directors' remuneration, was approximately RMB11,375,349,000 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 annual General Meeting, 2020 First A Share Class Meeting and 2020 First H Share Class Meeting	18 May 2020	www.sse.com.cn www.hkexnews.hk	18 May 2020
2020 First Extraordinary General Meeting	30 November 2020	www.sse.com.cn www.hkexnews.hk	30 November 2020

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 2020, 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 2020 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 2020, the remuneration committee of the Board held three 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 2020, the nomination committee of the Company held two meetings, whereby Mr. Huang Xiaowen was nominated as an executive director and a candidate for vice chairman of the fifth session of the Board and a member of the sixth session of the Board of COSCO SHIPPING Holdings.

Risk Management Committee

In 2020, the risk management committee of the Board held two meetings, whereby it reviewed the evaluation report of internal control of the Company and the amendments to the rules of procedures of the Risk Management Committee. Through systematic inspection and assessment, it is of the view that COSCO SHIPPING Holdings has a relatively reasonable and effective internal control and risk management system which provides reasonable assurance to achieve the risk management 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.

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 of the Company), 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, and task accomplishment bonus, 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 of the Company to determine after consideration by the remuneration committee; task accomplishment bonus shall be determined by the accomplishment condition of the Company's annual task objectives.

The Company has adopted the Share Option Incentive Scheme in May 2019, to further refine the long-term incentive and restraining system for senior management, 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 2020:

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 2020 was published on the website of Shanghai Stock Exchange and the website of the Company on 30 March 2021.

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 2021 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
HUANG Xiaowen	China COSCO SHIPPING Corporation Limited	Deputy General Manager	January 2016	N/A
	Orient Overseas (International) Limited	Executive Director, Chief Executive Officer	August 2020	N/A
	Star Cruise International Co. Ltd (星旅郵輪國際有限公司)	Deputy Chairman	June 2019	N/A
WANG Haimin	China COSCO SHIPPING Corporation Limited	Director, Deputy Party Secretary	May 2020	N/A
	China COSCO SHIPPING Corporation Limited	Deputy General Manager	February 2019	May 2020
	Orient Overseas (International) Limited	Executive Director	August 2018	August 2020
	Orient Overseas (International) Limited	Chief Executive Officer	September 2019	August 2020
	Shanghai International Port (Group) Co., Ltd.	Director	July 2019	N/A
YANG Zhijian	China COSCO SHIPPING Corporation Limited	Staff Director	May 2019	N/A
	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
	Hainan Harbor & Shipping Holding Co., Ltd.	Director	November 2019	N/A
FENG Boming	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
	Qingdao Port International Co., Ltd.	Non-executive Director	June 2020	N/A
	COSCO SHIPPING Bulk Co., Ltd.	Director	August 2016	May 2020
	COSCO SHIPPING Development Co., Ltd.	Director	June 2016	October 2020

Name	Name of entity	Position	Date of appointment	Date of termination
	COSCO SHIPPING Energy Transportation Co., Ltd.	Director	September 2016	June 2020
	COSCO SHIPPING (Hong Kong) Co., Limited	Director	March 2016	N/A
	COSCO SHIPPING Investment Holdings Co., Ltd.	Director	March 2016	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.	Director	January 2018	N/A
	Hainan Harbor & Shipping Holding Co., Ltd.	Director	November 2019	N/A
YANG, Liang Yee Philip	Orient Overseas (International) Limited	Independent Non-executive Director	August 2018	N/A
	COSCO SHIPPING Ports Limited	Independent Non-executive Director	April 2020	N/A
TEO Siong Seng	COSCO SHIPPING Energy Transportation Co., Ltd.	Independent Non-executive Director	December 2015	N/A
YANG Shicheng	COSCO SHIPPING (Tianjin) Company Limited	Full-time External Director	June 2020	N/A
	COSCO SHIPPING Bulk Co., Ltd.	Full-time External Director	June 2020	N/A
	COSCO SHIPPING (Dalian) Co., Ltd./COSCO Shipping Ferry Co., Ltd.	Supervisor	June 2020	N/A
SONG Tao	Shanghai Pan Asia Shipping Company Limited	Party Secretary and Deputy General Manager	March 2016	N/A
DENG Huangjun	COSCO SHIPPING Ports Limited	Executive Director and Deputy General Manager	October 2015	N/A
YE Jianping	Orient Overseas Container Line Limited	Director and Member of Executive Committee	November 2015	N/A
		Chief Operation Officer	January 2020	N/A
	COSCO SHIPPING Lines Co., Ltd.	Deputy General Manager	February 2021	N/A
YAO Erxin	Orient Overseas Container Line Limited	Director and Member of Executive Committee	January 2010	September 2020
ZHANG Mingwen	Orient Overseas (International) Limited	Chief Financial Officer (CFO)	August 2018	N/A
	Orient Overseas Container Line Limited	Director, Chief Financial Officer and 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	December 2020
	CargoSmart (Hong Kong) Limited	Chief Executive Officer	January 2002	December 2020
	COSCO SHIPPING Lines Co., Ltd.	Deputy General Manager	February 2019	February 2021
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 (Petro China) Co., Ltd.	Chairman	July 2017	
	China Shipping & Sinopec Suppliers Co., Ltd.	Deputy chairman	June 2017	
	China LNG Shipping (Holdings) Limited	Chairman	July 2017	
WU Dawei	Jinlihua Electric Co., Ltd.	Independent Non-executive Director	January 2017	October 2020
	Jiangsu Zhongtian Technology Co., Ltd.	Independent Non-executive Director	June 2019	N/A
ZHOU Zhonghui	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

Name	Name of entity	Position	Date of appointment	Date of termination
MA Si-hang Frederick	Husky Energy Inc.	Non-executive Director	July 2010	N/A
	FWD Group	Independent Non-executive Director	December 2013	N/A
	New Frontier Corporation	Non-executive Director	July 2019	N/A
	Guangshen Railway Co. Ltd.	Independent Non-executive Director	June 2020	N/A
MENG Yan	Jolimark Holdings Ltd.	Independent Non-executive Director	July 2009	N/A
	Sinotrans Limited	Independent Non-executive Director	January 2019	N/A
	Beijing Bashi Media Co., Ltd.	Independent Non-executive Director	June 2017	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
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	RMB38.7215 million (before tax)

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

Name	Position	Change	Reason of change
XU Lirong	Executive Director, Chairman of the Board	Elected	General election, elected at the general meeting and the meeting of the Board
HUANG Xiaowen	Executive Director, Vice Chairman	Elected	Elected at the general meeting and the meeting of the Board
WANG Haimin	Vice Chairman and Executive Director	Resigned	Change of job arrangement
YANG Zhijian	Executive Director, General Manager	Elected	General election, elected at the general meeting and appointed at the meeting of the Board
FENG Boming	Executive Director	Elected	General election, elected at the general meeting
WU Dawei	Independent Non-executive Director	Elected	General election, elected at the general meeting
ZHOU Zhonghui	Independent Non-executive Director	Elected	General election, elected at the general meeting
TEO Siong Seng	Independent Non-executive Director	Elected	General election, elected at the general meeting
MA Si-hang Frederick	Independent Non-executive Director	Elected	Elected at the general meeting
YANG Liang Yee Philip	Independent Non-executive Director	Resigned	Six-year restriction in respect of the term of office of independent non-executive Directors
YANG Shicheng	Chairman of the Supervisory Committee and the Shareholder Supervisor	Elected	Elected at the general meeting
DENG Huangjun	Employee Supervisor	Elected	General election, elected at the employees' representative meeting
SONG Tao	Employee Supervisor	Elected	Elected at the congress of workers and staff
MENG Yan	Independent Supervisor	Elected	General election, elected at the general meeting
ZHANG Jianping	Independent Supervisor	Elected	General election, elected at the general meeting
YE Jianping	Deputy General Manager	Appointed	Appointed by the Board
ZHANG Mingwen	Chief Financial Officer	Appointed	General election, appointed at the meeting of the Board
YAO Erxin	Deputy General Manager	Resigned	Retirement
Steve SIU	Deputy General Manager	Resigned	Retirement
CHEN Shuai	Deputy General Manager	Appointed	General election, appointed at the meeting of the Board
GUO Huawei	Secretary to the Board/Company Secretary	Appointed	General election, appointed at the meeting of the Board
	General Legal Counsel	Appointed	Appointed at the meeting of the Board

Changes in Directors, Supervisors and Senior Management of the Company

1. Appointment of Directors and Changes

On 28 August 2020, the Company held the forty-fourth meeting of the 5th session of the Board and accepted WANG Haimin's resignation as vice chairman of the Board and executive Director with immediate effect. On 30 October 2020, the Company held the forty-sixth meeting of the 5th session of the Board and re-appointed Mr. XU Lirong as a candidate for executive Director of the 6th session of the Board of the Company and recommended him as a candidate for chairman of the 6th session of the Board of the Company. Mr. HUANG Xiaowen was appointed as a candidate for executive Director of the 6th session of the Board of the Company and recommended as a candidate for the vice chairman of the 6th session of the Board of the Company. Mr. YANG Zhijian and Mr. FENG Boming were re-appointed as candidates for executive Directors of the 6th session of the Board of the Company. Mr. WU Dawei, Mr. ZHOU Zhonghui and Mr. TEO Siong Seng were re-appointed as candidates for independent non-executive Director of the 6th session of the Board of the Company and Prof. MA Si-hang Frederick was appointed as a candidate of independent non-executive Director of the 6th session of the Board of the Company.

On 30 November 2020, upon approval at the 2020 first extraordinary general meeting, Mr. XU Lirong was re-appointed as an executive Director of the 6th session of the Board of the Company. Mr. HUANG Xiaowen was appointed as an executive Director of the 6th session of the Board of the Company. Mr. YANG Zhijian and Mr. FENG Boming were re-appointed as executive Directors of the 6th session of the Board of the Company. Mr. WU Dawei, Mr. ZHOU Zhonghui and Mr. TEO Siong Seng were appointed as independent non-executive Directors of the 6th session of the Board of the Company and Prof. MA Si-hang Frederick was appointed as an independent non-executive Director of the 6th session of the Board of the Company with immediate effect.

On 30 November 2020, upon approval at the first meeting of the 6th session of the Board of the Company, Mr. XU Lirong was appointed as the chairman of the 6th session of the Board of the Company and Mr. HUANG Xiaowen was appointed as the vice chairman of the 6th session of the Board of the Company with immediate effect.

Pursuant to the relevant requirements of the Articles of Association, the China Securities Regulatory Commission and the Shanghai Stock Exchange, the term of appointment of independent non-executive Directors shall be subject to a maximum of six years. Therefore, Mr. Yang, Liang Yee Philip ceased to act as an independent non-executive Director since 30 November 2020.

2. Appointment of Supervisors and Changes

On 30 October 2020, the Company held the twenty-sixth meeting of the 5th session of the supervisory committee. Mr. YANG Shicheng was nominated as the chairman of the 6th session of the supervisory committee and the candidate for shareholder representative supervisors, and Mr. MENG Yan and Mr. ZHANG Jianping were re-appointed as candidates for independent supervisors of the 6th session of the supervisory committee of the Company.

On 30 November 2020, upon approval at the employee representative meeting of the Company, Mr. DENG Huangjun was re-appointed as a Supervisor representing the employees of the 6th session of the supervisory committee of the Company and Mr. SONG Tao was appointed as a Supervisor representing the employees of the 6th session of the supervisory committee of the Company with immediate effect.

On 30 November 2020, upon approval at the 2020 first extraordinary general meeting, Mr. YANG Shicheng was appointed as Supervisor representing the employees of the 6th session of the supervisory committee of the Company, Mr. MENG Yan and Mr. ZHANG Jianping were re-appointed as independent supervisors of the 6th session of the supervisory committee of the Company. Meanwhile, upon approval at the first meeting of the 6th session of the supervisory committee of the Company, Mr. YANG Shicheng was appointed as the chairman of the supervisory committee with immediate effect.

3. Changes of Senior Management

On 28 September 2020, upon approval at the 45th meeting of the 5th session of the Board of the Company, Mr. YE Jianping was appointed as the deputy general manager of the Company and the Company also accepted the resignation of Mr. Yao Erxin as the deputy general manager of the Company with immediate effect.

On 30 November 2020, upon approval at the first meeting of the 6th session of the Board of the Company, Mr. YANG Zhijian was further appointed as the general manager of the Company, Mr. YE Jianping was further appointed as the vice general manager of the Company, Mr. ZHANG Mingwen was further appointed as the chief financial officer of the Company, Steve SIU and CHEN Shuai were further appointed as vice general manager and Mr. GUO Huawei was appointed as secretary to the Board and company secretary under the Hong Kong Listing Rules and as general legal counsel of the Company with immediate effect.

On 19 February 2021, Mr. Steve SIU voluntarily resigned as the deputy general manager of the Company due to retirement with immediate effect.

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	29,345
Total number of working staff	29,379
Number of retired staff receiving retirement benefit from the parent company and major subsidiaries	9,546
Qualification	
Class of qualification	**Number of staff**
Production	4,093
Sales	7,087
Technicians	3,342
Accounting	2,359
Administration	2,195
Other	10,303
Total	29,379
Education level	
Level of education	**Number of staff**
Secondary or below	5,267
Tertiary	7,929
Graduate	14,024
Master's degree or above	2,159
Total	29,379

(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 2020, 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	RMB0.392 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 2021

Report of Supervisory Committee

Work Report of the Supervisory Committee of COSCO SHIPPING Holdings for 2020

The Supervisory Committee conscientiously performs its duties and conducts its work proactively and diligently in accordance with the laws and regulations in the places where the Company's shares are listed, the Articles of Association, the Rules of Procedures of the Supervisory Committee and other laws. In 2020, the Company held seven meetings of the Supervisory Committee in total, including two physical meetings and five meetings by written correspondence or communication.

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 supervise 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 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 in the places where the Company's shares are listed, and have dutifully and diligently conducted the Company's operations within the relevant regulatory framework. The Supervisory Committee was not aware 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 2020 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 it 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 "2020 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 reviewed and approved the Company's revised "Rules of Procedures of the Supervisory Committee" and supervised the Company's amendments to the "Articles of Association", the "Rules of Procedures of the General Meetings", the "Rules of Procedures of the Board Meetings" and the "Rules of Procedures of Meetings of the Supervisory Committee" by attending the board meetings and the general meetings as non-voting delegates.

Report of Supervisory Committee

The Supervisory Committee conducted work investigations on the subsidiaries of the Company. From 18 to 23 October, the Company's independent supervisors went to Chongqing and Guangxi (Beihai, Qinzhou and Nanning) to investigate the Company's participation in the construction of the new western land-sea corridor, listened to the work reports of COSCO SHIPPING Lines Chongqing, COSCO SHIPPING Lines Guangxi and their affiliated companies as well as Guangxi New Corridor Container International Terminal Co., Ltd. in which COSCO SHIPPING Ports is a shareholder and conducted on-site inspections of Chongqing Guoyuan Port, Qinzhou Wharf and Qinzhou Railway Central Station to learn more about the operation of subsidiaries COSCO SHIPPING Holdings in Chongqing and Guizhou, especially the participation in the construction of the new western land-sea corridor, fully affirmed the effectiveness of the work of the local subsidiaries, highly appreciated the overall awareness, sense of responsibility and benefit displayed by the local employees, and carried out in-depth exchanges and expressed its opinions on risk prevention and control, strategic implementation, corporate culture and innovation. The corporate governance level of the Company was further improved through on-site investigations on the operation and management of relevant subsidiaries and their due diligence.

In 2021, 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.

Supervisory Committee of COSCO SHIPPING Holdings Co., Ltd.

30 March 2021

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 154 to 295, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- 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 2020, 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:

- Impairment assessment of goodwill;
- Freight revenues for vessel voyages in progress at year end;
- Operating costs accrual; and
- Provision for onerous contract for the Terminal Service Agreement ("TSA") for Long Beach Container Terminal ("LBCT");

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill *Refer to note 2(g), 2(h), 4(d) and 10 to the consolidated financial statements.*	
As at 31 December 2020, the Group had goodwill with total carrying amount of RMB5,827 million. Management tests whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2(g). 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 judgments by management such as determining revenue growth rates, operating margins and the discount rate. Changes in these assumptions may 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, operating margins and discount rate applied to the estimates of the recoverable amount. All these factors are with estimation uncertainties and may impact the results of the impairment assessment.	Our procedures in relation to management's impairment assessment of goodwill included: • obtained an understanding of the management's internal control and assessment process of impairment of goodwill and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • compared and analyzed the actual results of relevant asset during the current year against the respective forecasts in previous year to evaluate the reliability of management's historical prediction of future cash flow; • agreed the input data used by the management with supporting evidence such as financial budgets; • involved our internal valuation experts to evaluate 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 and operating margins applied by management by comparing historical performance and available market reports, where applicable; and • assessed management's sensitivity analyzes 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 of goodwill were supportable based on the evidence we gathered.

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 2(v), 4(e) and 5 to the consolidated financial statements.*	
For the year ended 31 December 2020, the Group recognized revenue of RMB171,259 million from its continuing operations, out of which RMB165,999 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 because the transaction volume of the voyages which were in progress at year end is significant and complex calculations are involved in the estimation of freight revenue on a percentage of completion basis.	Our procedures in relation to management's estimation of freight revenues for vessel voyages in progress at year end included: • obtained an understanding of management's internal control and estimation process and assessed the level of inherent risk by considering the degree of estimation uncertainty and factors such as complexity; • 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) and 30 to the consolidated financial statements.*	
As at 31 December 2020, included in the accrued expenses of RMB19,599 million was a provision for operating costs for container shipping business which mainly comprise cargo costs and voyage costs. As generally, it would take management several months to finalize certain costs with suppliers subsequent to the receipts of such services, management makes a provision at the period end for operating costs that are yet to be billed by the suppliers based on known services received, pattern of historical cost and estimated vendor tariffs etc. We focused on the estimation of provision for operating costs because it involved significant management's judgments which are subjective taking into account a number of factors, such as pattern of historical cost, completeness of services received and the estimated vendor tariffs.	Our procedures in relation to management's estimation of operating costs accrual included: • obtained an understanding of management's internal control and assessment of process for operating costs accrual, and assessed the level of inherent risk by considering the degree of estimation uncertainty and factors such as subjectivity; • 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 and discussed with management about 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 operating costs accrual were supportable based on the evidence we gathered.

Key Audit Matters (Continued)

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the Key Audit Matter</th></tr>
<tr><td colspan="2">Provision for onerous contract for the TSA for LBCT
Refer to notes 2(n), 4(i) and 27 to the consolidated financial statements.</td></tr>
<tr><td>In October 2019, Orient Overseas International Limited ("OOIL"), a subsidiary of the Company, entered into a terminal service agreement for procuring the placement of an annual minimum number of vessel lifts ("MVC") at LBCT for each of the 20 years commencing on 1 November 2019. According to the TSA, OOIL is entitled to an excess rebate or obliged to pay a deficiency payment when there is surplus or shortfall over the respective MVC for each year during the contract period.

A provision should be made for the present obligation under the TSA where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Management performed an assessment to determine if any onerous provision for the TSA is required.

As at 31 December 2020, the Group recognized a provision for onerous contract of US$348.5 million (equivalent to approximately RMB2,274.2 million) for the TSA, which is calculated using an expected value approach involving probability weighted possible scenarios taking into considerations of respective economic benefits to be received and associated fulfilment costs during the remaining contract period.

The estimation of the fulfilment costs and economic benefits over the remaining contract period involves significant judgments and assumptions including, a) the projected vessel lifts to be placed at LBCT, b) the expected amount of deficiency payment/excess rebates as stipulated in the TSA when the volume is below/in excess of the MVC, c) the amount of expected bunker costs and other operating costs and d) the expected freight rate from operating the service routes to/from LBCT.

We focused on this area because of the significance of the onerous provision as well as the estimation of it involved a high degree of uncertainty. The inherent risk in relation to the onerous contract assessment is significant due to the complexity of the calculation methodology and model and high level of subjectivity of management's judgments and assumptions made.</td><td>Our procedures in relation to the assessment of the provision for onerous contract for the TSA included:

• obtained an understanding of management's assessment process of the onerous provision for the TSA and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and factors such as complexity and subjectivity;

• evaluated the appropriateness of the identification of expected economic benefits and fulfilment cost element included in management's assessment through discussion with management and corroborated with our review of the key terms of the TSA and our understanding of the applicable accounting standard requirements;

• assessed the calculation methodology and model for onerous contract provision with the involvement of our in house specialists;

• evaluated management's projected vessel lifts for the remaining contract period under the TSA through discussion with management, referencing to market data and comparing to historical vessel lifts and trends of LBCT;

• checked management's calculation of the excess rebate or deficiency payment according to the terms in the TSA and the projected vessel lifts at LBCT;

• assessed the reasonableness of expected bunker costs with reference to market forecast and other expected operating costs and freight rate based on the approved budget, market data, and our knowledge of the business and industry;</td></tr>
</table>

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Provision for onerous contract for the TSA for LBCT (Continued) *Refer to notes 2(n), 4(i) and 27 to the consolidated financial statements.*	
	• evaluated the probability weighting applied to the possible scenarios prepared by management based on our understanding of the OOIL's business and industry as well as discussion with management and corroborated with management's sensitivity analysis on the probability weighting applied to possible scenarios; • evaluated the appropriateness and adequacy of the relevant disclosures made in the Group's consolidated financial statements. Based on the audit procedures performed, we found the calculation methodology and model, judgments and assumptions used in the estimation of the provision of onerous contract 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 is 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.

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.

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

- 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.

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, actions taken to eliminate threats or safeguards applied.

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 2021

Consolidated Balance Sheet

As At 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**102,834,477**	104,179,004
Right-of-use assets	7	**48,311,452**	35,211,071
Investment properties	8	**2,222,665**	2,328,986
Intangible assets	9	**5,008,408**	5,402,003
Goodwill	10	**5,826,764**	6,142,068
Investments in joint ventures	12	**9,138,021**	10,112,856
Investments in associates	13	**22,207,501**	20,649,708
Financial assets at fair value through other comprehensive income	15	**1,787,572**	2,097,256
Financial assets at amortized cost	17	**739,240**	1,028,432
Restricted bank deposits	20	**2,094**	396,213
Deferred income tax assets	18	**844,779**	944,463
Loans to joint ventures and associates	14	**881,028**	1,167,153
Other non-current assets	19	**158,201**	466,129
Total non-current assets		**199,962,202**	190,125,342
Current assets			
Inventories	21	**3,231,549**	4,054,417
Trade and other receivables and contract assets	22	**14,948,681**	14,784,258
Financial assets at fair value through profit or loss	16	**656,143**	1,066,819
Financial assets at amortized cost	17	**222,612**	306,157
Taxes recoverable		**55,592**	56,654
Restricted bank deposits	20	**218,964**	243,695
Cash and cash equivalents	20	**52,630,331**	49,689,784
Assets classified as held for sale	23	**–**	1,896,904
Total current assets		**71,963,872**	72,098,688
Total assets		**271,926,074**	262,224,030

The notes on pages 163 to 295 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As At 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	24	12,259,529	12,259,529
Reserves	25	31,654,337	23,100,147
		43,913,866	35,359,676
Non-controlling interests		34,783,191	33,765,561
Total equity		78,697,057	69,125,237
LIABILITIES			
Non-current liabilities			
Long-term borrowings	26	72,956,200	92,525,212
Lease liabilities	7	39,657,148	25,411,032
Provisions and other liabilities	27	2,707,714	338,514
Put option liability	28	1,472,532	1,518,793
Pension and retirement liabilities	29	450,855	429,201
Derivative financial liabilities		50,581	61,935
Deferred income tax liabilities	18	1,905,021	2,342,980
Total non-current liabilities		119,200,051	122,627,667
Current liabilities			
Trade and other payables and contract liabilities	30	44,682,765	34,233,284
Derivative financial liabilities		24,201	22,387
Short-term borrowings	26	6,130,490	16,252,030
Current portion of long-term borrowings	26	15,884,981	11,099,640
Current portion of lease liabilities	7	5,790,864	7,410,950
Current portion of provisions and other liabilities	27	25,254	26,391
Tax payables		1,490,411	1,267,185
Liabilities directly associated with assets classified as held for sale	23	–	159,259
Total current liabilities		74,028,966	70,471,126
Total liabilities		193,229,017	193,098,793
Total equity and liabilities		271,926,074	262,224,030
Net current (liabilities)/assets		(2,065,094)	1,627,562
Total assets less current liabilities		197,897,108	191,752,904

The notes on pages 163 to 295 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 154 to 295 were approved by the Board of Directors on 30 March 2021 and were signed on its behalf.

Mr. Yang Zhijian
Director

Mr. Feng Boming
Director

Consolidated Income Statement

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Continuing operations			
Revenues	5	**171,258,834**	150,540,591
Cost of services and inventories sold	31	**(147,117,042)**	(135,211,892)
Gross profit		**24,141,792**	15,328,699
Other income	32	**2,018,765**	2,322,643
Other expenses	32	**(571,619)**	(466,842)
Net impairment losses on financial assets		**(107,747)**	(19,912)
Selling, administrative and general expenses	31	**(9,906,472)**	(9,941,754)
Operating profit		**15,574,719**	7,222,834
Finance income	33	**634,269**	849,900
Finance costs	33	**(4,364,819)**	(6,073,661)
Net finance costs		**(3,730,550)**	(5,223,761)
		11,844,169	1,999,073
Share of profits less losses of			
– joint ventures	12	**655,548**	694,209
– associates	13	**1,447,992**	1,366,133
Profit before income tax from continuing operations		**13,947,709**	4,059,415
Income tax expenses	34	**(760,215)**	(978,567)
Profit for the year from continuing operations		**13,187,494**	3,080,848
Discontinued operation			
Profit for the year from discontinued operation	41	**–**	7,113,469
Profit for the year		**13,187,494**	10,194,317
Profit attributable to:			
– Equity holders of the Company		**9,927,098**	6,690,106
– Non-controlling interests		**3,260,396**	3,504,211
		13,187,494	10,194,317
Profit attributable to equity holders of the Company arising from:			
– Continuing operations		**9,927,098**	1,355,004
– Discontinued operation		**–**	5,335,102
		9,927,098	6,690,106

The notes on pages 163 to 295 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31 December 2020

	Note	2020 RMB	2019 RMB
Earnings per share attributable to equity holders of the Company:			
Basic earnings per share	36		
– From continuing operations		**0.81**	0.11
– From discontinued operation		**–**	0.44
		0.81	0.55
Diluted earnings per share	36		
– From continuing operations		**0.81**	0.11
– From discontinued operation		**–**	0.44
		0.81	0.55

The notes on pages 163 to 295 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	2020 **RMB'000**	2019 RMB'000
Profit for the year	**13,187,494**	10,194,317
Other comprehensive income/(loss)		
Items that may be reclassified to profit or loss		
Share of other comprehensive income/(loss) of joint ventures and associates, net	**63,118**	(39,364)
Cash flow hedges, net of tax	**3,443**	(6,444)
Currency translation differences	**(1,813,806)**	562,271
Items that will not be reclassified to profit or loss		
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	**(190,912)**	(57,176)
Remeasurements of post-employment benefit obligations	**(39,751)**	(64,848)
Share of other comprehensive (loss)/income of an associate	**(5,962)**	17,051
Currency translation differences	**(1,074,876)**	–
Other comprehensive (loss)/income for the year, net of tax	**(3,058,746)**	411,490
Total comprehensive income for the year	**10,128,748**	10,605,807
Total comprehensive income for the year attributable to:		
– Equity holders of the Company	**7,989,946**	6,961,455
– Non-controlling interests	**2,138,802**	3,644,352
	10,128,748	10,605,807
Total comprehensive income attributable to equity holders of the Company arising from:		
– Continuing operations	**7,989,946**	1,626,353
– Discontinued operation	**–**	5,335,102
	7,989,946	6,961,455

The notes on pages 163 to 295 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	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 2020	12,259,529	23,100,147	35,359,676	33,765,561	69,125,237
Comprehensive income					
Profit for the year	–	9,927,098	9,927,098	3,260,396	13,187,494
Other comprehensive income/(loss):					
Share of other comprehensive income of joint ventures and associates, net	–	16,740	16,740	40,416	57,156
Cash flow hedges, net of tax	–	(380)	(380)	3,823	3,443
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	–	(111,646)	(111,646)	(79,266)	(190,912)
Remeasurements of post-employment benefit obligations	–	(28,060)	(28,060)	(11,691)	(39,751)
Currency translation differences	–	(1,813,806)	(1,813,806)	(1,074,876)	(2,888,682)
Total other comprehensive loss	–	(1,937,152)	(1,937,152)	(1,121,594)	(3,058,746)
Total comprehensive income	–	7,989,946	7,989,946	2,138,802	10,128,748
Transactions with owners:					
Acquisition of additional interest in a subsidiary	–	321,900	321,900	(216,637)	105,263
Dividends declared to non-controlling shareholders of subsidiaries	–	–	–	(1,009,821)	(1,009,821)
Partial disposal of a subsidiary	-	118,123	118,123	563,447	681,570
Fair value of share options granted	–	146,595	146,595	6,473	153,068
Disposal of subsidiaries	–	–	–	(440,225)	(440,225)
Put option liability movement	–	(27,618)	(27,618)	(27,366)	(54,984)
Others	–	5,244	5,244	2,957	8,201
Total transactions with owners	–	564,244	564,244	(1,121,172)	(556,928)
Balance at 31 December 2020	12,259,529	31,654,337	43,913,866	34,783,191	78,697,057

The notes on pages 163 to 295 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	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	–	(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/(loss):					
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	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	–	(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 163 to 295 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	39(a)	**45,015,939**	20,934,070
Interest received		**634,269**	849,900
Income tax paid		**(719,652)**	(581,598)
Net cash generated from operating activities		**44,930,556**	21,202,372
Cash flows from investing activities			
Purchase of property, plant and equipment, investment properties and intangible assets		**(6,668,775)**	(11,082,749)
Acquisition of subsidiaries, net of cash acquired	42	**66,565**	(68,251)
Investments in joint ventures and associates		**(1,245,027)**	(657,353)
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)
Proceeds from disposal of property, plant and equipment, investment properties, and intangible assets		**202,635**	205,989
Cash received from disposal of investment in joint ventures and associates		**313,473**	373,815
Disposal 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		**626,033**	1,905,556
Dividends received from joint ventures		**578,406**	550,238
Dividends received from associates		**930,721**	1,215,920
Interest income from financial assets		**53,678**	146,393
Disposal of subsidiaries	23	**855,205**	12,264,698
Repayment of loan from a disposed subsidiary	23	**835,500**	–
Others		**264,273**	133,486
Net cash (used in)/generated from investing activities		**(3,187,313)**	4,028,710

The notes on pages 163 to 295 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2020

	Note	2020 RMB'000	2019 RMB'000
Cash flows from financing activities	39(b)		
Proceed from borrowings		**25,348,368**	58,071,906
Repayment of borrowings		**(45,708,362)**	(60,933,481)
Loan from an associate		**121,585**	–
Repayment of loan from an associate		**(247,048)**	–
Repayment of loan from a joint venture		**(227,982)**	(100,003)
Loans from non-controlling shareholders of a subsidiary		**–**	301,256
Repayment of loans from non-controlling shareholders of subsidiaries		**(75,794)**	(675,532)
Contributions from minority shareholders of subsidiaries		**686,306**	4,350
Dividends paid to non-controlling shareholders of subsidiaries		**(2,380,712)**	(773,789)
Issue of A shares		**–**	7,704,128
Increase in lease liabilities		**–**	689,200
Payment of lease liabilities		**(10,650,324)**	(9,090,092)
Interest paid		**(3,433,240)**	(4,857,368)
Others		**328,912**	121,560
Net cash used in financing activities		**(36,238,291)**	(9,537,865)
Net increase in cash and cash equivalents		**5,504,952**	15,693,217
– Net increase in cash and cash equivalents from continuing operations		**5,579,968**	15,986,981
– Net decrease in cash and cash equivalents from assets classified as held for sale		**(75,016)**	(293,764)
Cash and cash equivalents as at 1 January		**49,764,800**	33,206,509
Exchange differences		**(2,639,421)**	865,074
Cash and cash equivalents as at 31 December		**52,630,331**	49,764,800
– Included in cash and cash equivalents	20	**52,630,331**	49,689,784
– Included in assets classified as held for sale	23	**–**	75,016

The notes on pages 163 to 295 are an integral part of these consolidated financial statements.

Notes to the 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 Center, Central Boulevard and East Seven Road Junction, Tianjin Port Free Trade Zone, Tianjin, the PRC. The H-Shares and A-Shares of the Company are listed on the Main Board of the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange respectively.

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

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 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 2021.

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 2020 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 standards, amendments and interpretation to existing standards which are effective in 2020 and adopted by the Group

The following new standards, amendments and interpretation to existing standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2020:

Amendments to existing standards	
HKAS 1 and HKAS 8 (Amendments)	Definition of Material
HKFRS 3 (Amendment)	Definition of a Business
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Interest Rate Benchmark Reform – Phase 1
HKFRS 16 (Amendment)	COVID-19 Related Rent Concessions
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The adoption of the above new standards, amendments and interpretation to existing standards do not have a material impact on the consolidated financial statements of the Group.

2 Basic preparation and significant accounting policies (Continued)

(a) Basic of preparation (Continued)

(ii) New standards, amendments, interpretation and improvements to existing standards which have not been adopted

The following standards, amendments, interpretation and improvements 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 2021 but have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
New standards, amendments, interpretation and improvements		
Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	January 1, 2021
Accounting Guideline 5 (revised)	Revised Accounting Guideline 5 Merger	January 1, 2022
Annual improvement project	Annual improvements to HKFRSs 2018-2020	January 1, 2022
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments	January 1, 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	January 1, 2022
Amendments to HKFRS 17	Amendments to HKFRS 17	January 1, 2023
Amendments to HKAS 1	Classification of liabilities as current or non-current	January 1, 2023
HKFRS 17	Insurance contracts	January 1, 2023
Hong Kong Interpretation 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	January 1, 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

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

2 Basic preparation and significant accounting policies (Continued)

(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(h)). 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 remeasured 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.

2 Basic preparation and significant accounting policies (Continued)

(b) Group accounting (Continued)

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

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.

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 recognize 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(h)). 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 and costs". All other foreign exchange gains and losses are presented in profit or loss within "other income and other expenses".

Changes in the fair value of monetary securities denominated in foreign currency classified as financial assets are analysed 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 non-controlling 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

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:

Buildings	not exceeding 75 years
Trucks, chassis and motor vehicles	5 to 10 years
Computers, office and other equipment	3 to 30 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(h)).

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) 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 straightline basis.

Costs associated with maintaining computer software programs 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)

(f) 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.

(g) 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)

(h) 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 (cash-generating 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.

(i) 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)

(j) 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.

2 Basic preparation and significant accounting policies (Continued)

(j) Investments and other financial assets (Continued)

(iii) Measurement (Continued)

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.

- 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 expenses 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.

2 Basic preparation and significant accounting policies (Continued)

(j) Investments and other financial assets (Continued)

(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 22 for further details.

(k) 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.

(l) 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 22 for further information about the Group's accounting for trade and other receivables and contract assets and note 2(j)(iv) for a description of the Group's impairment policies.

(m) Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with financial institutions, 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.

2 Basic preparation and significant accounting policies (Continued)

(n) 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.

A provision for onerous contracts is recognized where the unavoidable costs of meeting the obligations under the contracts exceed the economic benefits expected to be received under them.

The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

The cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both:

- the incremental costs of fulfilling that contract – for example, cargo cost; and
- an allocation of other costs that relate directly to fulfilling contracts – for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others.

(o) 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)

(p) 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.

(q) 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.

(r) 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.

2 Basic preparation and significant accounting policies (Continued)

(r) Employee benefits (Continued)

(i) Post-retirement and early retirement benefit costs (Continued)

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.

2 Basic preparation and significant accounting policies (Continued)

(r) Employee benefits (Continued)

(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.

(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)

(r) 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 recognized 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 recognized 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 recognized 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)

(s) 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)

(t) 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.

(u) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

(v) 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)

(v) 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 amortized 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 containerised 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)

(v) 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 on financial assets at amortized cost and financial assets at FVPL and FVOCI calculated using the effective interest method is recognized in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(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.

(w) Leases

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.

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.

2 Basic preparation and significant accounting policies (Continued)

(w) Leases (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, 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.

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.

2 Basic preparation and significant accounting policies (Continued)

(w) Leases (Continued)

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.

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(v)). 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.

(x) 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.

(y) 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)

(z) 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.

(aa) 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)

(aa) 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.

(ab) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

(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 program 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.

(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 non-functional 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 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 2020, 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 increased/decreased by approximately RMB87,019,000 (2019: decreased/increased by approximately RMB94,556,000) and the equity as at 31 December 2020 would have increased/decreased by approximately RMB87,019,000 (2019: decreased/increased by approximately RMB94,556,000) respectively as a result of the translation of those Non-Functional Currency Items.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(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.

As at 31 December 2020, 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 RMB76,524,000 (2019: RMB129,145,000) and the equity as at 31 December 2020 would have decreased/increased by RMB76,524,000 (2019: RMB129,145,000).

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.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(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. Management does not expect significant losses from non-performance by these counterparties.

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.

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.

The Group has assessed that during the year ended 31 December 2020, other receivables have not had a significant increase in credit risk since initial recognition. Thus, a 12-month expected credit losses approach that results from possible default event within 12 months of each reporting date is adopted by management. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available.

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.

(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.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

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 2020, the Group (excluding COSCO SHIPPING Ports Limited ("COSCO SHIPPING Ports") and Orient Overseas (International) Limited ("OOIL")) had total unutilized uncommitted credit facilities of approximately RMB59,956 million from banks. The Board believes 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 Board considered 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 Board considers 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 Board believes that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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, except for derivative financial instruments, 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 2020				
Bank and other borrowings	**24,487,520**	**12,302,611**	**29,263,284**	**40,822,266**
Derivative financial instruments	**24,201**	**24,253**	**26,328**	**–**
Trade and other payables	**43,511,702**	**–**	**–**	**–**
Put option liability	**–**	**–**	**–**	**1,826,972**
Lease liabilities	**6,427,102**	**5,302,690**	**13,550,270**	**29,143,493**
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	40,382,337	–	–	–
Put option liability	–	–	–	1,953,336
Lease liabilities	8,073,270	6,780,591	9,779,069	14,721,910

3 Financial risk management (Continued)

(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.

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 2020, the net debt to equity ratio is summarized as follows:

	2020 RMB'000	2019 RMB'000
Long-term borrowings (note 26)	**88,841,181**	103,624,852
Short-term borrowings (note 26)	**6,130,490**	16,252,030
Total borrowings	**94,971,671**	119,876,882
Less: Cash and cash equivalents (note 20)	**(52,630,331)**	(49,689,784)
Net debt	**42,341,340**	70,187,098
Total equity	**78,697,057**	69,125,237
Net debt to total equity ratio	**53.8%**	101.5%

(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 2020:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVPL (note 16)				
– Equity securities	131,516	–	–	131,516
– Debt securities	524,627	–	–	524,627
Financial assets at FVOCI (note 15)	941,398	–	846,174	1,787,572
Derivative financial instruments	–	74,782	–	74,782

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 16)				
– Equity securities	262,815	–	–	262,815
– Debt securities	804,004	–	–	804,004
Financial assets at FVOCI (note 15)	1,079,399	–	1,017,857	2,097,256
Derivative financial instruments	–	84,322	–	84,322

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 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.

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

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. There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year.

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:

	Financial assets at FVOCI RMB'000
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 and 1 January 2020	1,017,857
Transfer to an associate	**(68,000)**
Fair value change	**(100,675)**
Currency translation differences	**(3,008)**
As at 31 December 2020	**846,174**

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

As at 31 December 2020, 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 meter.

– 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/book multiple method and direct market quote). The inputs are mainly price/book multiples. A discount rate of 20% is applied to computing the fair value on top of market price/book multiples.

Financial assets and liabilities approximate their carrying amounts including: trade and other receivables and contract assets, financial assets at amortized cost, 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 judgments

Estimates and judgments 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 judgments (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 2020 with all other variables held constant, the estimated depreciation expenses of container vessels and containers for the year would have been decreased by RMB576,062,000 (2019: RMB472,787,000) or increased by RMB813,295,000 (2019: RMB643,657,000) for the year ended 31 December 2020.

Had the residual values been increased/decreased by 10% from management's estimates as at 31 December 2020 with all other variables held constant, the estimated depreciation expenses of container vessels and containers for the year would have been decreased or increased by RMB149,412,000 (2019: RMB124,276,000) for the year ended 31 December 2020.

(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 was disclosed in note 10.

4 Critical accounting estimates and judgments (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, recognition of accrual 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 related 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 2020, the revenue would have been RMB483,858,000 (2019: RMB318,832,000) 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 2020, the voyage expenses would have been RMB269,956,000 (2019: RMB147,006,000) 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 terminal assets, investments in joint ventures and associates

Management determines whether terminal assets, investments in joint ventures and associates have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, according to their recoverable amounts determined by the cash-generating units based on value-in-use calculations. The determination of impairment indication requires significant judgment, and the calculations require the use of estimates which are subject to change of economic environment in future.

4 Critical accounting estimates and judgments (Continued)

(g) 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.

(h) Income taxes and withholding taxes

The Group is subject to income taxes and withholding taxes in numerous jurisdictions. Significant judgment 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 18).

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 2020 would have been increased by the same amount of RMB10,428,827,000 (2019: RMB9,241,645,000).

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 18).

4 Critical accounting estimates and judgments (Continued)

(i) Commitment to long-term service agreement

The Group's subsidiary, OOIL, entered into the TSA in October 2019 following the completion of the disposal of LBCT. According to the TSA, OOIL committed to place, or procure the placement of an annual minimum number of vessel lifts for 20 years. Failure to meet the committed volume for each of the contract year would require certain level of deficiency payment as stipulated in the TSA.

As at 31 December 2020, OOIL reassessed the expected number of vessel lifts in LBCT for each of the remaining contract years with reference to future prospects of the market and its expected load factor. Considering the prolonged COVID-19 pandemic in the USA and the uncertain vaccine efficacy, recovery of the USA economy has been affected and was expected to be continuously affected for the foreseeable future. It was expected that a slower economy growth would affect the demand/import of the USA for some time as it shall take years to recover from various pandemic impact. In addition, the pandemic also changed the cargo inflow to the USA by other means. As at 31 December 2020, with these uncertainties over such long-term period of the TSA, management reassessed that the projected vessel lifts in LBCT would grow at a smaller and slower extent compared with prior year's assessment and thus led to a shortfall on MVC over the remaining contract period.

As such, OOIL further estimated the present value of the unavoidable costs of meeting the obligations under the remaining term of the TSA (till October 2039) and the corresponding associated economic benefits in relation to the Group with reference to a) the expected number of vessel lifts; b) the expected amount of deficiency payment/ excess rebates as stipulated in the TSA when the volume is below/in excess of the MVC; c) the expected operating costs (including cargo cost, vessel and voyage costs and equipment and repositioning costs); and d) the associated income expected to be earned from operating the service routes to/from LBCT. Based on the assessment performed by management, an onerous provision of US$348.5 million (equivalent to approximately RMB2,273.9 million) (2019: nil) was recognized as at 31 December 2020.

4 Critical accounting estimates and judgments (Continued)

(i) Commitment to long-term service agreement (Continued)

OOIL applied the expected value approach considering several probability-weighted possible scenarios which included adjusting key assumptions such as volume, freight rate, bunker cost and probability applied on the scenarios. The onerous contract assessment involves a significant level of management estimates and judgment, including the future profitability generated from routes using LBCT and the expected number of vessel lifts handled in LBCT during the remaining contract term.

To the extent that the actual results differ from these estimates, the amount of provision will be differed and will affect the consolidated profit and loss account. The provision, including the estimates and assumptions contained therein, are reviewed regularly by management. The key assumptions used by management as at 31 December 2020 are as follows:

Key assumptions	**Range of possible scenarios**
Volume growth rate	-3% to +14%
Freight rate growth rate	-5% to +5%
Bunker cost	-5% to +5% on fuel oil futures
Probability applied	2% to 60%

For illustration purpose, management has performed sensitivity analysis by adjusting the probability applied to the possible scenarios. The effects for the respective sensitivity analysis, holding other factors constant, are set out below:

Sensitivity cases	**Change of onerous provision as at 31 December 2020**
Changing the most probable scenario to 100%	Decrease by approximately US$2 million (equivalent to approximately RMB13 million)
Changing the most probable scenario to 40% and second most probable scenario to 35%	Increase by approximately US$63 million (equivalent to approximately RMB411 million)
Changing the most probable scenario to 40% and third most probable scenario to 34%	Decrease by approximately US$63 million (equivalent to approximately RMB411 million)

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 tax payables 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 2020 Continuing operations Container shipping business RMB'000	Container terminal business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Income statement					
Total revenues	166,008,592	7,005,898	–	(1,755,656)	171,258,834
Comprising:					
– Inter-segment revenues	9,715	1,745,941	–	(1,755,656)	–
– Revenues (from external customers)	165,998,877	5,259,957	–	–	171,258,834
Revenues from contracts with customers:					
Over time	166,008,592	7,005,898	–	(1,755,656)	171,258,834
Segment profit	13,871,840	1,486,800	216,079	–	15,574,719
Finance income	504,020	92,984	216,079	(178,814)	634,269
Finance costs	(2,009,777)	(640,762)	(1,893,094)	178,814	(4,364,819)
Share of profits less losses of					
– joint ventures	115,787	539,742	19	–	655,548
– associates	51,026	1,342,134	54,832	–	1,447,992
Profit/(loss) before income tax	12,532,896	2,820,898	(1,406,085)	–	13,947,709
Income tax expenses	(518,927)	(241,288)	–	–	(760,215)
Profit/(loss) for the year	12,013,969	2,579,610	(1,406,085)	–	13,187,494
Gain/(loss) on disposals of property, plant and equipment, net	63,688	(19,211)	–	–	44,477
Depreciation and amortization	11,013,725	1,380,643	328	–	12,394,696
Additions to non-current assets	29,538,995	1,479,542	207	–	31,018,744

5 Revenues and segment information (Continued)

Operating segments (Continued)

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

5 Revenues and segment information (Continued)

Operating segments (Continued)

	As at 31 December 2020				
	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	**192,131,319**	**42,194,175**	**12,468,763**	**(11,400,671)**	**235,393,586**
Investments in joint ventures	**1,154,721**	**7,983,300**	**–**	**–**	**9,138,021**
Investments in associates	**1,865,154**	**20,342,347**	**–**	**–**	**22,207,501**
Loans to joint ventures and associates	**–**	**881,028**	**–**	**–**	**881,028**
Financial assets at FVOCI	**755,294**	**1,032,278**	**–**	**–**	**1,787,572**
Financial assets at FVPL	**656,143**	**–**	**–**	**–**	**656,143**
Financial assets at amortized cost	**961,852**	**–**	**–**	**–**	**961,852**
Unallocated assets					**900,371**
Total assets					**271,926,074**
Segment operating liabilities	**129,102,917**	**30,666,423**	**41,464,916**	**(11,400,671)**	**189,833,585**
Unallocated liabilities					**3,395,432**
Total liabilities					**193,229,017**

	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

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, other international region (including the Atlantic) 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	Other international region (including the Atlantic)

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 2020 RMB'000		
	Total revenues	Inter-segment revenues	External revenues
Continuing operations			
Container shipping business			
– America	49,389,714	–	49,389,714
– Europe	36,345,515	–	36,345,515
– Asia Pacific	42,465,556	–	42,465,556
– Mainland China	17,597,197	(9,715)	17,587,482
– Other international market	20,210,610	–	20,210,610
Container shipping business	166,008,592	(9,715)	165,998,877
Container terminal business, corporate and other operations			
– Mainland China	2,971,419	(921,745)	2,049,674
– Europe	3,860,136	(786,265)	3,073,871
– Asia Pacific	174,343	(37,931)	136,412
Container terminal business, corporate and other operations	7,005,898	(1,745,941)	5,259,957
Total	173,014,490	(1,755,656)	171,258,834

5 Revenues and segment information (Continued)

Geographical information (Continued)

(a) Revenues (Continued)

	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
– Asia Pacific	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

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.

5 Revenues and segment information (Continued)

Geographical information (Continued)

(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 and right-of-use assets) 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 2020 RMB'000	As at 31 December 2019 RMB'000
Unallocated	**123,536,307**	112,951,417
Remaining assets		
– Mainland China	**42,889,879**	42,187,964
– Outside mainland China	**29,281,303**	29,352,444

6 Property, plant and equipment

	Leasehold land and buildings RMB'000	Container vessels RMB'000	Terminal equipment and improvement 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 2020	16,941,138	78,591,718	9,598,729	15,145,343	390,158	1,586,375	3,000,601	125,254,062
Currency translation differences	(220,207)	(4,952,244)	26,393	(694,670)	23,375	(37,474)	(141,004)	(5,995,831)
Reclassification between categories and transfer among property, plant and equipment, investment properties, right-of-use assets and intangible assets	717,076	2,740,229	765,171	150,460	-	51,269	(1,810,716)	2,613,489
Additions	108,313	745,302	95,143	2,414,188	12,471	461,225	2,557,588	6,394,230
Acquisition of subsidiaries	-	-	-	-	110	117	-	227
Disposals	(3,766)	(82,092)	(66,706)	(476,712)	(61,890)	(217,281)	(30,389)	(938,836)
As at 31 December 2020	17,542,554	77,042,913	10,418,730	16,538,609	364,224	1,844,231	3,576,080	127,327,341
Accumulated depreciation and impairment								
As at 1 January 2020	2,947,696	13,672,820	2,958,216	569,586	228,670	698,070	-	21,075,058
Currency translation differences	(159,740)	(1,016,096)	15,887	(33,879)	14,985	4,998	-	(1,173,845)
Depreciation charge for the year (note 31)	496,017	3,176,108	567,021	825,295	22,579	317,084	-	5,404,104
Disposals	(1,604)	(78,515)	(59,923)	(405,481)	(54,079)	(212,851)	-	(812,453)
As at 31 December 2020	3,282,369	15,754,317	3,481,201	955,521	212,155	807,301	-	24,492,864
Net book value								
As at 31 December 2020	14,260,185	61,288,596	6,937,529	15,583,088	152,069	1,036,930	3,576,080	102,834,477

6 Property, plant and equipment (Continued)

	Leasehold land and buildings RMB'000	Container vessels RMB'000	Terminal equipment and improvement 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 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 among property, plant and equipment, investment properties, right-of-use assets 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	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)
Assets classified as held for sale (note 23)	(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 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 31)	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)
Assets classified as held for sale (note 23)	(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

Notes:

(a) As at 31 December 2020, container vessels with aggregate net book values of RMB34,301,439,000 (2019: RMB50,316,162,000) were secured as security for loan facilities granted by banks (note 26(i)(i)).

(b) As at 31 December 2020, certain property, plant and equipment with net book value of RMB36,221,179,000 (2019: RMB2,067,214,000) were secured as security for long-term bank borrowings (note 26(i)(i)).

(c) During the year, interest expenses of RMB48,401,000 (2019: RMB187,096,000) were capitalized in costs during the construction period (note 33).

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 2020 RMB'000	31 December 2019 RMB'000
Right-of-use assets		
Land use rights (note a)	**1,996,861**	2,050,945
Concession	**4,666,243**	4,874,997
Container vessels	**38,828,890**	25,318,408
Others	**2,819,458**	2,966,721
	48,311,452	35,211,071
Lease liabilities (note b)		
Current	**5,790,864**	7,410,950
Non-current	**39,657,148**	25,411,032
	45,448,012	32,821,982

Notes:

(a) The Group has land lease arrangement with mainland China government.

(b) The balance included lease liabilities due to related parties of RMB24,502,896,000.

7 Leases (Continued)

(ii) Right-of-use assets

	Container vessels RMB'000	Concession RMB'000	Land use rights RMB'000	Others RMB'000	Total RMB'000
Cost					
As at 1 January 2020	36,521,078	5,480,140	2,495,426	3,943,571	48,440,215
Currency translation differences	(2,195,798)	(3,478)	(12,321)	(159,152)	(2,370,749)
Reclassification between property, plant and equipment and right-of-use assets	(5,248,148)	–	2,857	(50,000)	(5,295,291)
Additions (note)	23,740,256	–	10,075	661,638	24,411,969
Acquisition of subsidiaries	–	–	–	3,554	3,554
Disposals	(168,704)	–	–	(259,986)	(428,690)
Others	–	(16,678)	–	(15,374)	(32,052)
As at 31 December 2020	52,648,684	5,459,984	2,496,037	4,124,251	64,728,956
Accumulated depreciation and impairment					
As at 1 January 2020	11,202,670	605,143	444,481	976,850	13,229,144
Currency translation differences	(362,682)	10,236	(1,090)	(27,426)	(380,962)
Reclassification between property, plant and equipment and right-of-use assets	(2,574,256)	–	–	(15,478)	(2,589,734)
Depreciation charge for the year (note 31)	5,722,228	178,362	55,785	598,318	6,554,693
Disposals	(168,166)	–	–	(227,471)	(395,637)
As at 31 December 2020	13,819,794	793,741	499,176	1,304,793	16,417,504
Net book value					
As at 31 December 2020	38,828,890	4,666,243	1,996,861	2,819,458	48,311,452

Note:

Additions to the right-of-use assets were mainly caused by the recognition of lease modification related to a vessel lease agreements to charter 74 vessels amounted to RMB22,798,786,000, from COSCO Shipping Development Co., Ltd., which is a fellow subsidiary of the Company during the year ended 31 December 2020.

7 Leases (Continued)

(ii) Right-of-use assets (Continued)

	Container vessels RMB'000	Concession RMB'000	Land use rights RMB'000	Others RMB'000	Total RMB'000
Cost					
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	(363,471)	–	–	493,260	129,789
Additions	421,848	506,817	553	612,820	1,542,038
Acquisition of subsidiaries	–	97,742	61,261	–	159,003
Disposals	(775,308)	–	–	(66,165)	(841,473)
Assets classified as held for sale (note 23)	–	–	(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	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 31)	6,011,120	161,893	61,310	523,387	6,757,710
Disposals	(224,186)	–	–	(20,660)	(244,846)
Assets classified as held for sale (note 23)	–	–	(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

	2020 RMB'000	2019 RMB'000
Cost	**2,469,575**	2,471,723
Accumulated depreciation	**(140,589)**	(99,354)
Net book value as at 1 January	**2,328,986**	2,372,369
Currency translation differences	**(137,973)**	34,982
Addition of purchase	**3,395**	4,444
Reclassification from property, plant and equipment	**60,210**	6,712
Disposal	**–**	(510)
Assets classified as held for sale (note 23)	**–**	(61,446)
Depreciation (note 31)	**(31,953)**	(27,565)
Net book value as at 31 December	**2,222,665**	2,328,986
Cost	**2,384,802**	2,469,575
Accumulated depreciation	**(162,137)**	(140,589)
Net book value as at 31 December	**2,222,665**	2,328,986

The fair value of the investment properties as at 31 December 2020 approximates their net book value. 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 Intangible assets

	Computer software RMB'000	Trademark RMB'000	Concession RMB'000	Customer relationships RMB'000	Total RMB'000
Cost	**1,691,854**	**3,037,715**	**1,813,658**	**335,011**	**6,878,238**
Accumulated depreciation and impairment	**(1,133,872)**	**–**	**(288,179)**	**(54,184)**	**(1,476,235)**
Net book value as at 1 January 2020	**557,982**	**3,037,715**	**1,525,479**	**280,827**	**5,402,003**
Currency translation differences	**(11,895)**	**(196,512)**	**17,468**	**17,943**	**(172,996)**
Additions	**136,234**	**–**	**69,135**	**–**	**205,369**
Reclassification from property, plant and equipment	**31,858**	**–**	**–**	**–**	**31,858**
Disposals	**(84,854)**	**–**	**–**	**–**	**(84,854)**
Amortization (note 31)	**(238,283)**	**–**	**(109,427)**	**(25,262)**	**(372,972)**
Net book value as at 31 December 2020	**391,042**	**2,841,203**	**1,502,655**	**273,508**	**5,008,408**
Cost	**1,670,135**	**2,841,203**	**1,799,940**	**354,485**	**6,665,763**
Accumulated amortization	**(1,279,093)**	**–**	**(297,285)**	**(80,977)**	**(1,657,355)**
Net book value as at 31 December 2020	**391,042**	**2,841,203**	**1,502,655**	**273,508**	**5,008,408**

	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	15,689	–	–	–	15,689
Disposals	(25,006)	–	(6,465)	–	(31,471)
Assets classified as held for sale (note 23)	(1,437)	–	–	–	(1,437)
Amortization (note 31)	(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

Impairment test for trademark

Trademark arose from the business acquisition of OOIL and is allocated to the Group's CGU of container shipping operation of OOIL. The impairment testing is performed annually on trademark (note 10(a)).

The Directors believe there was no impairment for the trademark as at 31 December 2020.

10 Goodwill

	2020 RMB'000	2019 RMB'000
As at 1 January	**6,142,068**	5,785,808
Acquisition of subsidiaries	**–**	276,190
Currency translation differences	**(315,304)**	80,070
As at 31 December	**5,826,764**	6,142,068

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	2020 RMB'000 Carrying amount	2019 RMB'000
Container shipping business	Container shipping operation of OOIL (note a)	**4,627,906**	4,947,999
Container terminal business	Container terminal operation of COSCO SHIPPING Ports (Spain) Holding, S.L. (note b)	**882,966**	859,915
Others		**315,892**	334,154
		5,826,764	6,142,068

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 and trademark (note 9) related to the container shipping business segment, major cash flow projections are based on forecasts using an estimated average revenue growth rate of 2.0% and average gross margin of 2.0% (2019: average revenue growth rate of 3.0%, average gross margin of 2.0%). Future cash flows are discounted at a pre-tax rate of 8.2% (equivalent to a post-tax rate of 7.6%) (2019: 8.43% (equivalent to a post-tax rate of 7.6%)).

Assuming discount rate increased by 50 basis points, it would have resulted in a decrease in headroom by RMB4,623,000,000. Considering there was still sufficient headroom based on the assessment, the Directors believe there was no impairment for the goodwill as at 31 December 2020.

(b) For goodwill related to the terminal business, forecast profitability is based on past performance and expected future changes in cost and revenues. Major CGU cash flow projections are based on financial forecasts covering a five year period using an estimated average revenue growth rate of 4.6% (2019: 3.3%) and average operating margin of 15.2% (2019: 25.4%) with cash flows beyond this period at 2.5% terminal growth rate. Future cash flows are discounted at a rate equivalent to pre-tax rate of 9.53% (2019: 10.6%).

Assuming discount rate increased by 50 basis points, impairment charge of US$29,500,000 (equivalent to approximately RMB192,485,000) would be required for the goodwill in terminals and related business segment at 31 December 2020 (2019: US$9,758,000 (equivalent to approximately RMB68,074,000)).

11 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 2020 are shown in note 46(a).

(b) Material non-controlling interests

The total non-controlling interests for the year is RMB34,783,191,000 of which RMB22,976,750,000 is for COSCO SHIPPING Ports, RMB9,930,454,000 is for OOIL.

Set out below are summarized financial information for COSCO SHIPPING Ports.

Summarized balance sheet

	COSCO SHIPPING Ports	
	2020 RMB'000	2019 RMB'000
Current		
–Assets	**10,796,916**	10,272,322
–Liabilities	**(5,964,106)**	(8,179,944)
Total current net assets	**4,832,810**	2,092,378
Non-current		
–Assets	**62,440,814**	62,813,963
–Liabilities	**(25,662,862)**	(24,687,118)
Total non-current net assets	**36,777,952**	38,126,845
Net assets	**41,610,762**	40,219,223

Summarized income statement

	COSCO SHIPPING Ports	
	2020 RMB'000	2019 RMB'000
Revenues	**6,904,740**	7,082,619
Profit before income tax from continuing operations	**2,819,345**	2,643,193
Income tax expenses	**(241,286)**	(231,337)
Post-tax profit from continuing operations	**2,578,059**	2,411,856
Other comprehensive income/(loss)	**1,944,202**	(583,705)
Total comprehensive income	**4,522,261**	1,828,151
Total comprehensive income attributable to non-controlling interests	**535,630**	215,589
Dividends paid to non-controlling interests	**149,428**	207,077

11 Subsidiaries (Continued)

(b) Material non-controlling interests (Continued)

Summarized cash flows

	COSCO SHIPPING Ports 2020 RMB'000	2019 RMB'000
Cash flows from operating activities	**2,251,186**	2,434,695
Cash flows from investing activities	**1,065,028**	(1,186,230)
Cash flows from financing activities	**(796,561)**	1,526,482
Net increase in cash and cash equivalents	**2,519,653**	2,774,947

Set out below are summarized financial information for OOIL.

Summarized balance sheet

	OOIL 2020 RMB'000	2019 RMB'000
Current		
– Assets	**25,677,678**	32,431,666
– Liabilities	**(18,075,676)**	(19,608,273)
Total net current assets	**7,602,002**	12,823,393
Non-current		
– Assets	**60,867,155**	55,544,514
– Liabilities	**(26,032,314)**	(24,518,299)
Total net non-current assets	**34,834,841**	31,026,215
Net assets	**42,436,843**	43,849,608

11 Subsidiaries (Continued)

(b) Material non-controlling interests (Continued)

Summarized income statement

	OOIL 2020 RMB'000	2019 RMB'000
Revenues	56,523,274	47,408,276
Profit before income tax from continuing operations	6,459,216	7,322,763
Income tax expenses	(137,694)	(478,336)
Post-tax profit from continuing operations	6,321,522	6,844,427
Post-tax profit from discontinued operation	–	8,234,605
Other comprehensive loss	(149,966)	(149,784)
Total comprehensive income	6,171,556	14,929,248
Total comprehensive income attributable to non-controlling interests	1,794	–
Dividends paid to non-controlling interests	–	–

Summarized cash flows

	OOIL 2020 RMB'000	2019 RMB'000
Cash flows from operating activities	13,143,426	4,545,991
Cash flows from investing activities	(4,063,100)	4,840,603
Cash flows from financing activities	(15,181,156)	(5,004,777)
Net (decrease)/increase in cash and cash equivalents	(6,100,830)	4,381,817

The information above is the amount before inter-company eliminations.

12 Investments in joint ventures

	2020 RMB'000	2019 RMB'000
Investments in joint ventures (including goodwill on acquisitions) (note a)	**8,206,533**	9,116,941
Equity loan to a joint venture (note b)	**931,488**	995,915
	9,138,021	10,112,856

Notes:

(a) The carrying amount of goodwill on acquisitions of joint ventures amounted to RMB433,912,000 (2019: RMB462,822,000), mainly represented the goodwill on acquisitions of equity interests in Shanghai Pudong International Container Terminals Limited and Asia Container Terminals Holding Limited of RMB205,110,000 (2019: RMB219,297,000) and RMB228,065,000 (2019: RMB242,737,000) respectively.

(b) The equity loan to a joint venture is unsecured, interest free and has no fixed terms of repayment.

(c) During the year, 40% equity interests in Guangxi Qinzhou International Container Terminal Co., Ltd. ("Qinzhou International Terminal") was disposed of during its injection into Guangxi Beibu Gulf International Container Terminal Co., Ltd. ("Beibu Gulf Terminal") (note 13(a)).

(d) There is no joint venture that is individually material to the Group as at 31 December 2020. 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 2020	**7,772,621**	**655,548**	**642**	**656,190**
31 December 2019	8,654,119	694,209	514	694,723

(e) The Company has no directly owned joint ventures as at 31 December 2019 and 2020. Details of the principal joint ventures as at 31 December 2020 are shown in note 46(b).

13 Investments in associates

	2020 RMB'000	2019 RMB'000
Investments in associates (including goodwill on acquisitions) (note c)	**21,913,880**	20,335,779
Equity loan	**293,621**	313,929
	22,207,501	20,649,708

Notes:

(a) In April 2020, Jiangsu Yangtze Petrochemical Co., Ltd. was disposed of at a consideration of approximately RMB250,010,000 (equivalent to approximately US$35,427,000).

In November 2020, 40% equity interests in Qinzhou International Terminal (note 12(c)) was disposed of during its injection into Beibu Gulf Terminal, together with RMB486,824,000 (equivalent to approximately US$74,626,000) cash consideration, 26% equity interests in Beibu Gulf Terminal were acquired in return.

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 of during their combination into Tianjin Port Container Terminal Co., Ltd. ("TCT") and 16.01% equity interests in TCT were acquired in return.

In December 2019, 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, in which COSCO SHIPPING Ports has significant influence, at a total consideration of RMB890,528,000 (equivalent to approximately US$129,212,000).

In December 2019, Nanjing Port Longtan Container Co., Ltd. was disposed of at a consideration of approximately RMB366,123,000 (equivalent to approximately US$52,273,000)

(b) Qingdao Port International Co., Ltd. ("QPI"), Sigma Enterprises Limited ("Sigma") and Wattrus Limited ("Wattrus") and their subsidiary companies (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 2020, the quoted market price of the Group's interest in QPI amounted to US$1,202,436,000 (equivalent to approximately RMB7,845,775,000) (2019: US$: 854,258,000 (equivalent to approximately RMB5,959,475,000)).

Set out below are the summarized consolidated financial information for QPI as at and for the year ended 31 December 2020 and 2019, after fair-value adjustments upon acquisition, which is accounted for using the equity method:

Summarized consolidated balance sheet

	QPI	
	2020 RMB'000	2019 RMB'000
Non-current assets	**38,140,605**	32,868,869
Current assets	**18,969,300**	19,894,134
Non-current liabilities	**(5,576,578)**	(8,256,102)
Current liabilities	**(14,792,594)**	(10,909,542)

13 Investments in associates (Continued)

Notes: (Continued)

(b) (Continued)

Summarized consolidated statement of comprehensive income

	QPI 2020 RMB'000	2019 RMB'000
Revenues	13,219,414	12,164,084
Profit attributable to equity holders for the year	3,841,860	3,790,145
Group's share of profits of the associate	729,710	651,377

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 2020 RMB'000	2019 RMB'000
Attributable to equity holders		
Opening net assets	30,342,138	26,982,705
Profit for the year	3,841,860	3,790,145
Other comprehensive income	104,631	48,975
Capital injection	–	454,376
Other reserve for the year	(7,680)	1,533,139
Dividends	(1,300,166)	(2,464,669)
Exchange difference	15,610	(2,533)
Closing net assets	32,996,393	30,342,138
Interest in the associate at 18.46% to 19.79% (2019: 17.12% to 18.46%)	6,490,370	5,606,116
Fair value adjustment	610,280	632,595
Goodwill	1,455,731	1,472,369
Carrying amount	8,556,381	7,711,080

13 Investments in associates (Continued)

Notes: (Continued)

(b) (Continued)

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	
	2020	2019
	RMB'000	RMB'000
Non-current assets	**23,521,025**	25,800,213
Current assets	**5,889,636**	6,720,390
Non-current liabilities	**(811,306)**	(1,864,173)
Current liabilities	**(3,153,164)**	(3,735,057)

Summarized statement of comprehensive income

	Sigma and Wattrus Group	
	2020	2019
	RMB'000	RMB'000
Revenues	**6,548,907**	6,643,723
Profit attributable to equity holders for the year	**1,614,121**	1,733,462
Group's share of profits of associates	**331,702**	356,227

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	
	2020	2019
	RMB'000	RMB'000
Capital and reserves attributable to equity holders	**19,061,628**	20,258,752
Group's effective interest	**20.55%**	20.55%
Group's share of capital and reserves attributable to equity holders	**3,917,165**	4,163,173
Adjustment to cost of investment	**305,757**	326,905
Carrying amount	**4,222,922**	4,490,078

13 Investments in associates (Continued)

Notes: (Continued)

(c) The carrying amount of goodwill on acquisitions of associates amounted to RMB1,903,646,000 (2019: RMB1,938,344,000), 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") and Wattrus of RMB1,455,731,000 (2019: RMB1,472,369,000), RMB134,863,000 (2019: RMB144,191,000), RMB108,467,000 (2019: RMB115,972,000), RMB113,507,000 (2019: RMB110,545,000), RMB49,087,000 (2019: RMB52,482,000) respectively.

(d) The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interest 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
2020	**7,230,931**	**386,580**	**(2,665)**	**383,915**
2019	6,196,277	358,529	103	358,632

(e) The Company had no directly owned associates as at 31 December 2019 and 2020. Details of the principal associates as at 31 December 2020 are shown in note 46(c).

14 Loans to joint ventures and associates

	2020 RMB'000	2019 RMB'000
Loans to joint ventures (note a)	**151,495**	161,235
Loans to associates (note b)	**729,533**	1,005,918
	881,028	1,167,153

Notes:

(a) Balances as at 31 December 2020 were unsecured and interest bearing at the rate of 2.1% above Hong Kong Interbank Offered Rate ("HIBOR") per annum quoted in respect of a one month's period, and is repayable on or before March 2023.

(b) Loans to associates mainly included a balance of RMB674,093,000 (2019: RMB656,502,000), which is unsecured, bearing interest at the aggregate of 2.0% per annum and EURIBOR (2019: the aggregate of 2.0% per annum and EURIBOR), and is repayable in 2024.

Balance of RMB311,955,000 (2019: RMB264,789,000) is unsecured, bears interest at the aggregate of 3.75% per annum and EURIBOR (2019: the aggregate of 3.75% per annum and EURIBOR), and is repayable in 2021. The balance was reclassified as current as at 31 December 2020 (note 22(d)).

These balances are all denominated in EURO.

15 Financial assets at fair value through other comprehensive income

Financial assets at FVOCI comprise the following investments in listed and unlisted equity:

	2020 RMB'000	2019 RMB'000
Non-current assets		
Listed securities (note a)	**941,398**	1,079,399
Unlisted investments (note b)	**846,174**	1,017,857
	1,787,572	2,097,256

Notes:

(a) Listed securities 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 was pledged as security for banking facilities granted to COSCO SHIPPING Ports (note 26(i)(v)). The loan has been repaid in 2020.

(d) Financial assets at FVOCI are denominated in the following currencies:

	2020 RMB'000	2019 RMB'000
RMB	**1,733,415**	2,034,003
HKD	**48,467**	57,930
EURO	**5,494**	5,323
Others	**196**	–
	1,787,572	2,097,256

15 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)

(e) Movement of the financial assets at FVOCI during the year is as follows:

	2020 RMB'000	2019 RMB'000
As at 1 January	**2,097,256**	2,083,638
Addition	**–**	68,000
Disposal	**–**	(5,572)
Fair value loss recognized in equity	**(234,516)**	(52,181)
Transfer to an associate	**(68,000)**	–
Currency translation differences	**(7,168)**	3,371
As at 31 December	**1,787,572**	2,097,256

(f) Financial assets at fair value through other comprehensive income includes the following classes of financial assets:

	2020 RMB'000	2019 RMB'000
Listed securities in the PRC	**941,398**	1,079,399
Unlisted investments	**846,174**	1,017,857
	1,787,572	2,097,256

16 Financial assets at fair value through profit or loss

Financial assets at FVPL include the following:

	2020 RMB'000	2019 RMB'000
Listed equity securities		
– China Hong Kong	**118,042**	206,684
– Overseas	**13,474**	56,131
Market value of listed equity securities	**131,516**	262,815
Listed debt securities		
– China Hong Kong	**402,012**	516,026
– Overseas	**122,615**	287,978
Market value of listed debt securities	**524,627**	804,004
Total	**656,143**	1,066,819

Notes:

As at 31 December 2020, the carrying amounts of the Group's financial assets at fair value through profit or loss are mainly denominated in US dollar.

The credit quality of listed debt securities by reference to Standard & Poor's and/or Moody's credit ratings is as follows:

	2020 RMB'000	2019 RMB'000
A	**121,996**	202,938
BBB	**222,309**	358,204
BB	**45,733**	48,624
Non-ranking	**134,589**	194,238
	524,627	804,004

The fair value of all listed equity securities and debt securities are based on their current bid prices in active markets.

17 Financial assets at amortized cost

Financial assets at amortized cost include the following:

	2020 RMB'000	2019 RMB'000
Listed debt securities		
– China Hong Kong	277,292	602,472
– Overseas	684,560	732,117
	961,852	1,334,589
Less: Current portion included in current assets	(222,612)	(306,157)
	739,240	1,028,432
Market value	1,030,353	1,390,392

Movements in other financial assets at amortized cost are as follows:

	2020 RMB'000	2019 RMB'000
Balance at beginning of year	1,334,589	1,530,208
Currency translation adjustments	(69,850)	22,532
Redemptions on maturity	(302,859)	(233,239)
Amortization	(28)	(489)
Reversal of impairment	–	15,577
Balance at end of year	961,852	1,334,589

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:

	2020 RMB'000	2019 RMB'000
AA	5,214	5,574
A	419,773	524,799
BBB	536,865	748,393
Non-ranking	–	55,823
	961,852	1,334,589

18 Deferred income tax assets/(liabilities)

Deferred income tax is calculated in full on temporary differences under the liability method using taxation rates ranging from 5% to 35% for the year (2019: 3% to 46%)

The movement on the net deferred tax (liabilities)/assets is as follows:

	2020 RMB'000	2019 RMB'000
As at beginning of year, as previously reported	(1,398,517)	(925,100)
Change in accounting policy	–	250
As at 1 January	(1,398,517)	(924,850)
Currency translation differences	118,139	(39,425)
Charged to consolidated income statement	179,927	(136,139)
Acquisition of subsidiaries	(504)	(296,182)
Credited/(charged) to other comprehensive income	40,713	(1,921)
As at 31 December	(1,060,242)	(1,398,517)

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 2020, the Group had tax losses of RMB32,309,179,000 (2019: RMB33,456,047,000) 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 RMB30,964,672,000 (2019: RMB32,905,785,000) will expire through year 2025 (2019: year 2024) and an amount of RMB1,344,507,000 (2019: RMB550,262,000) has no expiry date.

As at 31 December 2020, the unrecognized deferred income tax liabilities were RMB10,428,828,000 (2019: RMB9,241,645,000), 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 2020 amounted to RMB49,339,359,000 (2019: RMB43,849,559,000).

18 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 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)
(Charged)/credited to consolidated income statement	(168,888)	61,841	(42,014)	29,385	(119,676)
Acquisition of subsidiaries	–	(306,301)	–	–	(306,301)
Credited to other comprehensive income	–	–	(4,995)	–	(4,995)
As at 31 December 2019 and 1 January 2020	(872,995)	(1,313,380)	(297,288)	(36,972)	(2,520,635)
Currency translation differences	**251,150**	**28,530**	**(10,704)**	**(8,379)**	**260,597**
Credited to consolidated income statement	**76,898**	**30,578**	**–**	**16,992**	**124,468**
Acquisition of subsidiaries	**–**	**(504)**	**–**	**–**	**(504)**
Credited to other comprehensive income	**–**	**–**	**30,604**	**–**	**30,604**
As at 31 December 2020	**(544,947)**	**(1,254,776)**	**(277,388)**	**(28,359)**	**(2,105,470)**

18 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 2019	628,610	20,614	6,011	405,484	1,060,719
Currency translation differences	39,419	–	160	25,090	64,669
(Charged)/credited to consolidated income statement	(17,172)	13,046	19	(12,356)	(16,463)
Acquisition of subsidiaries	7,374	–	–	2,745	10,119
Credited to other comprehensive income	–	–	–	3,074	3,074
As at 31 December 2019 and 1 January 2020	658,231	33,660	6,190	424,037	1,122,118
Currency translation differences	**(194,434)**	**1,514**	**(363)**	**50,825**	**(142,458)**
Credited to consolidated income statement	**19,996**	**10,339**	**4,697**	**20,427**	**55,459**
Credited to other comprehensive income	**–**	**–**	**–**	**10,109**	**10,109**
As at 31 December 2020	**483,793**	**45,513**	**10,524**	**505,398**	**1,045,228**

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 2020, deferred income tax assets and deferred income tax liabilities amounted to RMB200,449,000 were offset (2019: RMB177,655,000).

18 Deferred income tax assets/(liabilities) (Continued)

The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2020 RMB'000	2019 RMB'000
Deferred income tax assets		
Deferred income tax assets to be recovered after more than 12 months	**538,938**	629,920
Deferred income tax assets to be recovered within 12 months	**305,841**	314,543
	844,779	944,463
Deferred income tax liabilities		
Deferred income tax liabilities to be settled after more than 12 months	**(1,587,702)**	(1,877,220)
Deferred income tax liabilities to be settled within 12 months	**(317,319)**	(465,760)
	(1,905,021)	(2,342,980)
Deferred income tax liabilities, net	**(1,060,242)**	(1,398,517)

19 Other non-current assets

	2020 RMB'000	2019 RMB'000
Deposits	**49,469**	239,421
Prepayment for vessels construction	**1,842**	80,793
Others	**106,890**	145,915
	158,201	466,129

20 Cash and cash equivalents

	2020 RMB'000	2019 RMB'000
Restricted bank deposits (note a)	**221,058**	639,908
Balances placed with COSCO Shipping Finance Co., Ltd. ("COSCO SHIPPING Finance") (note b)	**17,435,140**	12,388,613
Bank balances and cash	**35,195,191**	37,301,171
Total bank deposits and cash and cash equivalents (note c)	**52,851,389**	50,329,692
Less:		
Restricted bank deposits		
– current	**(218,964)**	(243,695)
– non-current	**(2,094)**	(396,213)
Cash and cash equivalents	**52,630,331**	49,689,784

Notes:

(a) Restricted bank deposits are mainly held as security for borrowings and bank guarantees and facilities (note 26(i)(iv)).

(b) COSCO SHIPPING Finance is a finance company owned by COSCO SHIPPING and balances placed with COSCO SHIPPING 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:

	2020 RMB'000	2019 RMB'000
US dollar	**36,618,996**	38,775,418
RMB	**10,541,592**	7,622,724
EURO	**2,072,079**	1,879,917
HK dollar	**662,644**	342,725
Other currencies	**2,956,078**	1,708,908
	52,851,389	50,329,692

(d) The effective interest rates on time deposits as at 31 December 2020 were in the range of 0.75% to 3.80% per annum (2019: 1.48% to 4.00% per annum). The deposits earn interests at floating rates based on prevailing market rates.

21 Inventories

	2020 RMB'000	2019 RMB'000
Bunkers, voyage supplies, consumables and others	**3,231,549**	4,054,417

22 Trade and other receivables and contract assets

	2020 RMB'000	2019 RMB'000
Trade receivables (note a)		
– third parties	8,994,149	7,919,573
– fellow subsidiaries	194,441	151,727
– joint ventures	15,465	14,732
– other related companies	105,993	130,904
	9,310,048	8,216,936
Bills receivables (note a)	251,799	297,657
Contract assets (note a)	254,798	179,273
	9,816,645	8,693,866
Prepayments, deposits and other receivables		
– third parties (note b)	4,055,385	5,297,465
– fellow subsidiaries (note d)	470,727	307,239
– joint ventures (note d)	187,676	342,862
– associates (note d)	403,072	114,269
– other related companies (note d)	15,176	28,557
	5,132,036	6,090,392
Total	14,948,681	14,784,258

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 2020, the aging analysis of trade and bills receivables and contract assets on the basis of the date of relevant invoice or demand note is as follows:

	2020 RMB'000	2019 RMB'000
1-3 months	9,596,714	8,450,346
4-6 months	309,743	229,422
7-12 months	91,185	143,048
Over 1 year	200,706	191,866
Trade and bills receivables and contract assets, gross	10,198,348	9,014,682
Less: provision for impairment	(381,703)	(320,816)
	9,816,645	8,693,866

22 Trade and other receivables and contract assets (Continued)

Notes: (Continued)

(a) (Continued)

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.

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 2020 or 31 December 2019 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 and contract assets are as follows:

	2020 RMB'000	2019 RMB'000
As at 1 January	**320,816**	291,523
Provision for trade receivables and contract assets impairment	**136,277**	50,596
Trade receivables and contract assets written off during the year as uncollectible	**(16,897)**	(13,209)
Reversal of provision	**(36,965)**	(11,983)
Transfer to assets classified as held for sale	**–**	(1,542)
Currency translation differences	**(21,528)**	5,431
As at 31 December	**381,703**	320,816

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

	2020 RMB'000	2019 RMB'000
Prepayments and deposits	**1,721,749**	2,922,108
Claims receivables	**58,977**	64,739
Other receivables less provision (note c)	**2,274,659**	2,310,618
	4,055,385	5,297,465

22 Trade and other receivables and contract assets (Continued)

Notes: (Continued)

(c) Movements on the provision for impairment of other receivables are as follows:

	2020 RMB'000	2019 RMB'000
As at 1 January	**67,195**	70,256
Provision for receivable impairment	**11,050**	588
Receivables written off during the year as uncollectible	**(4,098)**	–
Reversal of provision	**(2,614)**	(3,713)
Currency translation differences	**(608)**	64
As at 31 December	**70,925**	67,195

(d) As at 31 December 2020, balance of US$47,810,000 (equivalent to approximately RMB311,955,000) is unsecured, bears interest at the aggregate of 3.75% per annum above EURIBOR, and is repayable in 2021 (note 14(b)).

Other amounts due from related companies are unsecured, interest free and have no fixed terms of repayment.

As at 31 December 2019, balance of US$784,000 (equivalent to approximately RMB5,116,000) is secured, denominated in EURO, bears interest at 5.5% per annum above 3 months EURIBOR and is repayable with twelve months. The balance had been settled in 2020.

(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:

	2020 RMB'000	2019 RMB'000
US dollar	**6,521,706**	5,289,351
EURO	**2,215,014**	2,052,122
RMB	**1,892,414**	2,207,903
HK dollar	**285,432**	441,592
Other currencies	**2,057,568**	1,691,909
	12,972,134	11,682,877

(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 receivables mentioned above. The Group does not hold any collateral as security.

23 Assets classified as held for sale/liabilities directly associated with assets classified as held for sale

On 18 September 2019, COSCO SHIPPING Ports entered into agreements in respect of the disposal 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 RMB316,039,000 (equivalent to approximately US$45,772,000) and RMB380,774,000 (equivalent to approximately US$55,148,000) respectively. Accordingly, assets and liabilities of the disposal entities were reclassified as assets classified as held for sale and liabilities directly associated with asset classified as held for sale as at 31 December 2019.

	31 December 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 asset	86,323
Trade and other receivables and contract assets	59,632
Cash and cash equivalents	75,016
Other assets	68,456
	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
	159,259

The disposal was completed on 10 February 2020. The aggregate sum of payables owing to COSCO SHIPPING Ports by the disposed entities of approximately US$29,967,000 were also transferred to SIPG (HK) on the same day at the same consideration. Upon completion of the disposal, CP (Yangzhou), Yangzhou Yuanyang Terminal, Win Hanverky and Zhangjiagang Terminal ceased to be subsidiaries of COSCO SHIPPING Ports. The disposal resulted in an after-tax gain of US$61,472,000 (equivalent to approximately RMB432,271,000).

23 Assets classified as held for sale/liabilities directly associated with assets classified as held for sale (Continued)

	10 February 2020 RMB'000
Cash consideration and repayment of payables owing to COSCO SHIPPING Ports	920,407
Net assets dispose of:	
Assets classified as held for sale	(1,905,953)
Less:	
– Liabilities directly associated with assets classified as held for sale	168,550
– Loan to a former subsidiary	835,500
– Non-controlling interest	448,618
	(453,285)
	467,122

	2020 RMB'000
Release of reserve upon disposal of subsidiaries	33,205
Gain on disposal of subsidiaries	500,327
Taxation	(68,056)
Gain on disposal of subsidiaries, net	432,271
Net cash inflow arising from disposal	
Cash consideration and repayment of payables owing to COSCO SHIPPING Ports	920,407
Cash and cash equivalents disposed	(65,202)
Disposal of subsidiaries, net of cash disposed	855,205

24 Share capital and equity linked benefits

(a) Share capital

	As at 31 December 2020		As at 31 December 2019	
	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	**9,678,929**	**9,678,929**	9,678,929	9,678,929
	12,259,529	**12,259,529**	12,259,529	12,259,529

(b) Share options of the Company

The Company operates share option schemes whereby options are granted to eligible employees 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 2020. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

Pursuant to a resolution dated on 30 May 2019, the Company adopted 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.

Pursuant to a resolution dated on 29 May 2020, the Company adopted a share option scheme (the "2020 Share Option Scheme"). The purposes of the 2020 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 and 2020 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.

24 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 2020 and 2019 are set out below:

			Year ended 31 December 2020 Number of share options				
Date of grant	**Exercisable period**	**Exercise price**	**Outstanding as at 1 January 2020**	**Granted during the year**	**Exercised during the year**	**Forfeited during the year**	**Outstanding as at 31 December 2020**
03 June 2019	Note (i)	RMB4.10	**190,182,200**	**–**	**–**	**–**	**190,182,200**
29 May 2020	Note (ii)	RMB3.50	**–**	**16,975,200**	**–**	**–**	**16,975,200**
			190,182,200	**16,975,200**	**–**	**–**	**207,157,400**

			Year ended 31 December 2019 Number of share options				
Date of grant	Exercisable period	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%.

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.

24 Share capital and equity linked benefits (Continued)

(b) Share options of the Company (Continued)

Notes: (Continued)

(ii) The share options were granted on 29 May 2020 under the 2020 Share Option Scheme at an exercise price of RMB3.50. According to the provisions of the 2020 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%.

On 7 July 2020, the Company completed the registration in respect the grant of the Share Option of 16,975,200 share options. For details, please refer to the overseas regulatory announcement of the Company dated 8 July 2020.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2020		2019	
	Average exercise price per share RMB	**Number of share options**	Average exercise price per share RMB	Number of share options
As at 1 January	**4.10**	**190,182,200**	–	–
Granted during the year	**3.50**	**16,975,200**	4.10	190,182,200
As at 31 December	**4.05**	**207,157,400**	4.10	190,182,200

(iii) No outstanding options were vested and exercisable as at 31 December 2020. 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 and 2020 Share Option Scheme during the year 2020.

24 Share capital and equity linked benefits (Continued)

(b) Share options of the Company (Continued)

Notes: (Continued)

(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 2020)	2.00	4.82	4.10	41.57%	3.83 years	0%	3.11%
Granted on 29 May 2020 – 16,975,200 share options (outstanding as at 31 December 2020)	0.85	3.19	3.50	35.20%	3.83 years	0%	2.33%

24 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 2020 and 2019 are set out below:

Date of grant	Note	Exercise price	Year ended 31 December 2020 Number of share options Outstanding as at 1 January 2020	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited during the year	Outstanding as at 31 December 2020
19 June 2018	Note (i)(ii)	HK$7,27	50,265,350	–	–	–	(1,853,715)	48,411,635
29 November 2018	Note (i)(ii)	HK$8.02	851,966	–	–	–	(246,995)	604,971
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
			53,905,904	–	–	–	(2,100,710)	51,805,194

Date of grant	Note	Exercise price	Year ended 31 December 2019 Number of share options 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

24 Share capital and equity linked benefits (Continued)

(c) Share options of a subsidiary (Continued)

Notes:

(i) 16,439,893 options were vested and exercisable as at 31 December 2020 (2019: 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. 33.3%, 33.3% and 33.4%.

(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. 33.3%, 33.3% and 33.4%.

(iv) No share options were exercised under the 2018 Share Option Scheme during the year (2019: Nil).

(v) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2020		2019	
	Average exercise price per share HK$	**Number of share options**	Average exercise price per share HK$	Number of share options
As at 1 January	**7.31**	**53,905,904**	7.28	52,267,914
Granted during the year	**–**	**–**	7.78	2,788,588
Forfeited during the year	**7.36**	**(2,100,710)**	7.27	(1,150,598)
As at 31 December	**7.31**	**51,805,194**	7.31	53,905,904

25 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)/ Retained profits RMB'000	Total RMB'000
Balance at 1 January 2020	38,605,593	1,970	(4,330,202)	(204,853)	254,123	(4,073,551)	(7,152,933)	23,100,147
Comprehensive (loss)/income								
Profit for the year	–	–	–	–	–	–	9,927,098	9,927,098
Other comprehensive (loss)/income								
Share of other comprehensive (loss)/income of joint ventures and associates	–	–	(3,581)	–	–	20,321	–	16,740
Cash flow hedges, net of tax	–	–	–	–	(380)	–	–	(380)
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	(111,646)	–	–	(111,646)
Remeasurements of post-employment benefit obligations	–	–	(28,060)	–	–	–	–	(28,060)
Currency translation differences	–	–	–	–	–	(1,813,806)	–	(1,813,806)
Total other comprehensive loss	–	–	(31,641)	–	(112,026)	(1,793,485)	–	(1,937,152)
Total comprehensive (loss)/income for the year ended 31 December 2020	–	–	(31,641)	–	(112,026)	(1,793,485)	9,927,098	7,989,946
Total contributions by and distributions to owners of the Company recognized directly in equity:								
Acquisition of additional interest in a subsidiary	321,900	–	–	–	–	–	–	321,900
Partial disposal of a subsidiary	118,123	–	–	–	–	–	–	118,123
Fair value of share options granted	146,595	–	–	–	–	–	–	146,595
Transfer from retained earnings to capital of subsidiaries	522,346	–	–	–	–	–	(522,346)	–
Put option liability movement	–	–	–	–	–	–	(27,618)	(27,618)
Others	5,244	–	–	–	–	–	–	5,244
Total contributions by and distributions to owners of the Company	1,114,208	–	–	–	–	–	(549,964)	564,244
Balance at 31 December 2020	39,719,801	1,970	(4,361,843)	(204,853)	142,097	(5,867,036)	2,224,201	31,654,337

25 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 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	–	–	–	–	–	–	(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

25 Reserves (Continued)

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 2020 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, 2007 and 2019.

26 Borrowings

	2020 RMB'000	2019 RMB'000
Long term borrowings		
Bank loans		
– secured (note i)	25,516,143	34,824,611
– unsecured (note j)	43,300,773	43,755,564
Loans from COSCO SHIPPING Finance		
– secured	44,800	56,800
Notes/bonds (note b)	13,449,759	18,008,308
Loans from non-controlling shareholders of a subsidiary (note c)	4,806	3,369
Loan from COSCO Shipping (Hong Kong) Co., Ltd.		
– unsecured	6,524,900	6,976,200
Total long-term borrowings	88,841,181	103,624,852
Current portion of long-term borrowings	(15,884,981)	(11,099,640)
	72,956,200	92,525,212
Short term borrowings		
Discounted bills		
– secured	653,000	–
Bank loans		
– unsecured	1,627,490	11,247,030
Loans from COSCO SHIPPING Finance		
– unsecured	1,850,000	3,100,000
Other loans		
– unsecured	–	405,000
Notes/bonds (note b)	2,000,000	1,500,000
	6,130,490	16,252,030

26 Borrowings (Continued)

Notes:

(a) As at 31 December 2020, the long-term borrowings were repayable as follows:

	2020 RMB'000	2019 RMB'000
Bank loans		
– within one year	**5,363,019**	6,109,699
– in the second year	**10,306,571**	6,354,222
– in the third to fifth years	**21,320,218**	27,895,287
– after the fifth year	**31,827,108**	38,220,967
	68,816,916	78,580,175
Loans from COSCO SHIPPING Finance		
– in the second year	**12,000**	12,000
– in the third to fifth years	**32,800**	36,120
– after the fifth year	**–**	8,680
	44,800	56,800
Notes/bonds (note b)		
– within one year	**3,997,062**	4,989,941
– in the second year	**–**	3,993,857
– in the third to fifth years	**9,452,697**	9,024,510
	13,449,759	18,008,308
Loans from non-controlling shareholders of subsidiaries		
– in the third to fifth years	**4,806**	3,369
	4,806	3,369
Loan from COSCO Shipping (Hong Kong) Co., Ltd.		
– within one year	**6,524,900**	–
– in the second year	**–**	6,976,200
	6,524,900	6,976,200
	88,841,181	103,624,852

26 Borrowings (Continued)

Notes: (Continued)

(b) Details of the notes as at 31 December 2020 are as follows:

	2020 RMB'000	2019 RMB'000
Principal amount	**15,482,370**	19,569,060
Discount on issue	**(90,939)**	(91,860)
Notes/bonds issuance cost	**(52,808)**	(66,773)
Proceeds received	**15,338,623**	19,410,427
Currency translation differences	**18,924**	27,631
Accumulated amortized amounts of		
– discount on issue	**62,382**	40,265
– notes/bonds issuance cost	**29,830**	29,985
	15,449,759	19,508,308

(i) Notes issued by the Company

Notes with principal amount of RMB4,000,000,000, RMB1,000,000,000 and RMB2,000,000,000, which bear interest at a fixed rate of 4.05%, 2.50% and 1.63% per annum, were issued by the Company to investors on 22 November 2018, 20 May 2020 and 20 August 2020 respectively at a price equal to the principal amount. The notes with principal amount of RMB4,000,000,000, RMB1,000,000,000 and RMB2,000,000,000 would mature on 22 November 2021, 20 May 2023 and 16 February 2021 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 RMB6,524,900,000). 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 RMB1,957,470,000) were issued by a subsidiary of COSCO SHIPPING Ports 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 (equivalent to approximately RMB12,810,180). 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 COSCO SHIPPING Ports and listed on The Stock Exchange of Hong Kong limited.

Unless previously redeemed or repurchased by COSCO SHIPPING Ports, 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 COSCO SHIPPING Ports at any time in the event of certain changes affecting the taxes of certain jurisdictions.

26 Borrowings (Continued)

Notes: (Continued)

(c) As at 31 December 2020, balance of US$737,000 (equivalent to approximately RMB4,806,000) (2019: US$484,000 (equivalent to approximately RMB3,369,000)) from non-controlling shareholders of a subsidiary was unsecured, bore interest ranging at 3% (2019: 3%) above the 6 months EURIBOR, and repayable on or before July 2023 (2019: July 2023).

(d) 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 2020				
Total borrowings	**15,884,981**	**41,129,092**	**31,827,108**	**88,841,181**
As at 31 December 2019				
Total borrowings	11,099,642	54,295,563	38,229,647	103,624,852

(e) The effective interest rates per annum as at 31 December 2020 were as follows:

		2020		
	US dollar	**RMB**	**EURO**	**HKD**
Bank loans	**0.98% to 2.94%**	**2.0% to 5.54%**	**0.7% to 2.5%**	**3.55%**
Loans from COSCO SHIPPING Finance	**–**	**2.5% to 4.4%**	**–**	**–**
Notes/bonds	**4.0% to 4.4%**	**1.6% to 4.4%**	**–**	**–**
Loans from COSCO Shipping (Hong Kong) Co., Ltd.	**3.8%**	**–**	**–**	**–**

		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 COSCO SHIPPING Finance	–	3.6% to 4.0%	–	–
Notes/bonds	4.0% to 4.4%	2.5% to 4.4%	–	–
Loans from COSCO Shipping (Hong Kong) Co., Ltd.	3.8%	–	–	–

As at 31 December 2020, balance of RMB63,446,922,000 (2019: RMB69,215,164,000) of bank loans bore floating interest rates.

26 Borrowings (Continued)

Notes: (Continued)

(f) The carrying amounts and fair values of the long-term borrowings are as follows:

	Carrying amounts		Fair values	
	2020 **RMB'000**	2019 RMB'000	**2020** **RMB'000**	2019 RMB'000
Bank loans	**68,816,916**	78,580,175	**68,563,019**	78,327,197
Loans from COSCO SHIPPING Finance	**44,800**	56,800	**44,800**	56,800
Notes/bonds	**13,449,759**	18,008,308	**13,447,873**	18,021,676
Loan from a non-controlling shareholder of a subsidiary	**4,806**	3,369	**4,806**	3,369
Loan from COSCO Shipping (Hong Kong) Co., Ltd.	**6,524,900**	6,976,200	**6,524,900**	6,976,200
	88,841,181	103,624,852	**88,585,398**	103,385,242

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.

(g) The carrying amounts of short-term bank loans approximate their fair values.

(h) The carrying amounts of the long-term borrowings and short-term borrowings are denominated in the following currencies:

	2020 **RMB'000**	2019 RMB'000
US dollar	**63,756,248**	80,505,257
RMB	**23,606,222**	31,166,212
EURO	**5,757,593**	5,786,806
HKD	**1,851,608**	2,418,607
	94,971,671	119,876,882

(i) The secured bank loans as at 31 December 2020 are secured, inter alia, by one or more of the following:

(i) First legal mortgage over certain property, plant and equipment and right-of-use assets of the Group with aggregate net book value of RMB70,522,618,000 (2019: RMB52,383,376,000) (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 20(a)); and

(v) A financial asset at FVOCI (note 15(c)).

(j) As at 31 December 2020, unsecured bank loans of RMB6,922,638,000 (31 December 2019: RMB8,748,756,000) are guaranteed by COSCO SHIPPING.

27 Provisions and other liabilities

	2020 Current RMB'000	2020 Non-current RMB'000	2020 Total RMB'000	2019 Current RMB'000	2019 Non-current RMB'000	2019 Total RMB'000
Provision for one-off housing subsidies	–	39,982	39,982	–	39,982	39,982
Provision for onerous contracts (note)	–	2,274,221	2,274,221	–	–	–
Deferred income and others	25,254	393,511	418,765	26,391	298,532	324,923
Total	25,254	2,707,714	2,732,968	26,391	338,514	364,905

Note:

OOIL entered into TSA in October 2019 to which OOIL committed to place, or procure the placement of an annual minimum number of vessel lifts in LBCT for 20 years. Failure to meet the committed volume for each contract year would require certain level of deficiency payment as stipulated in the TSA.

As at 31 December 2020, OOIL reassessed the expected number of vessel lifts in LBCT for each of the remaining contract years with reference to future prospects of the market and its expected load factor. Considering the prolonged COVID-19 pandemic in the USA and the uncertain vaccine efficacy, recovery of the USA economy has been and was expected to be continuously affected for the foreseeable future. It was expected that a slower economy growth would affect the demand/import of the USA for some time as it shall take years to recover from various pandemic impact. With these uncertainties over such long-term period, management reassessed that the projected vessel lifts in LBCT would grow at a smaller and slower extent compared with prior year's assessment and thus led to a shortfall on minimum volume commitment over the remaining contract period. OOIL estimated an onerous contract provision of US$348.5 million (equivalent to approximately RMB2,274.2 million) (2019: nil).

28 Put option liability

A put option liability was recognized in relation to the put option granted to the non-controlling shareholder of COSCO SHIPPING Ports Chancay Peru S.A. ("CSP Chancay Terminal") 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. The exercise price of the put option is determined using market approach with key inputs applied including the projected financial position and EBITDA of CSP Chancay Terminal using management's business plans and market multiples. As at 31 December 2020, the carrying amount of the put option liability is US$225.7 million (equivalent to approximately RMB1,472.5 million) (2019:US$217.7 million (equivalent to approximately RMB1,518.8 million)).

Movements of put option liabilities are as follows:

	2020 RMB'000	2019 RMB'000
As at 1 January	1,518,793	–
Addition	–	1,464,936
Remeasurement	54,984	35,528
Currency translation differences	(101,245)	18,329
As at 31 December	1,472,532	1,518,793

29 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 RMB261,781,000.

Notes:

(a) Retirement benefit obligations of the Company, COSCO SHIPPING Lines Limited and its subsidiaries, and COSCO SHIPPING Ports and its subsidiaries

	2020 RMB'000	2019 RMB'000
Balance sheet obligations for:		
Early-retirement benefits for PRC employees	13,032	15,310
Post-retirement benefits for PRC employees	362,287	359,848
Total pension and retirement liabilities	375,319	375,158
Less: Current portion included in provisions and other liabilities (note 27)	(25,254)	(26,141)
Non-current portion of pension and retirement liabilities	350,065	349,017
Expensed in income statement for:		
Early-retirement benefits for PRC employees	(152)	744
Post-retirement benefits for PRC employees	47,786	134,723
	47,634	135,467

The Group recognized 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 2020 totalled RMB374,645,000 (2019: RMB375,158,000). 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 2020 would have been RMB6,270,000 lower or RMB6,530,000 higher.

29 Pension and retirement liabilities (Continued)

Notes: (Continued)

(a) Retirement benefit obligations of the Company , COSCO SHIPPING Lines Limited and its subsidiaries, and COSCO SHIPPING Ports and its subsidions (Continued)

Movements of the net liabilities recognized in the consolidated balance sheets are as follows:

	2020			2019		
	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	15,310	359,848	375,158	18,122	265,433	283,555
Charged to the consolidated income statement	(152)	47,786	47,634	744	134,723	135,467
Remeasurements of post-employment benefit obligations	–	(7,014)	(7,014)	–	(4,650)	(4,650)
Benefits paid	(2,126)	(38,066)	(40,192)	(3,556)	(35,690)	(39,246)
Exchange difference	–	(267)	(267)	–	32	32
As at 31 December	13,032	362,287	375,319	15,310	359,848	375,158

The amounts of retirement benefit costs recognized in the consolidated income statement comprise:

	2020			2019		
	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000
Interest cost	180	19,012	19,192	280	13,120	13,400
Past service costs	–	21,128	21,128	–	106,417	106,417

The principal actuarial assumptions used were as follows:

	2020		2019	
	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%

29 Pension and retirement liabilities (Continued)

Notes: (Continued)

(b) Retirement benefit obligations of OOIL

The amounts recognized in the consolidated balance sheet are as follows:

	2020 RMB'000	2019 RMB'000
Funded scheme liabilities	100,790	80,184

Net funded scheme 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") covers less than 1% of OOIL's employees and is 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 liabilities of the Scheme recognized in the consolidated balance sheet are determined as follows:

	2020 RMB'000	2019 RMB'000
Fair value of plan assets	1,473,486	1,462,965
Present value of funded obligations	(1,574,276)	(1,543,149)
Deficit of funded plan	(100,790)	(80,184)

Movements in the fair value of the plan assets of the Scheme during the year are as follows:

	2020 RMB'000	2019 RMB'000
Balance at beginning of year	1,462,965	1,305,450
Currency translation adjustments	(42,957)	73,412
Interest income on plan assets	26,277	36,066
Remeasurement gain on assets	99,255	116,881
Contributions from OOIL	32,315	21,021
Contributions from the plan members	821	937
Benefits paid	(105,190)	(90,802)
Balance at end of year	1,473,486	1,462,965

29 Pension and retirement liabilities (Continued)

Notes: (Continued)

(b) Retirement benefit obligations of OOIL (Continued)

Movements in the present value of obligations of the Scheme during the year are as follows:

	2020 RMB'000	2019 RMB'000
Balance at beginning of year	1,543,149	1,327,412
Currency translation adjustments	(45,985)	75,541
Current service cost	7,922	7,181
Interest expense	27,539	36,500
Experience (gain)/loss on liabilities	(9,026)	16,823
Losses from changes to demographic assumptions	2,105	50,098
Losses from changes to financial assumptions	152,941	119,459
Contributions from the plan members	821	937
Benefits paid	(105,190)	(90,802)
Balance at end of year	1,574,276	1,543,149

The charges of the Scheme recognized in the consolidated income statement are as follows:

	2020 RMB'000	2019 RMB'000
Current service cost	7,922	7,181
Interest expense	27,539	36,500
Interest income on plan assets	(26,277)	(36,065)
Net expense recognized for the year	9,184	7,616

Charges of RMB9,184,000 were included in "selling, administrative and general expenses" in the consolidated income statement.

29 Pension and retirement liabilities (Continued)

Notes: (Continued)

(b) Retirement benefit obligations of OOIL (Continued)

The main actuarial assumptions made for the Scheme were as follows:

	2020	2019
Discount rate	1.20%	1.90%
Inflation rate	3.20%	3.30%
Expected future salary increases	2.30%	2.30%
Expected future pension increases	2.40%	2.40%
Actual return on plan assets (RMB'000)	125,532	152,947

At 31 December 2020, 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 RMB45,022,000 lower/RMB46,979,000 higher. At 31 December 2020, 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 RMB20,880,000 higher/RMB26,752,000 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:

	2020 RMB'000	2019 RMB'000
Equity	461,350	470,335
Debt	877,462	918,689
Others	134,674	73,941
	1,473,486	1,462,965

Expected normal and deficit reduction contributions to the Scheme for the year ending 31 December 2020 is RMB30,667,000.

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.

30 Trade and other payables and contract liabilities

	2020 RMB'000	2019 RMB'000
Trade payables (note a)		
– third parties	**12,581,426**	8,977,021
– fellow subsidiaries	**1,610,976**	968,653
– joint ventures	**146,032**	166,575
– associates	**26,440**	29,200
– other related companies	**98,124**	117,917
	14,462,998	10,259,366
Bills payables (note a)	**13,900**	167,900
	14,476,898	10,427,266
Other payables	**7,925,190**	9,522,999
Accrued expenses	**19,598,565**	11,915,828
Contract liabilities	**1,174,659**	472,536
Due to related companies		
– fellow subsidiaries	**148,662**	155,052
– joint ventures (note c)	**269,049**	430,612
– associates (note d)	**3,450**	120,083
– other related companies (note e)	**1,086,292**	1,188,908
	1,507,453	1,894,655
Total	**44,682,765**	34,233,284

Notes:

(a) As at 31 December 2020, the aging analysis of trade and bills payables on the basis of the date of relevant invoice or demand note is as follows:

	2020 RMB'000	2019 RMB'000
1-6 months	**14,174,883**	10,158,308
7-12 months	**151,926**	142,848
1-2 years	**45,614**	48,499
2-3 years	**31,660**	16,403
Above 3 years	**72,815**	61,208
	14,476,898	10,427,266

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

30 Trade and other payables and contract liabilities (Continued)

Notes: (Continued)

(b) The carrying amounts of trade and other payables (excluding contract liabilities) are denominated in the following currencies:

	2020 RMB'000	2019 RMB'000
US dollar	11,592,832	12,340,934
RMB	23,775,762	13,746,534
EURO	979,922	1,349,508
HK dollar	1,882,804	2,088,650
Other currencies	5,276,786	4,235,122
Total	43,508,106	33,760,748

(c) The balance included loans from a joint venture of US$34,483,000 (equivalent to approximately RMB224,998,000) (2019: US$32,253,000, equivalent to approximately RMB225,003,000), which are unsecured, bear interest at 2.30% (2019: 2.30%) per annum and repayable within twelve months.

(d) As at 31 December 2019, the balance included a loan from an associate of US $17,201,000 (equivalent to approximately RMB119,997,000), which was unsecured, bear interest at 2.30% per annum and repayable within twelve months. The loan has been settled in 2020.

(e) The balance included loans from non-controlling shareholders of subsidiaries are unsecured. Balance of US$45,952,000 (equivalent to approximately RMB299,832,000) (2019: US$49,681,000 (equivalent to approximately RMB346,585,000)) is interest free and repayable within twelve months. Balance of US$38,314,000 (equivalent to approximately RMB249,995,000) (2019: US$43,003,000 (equivalent to approximately RMB299,997,000)) bears interest at 3.92% per annum (2019: 4.35% per annum) and repayable within twelve months.

The remaining balances are unsecured, interest free and have no fixed terms of repayment.

31 Expenses by nature

	2020 RMB'000	2019 RMB'000
Cost of services and inventories sold (note a)		
Container shipping business		
– Equipment and cargo transportation costs	79,615,069	67,348,864
– Voyage costs (note b)	28,505,587	30,910,352
– Vessel costs (note c)	25,533,628	23,233,647
	133,654,284	121,492,863
Other related business costs	7,978,308	8,350,044
Cost of services related to container shipping business	141,632,592	129,842,907
Container terminal business costs	5,292,431	5,190,955
Tax and surcharges	192,019	178,030
Total	147,117,042	135,211,892
Selling, administrative and general expense		
Administrative staff costs	7,676,989	7,487,488
Depreciation and amortization	782,205	818,536
Expense relating to short-term lease and lease with low value assets	164,358	215,770
Office expense	342,328	324,230
Transportation and travelling expense	57,071	183,014
Auditors' remuneration		
– Audit	56,574	53,695
– Audit related services	10,122	10,066
– Non-audit services	15,350	18,119
Telecommunication and utilities	135,518	130,777
Repair and maintenance expense	161,450	163,582
Others	504,507	536,477
Total	9,906,472	9,941,754

Notes:

(a) Cost of services and inventories sold included depreciation and amortization expenses of RMB11,581,517,000 (2019: RMB11,246,779,000), service components which included in rentals but not as part of lease liabilities, expense related to short-term lease and lease with low value assets of RMB8,454,052,000 (2019: RMB8,140,652,000) respectively.

(b) Voyage costs mainly comprised bunkers and port charges.

(c) Vessel costs mainly comprised depreciation of vessels, expense relating to short-term lease and lease with low value assets.

32 Other income and other expenses

	2020 RMB'000	2019 RMB'000
Dividend income	**88,651**	91,205
Government grants and other subsidies	**1,103,892**	907,058
Gain on disposal of property, plant and equipment	**85,359**	105,241
Gain on disposal of an associate	**68,666**	242,323
Gain on financial instrument at FVPL	**586**	336,040
Gain on disposal of subsidiaries (note 23)	**500,327**	–
Interest from financial instrument at FVPL	**28,292**	79,168
Interest income from investments at amortized cost	**53,652**	66,735
Gain on remeasurement of equity investments	**68,290**	–
Exchange gain	**–**	462,989
Others	**21,050**	31,884
Other income	**2,018,765**	2,322,643
Loss on disposal of property, plant and equipment	**(40,882)**	(106,945)
Loss on disposal of intangible assets	**(35)**	(23,130)
Loss on deemed disposal of an associate	**–**	(155,438)
Loss on financial instrument at FVPL	**(38,932)**	(186)
Exchange loss	**(401,196)**	–
Others	**(90,574)**	(181,143)
Other expenses	**(571,619)**	(466,842)

33 Finance income and costs

	2020 RMB'000	2019 RMB'000
Finance income		
Interest income from:		
– deposits in related parties	**88,401**	106,250
– loans to joint ventures and associates	**30,491**	32,188
– other financial institutions	**515,377**	711,462
	634,269	849,900
Finance costs		
Interest expenses on:		
– loans from third parties	**(2,100,426)**	(3,353,148)
– loans from related parties	**(194,255)**	(403,103)
– loans from non-controlling shareholders of a subsidiary	**(10,619)**	(25,755)
– lease liabilities	**(940,766)**	(1,284,365)
– notes/bonds (note 26(b))	**(751,163)**	(583,447)
	(3,997,229)	(5,649,818)
Transaction costs arising from borrowings	**(304,837)**	(570,451)
Less: amount capitalized in construction in progress (note 6(c))	**48,401**	187,096
Net related exchange loss	**(111,154)**	(40,488)
Total finance costs	**(4,364,819)**	(6,073,661)
Net finance costs	**(3,730,550)**	(5,223,761)

34 Income tax expenses

	2020 RMB'000	2019 RMB'000
Current income tax (note a)		
– PRC enterprise income tax	**555,691**	409,993
– Hong Kong profits tax	**86,514**	73,640
– Overseas taxation	**336,538**	375,542
Over provision in prior years	**(38,601)**	(16,747)
	940,142	842,428
Deferred income tax	**(179,927)**	136,139
	760,215	978,567

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 5% to 35% (2019: 3% to 46%).

The statutory rate for PRC enterprise income tax is 25% and certain PRC companies enjoy preferential tax treatment with the reduced rates ranging from 0% to 20% (2019: 0% to 20%).

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits derived from or arising in Hong Kong for the year.

34 Income tax expenses (Continued)

Notes: (Continued)

(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:

	2020 RMB'000	2019 RMB'000
Profit before income tax	**13,947,709**	4,059,415
Less: Share of profits less losses of joint ventures and associates	**(2,103,540)**	(2,060,342)
	11,844,169	1,999,073
Calculated at a tax rate of 25% (2019: 25%)	**2,961,042**	499,768
Effect of different tax rates of domestic and overseas entities	**(711,032)**	(27,910)
Income not subject to income tax	**(3,171,699)**	(2,231,031)
Expenses not deductible for taxation purposes	**2,297,045**	2,549,781
Utilization of previously unrecognized tax losses	**(610,490)**	(177,176)
Tax losses not recognized	**82,361**	136,005
(Release of) withholding income tax upon distribution of profits and payment of interest	**(14,085)**	224,572
Over provision in prior years	**(38,601)**	(16,747)
Effect on deferred tax balance resulting from the change in tax rates	**(4,556)**	12,957
Other temporary differences not recognized	**(29,770)**	8,348
Income tax expense	**760,215**	978,567

(c) Except for the income tax RMB40,713,000 (2019: RMB1,921,000) relating to the deferred tax provided on the fair value exchange, on financial assets at FVOCI, and deferred tax asset to the cash flow hedges in 2020, there was no income tax relating to components of other comprehensive income for the year ended 31 December 2020 and 2019.

35 Dividend

The Board of Directors did not recommend any payment of dividend for the year ended 31 December 2020 (2019: Nil).

36 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.

	2020	2019
Profit from continuing operations attributable to equity holders of the Company (RMB)	**9,927,098,000**	1,355,004,000
Profit from discontinued operation attributable to equity holders of the Company (RMB)	**–**	5,335,102,000
	9,927,098,000	6,690,106,000
Weighted average number of ordinary shares in issue	**12,259,529,227**	12,089,257,988
Basic and diluted earnings per share (RMB)		
From continuing operations	**0.81**	0.11
From discontinued operation	**–**	0.44
	0.81	0.55

36 Earnings per share (Continued)

(b) Diluted

Diluted earnings per share is calculated based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue, after adjusting for the number of dilutive potential ordinary shares deemed to be issued as if all outstanding dilutive share options granted by the Company had been exercised.

	2020	2019
Profit from continuing operations attributable to equity holders of the Company (RMB)	**9,927,098,000**	1,355,004,000
Profit from discontinued operation attributable to equity holders of the Company (RMB)	**–**	5,335,102,000
	9,927,098,000	6,690,106,000
Weighted average number of ordinary shares in issue	**12,259,529,227**	12,089,257,988
Adjustments for assumed issuance of shares on exercise of dilutive share options	**4,937,621**	–
	12,264,466,848	12,089,257,988
Diluted earnings per share (RMB)		
From continuing operations	**0.81**	0.11
From discontinued operation	**–**	0.44
	0.81	0.55

For the year ended 31 December 2020 and 2019, the outstanding share options granted by COSCO SHIPPING Ports did not have dilutive effect on the earnings per share.

37 Staff costs

An analysis of staff costs, including Directors', supervisors' and key management's emoluments, is set out below:

	2020 RMB'000	2019 RMB'000
Wages, salaries and crew expenses (including bonus and share-based payments)	**9,072,866**	9,787,824
Housing benefits (note a)	**296,575**	284,020
Retirement benefits costs		
– defined benefit plans	**64,888**	177,966
– defined contribution plans (note b)	**921,689**	1,318,209
Welfare and other expenses	**2,044,344**	1,553,953
	12,400,362	13,121,972

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 8% to 20%, 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 2020 and 2019 to reduce future contributions.

Contributions totaling RMB422,449,000 (2019: RMB544,960,000) payable to various retirement benefit plans as at 31 December 2020 are included in pension and retirement liabilities and trade and other payables.

38 Emoluments of directors, supervisors and senior management

(a) Directors', chief executive's and supervisors' emoluments

Details of the remuneration of each of the directors, the chief executive and the supervisors are set out below:

	Year ended 31 December 2020				
Name	Fees RMB'000	Salaries and allowances RMB'000	Benefits*5 in kind RMB'000	Retirement benefit contributions RMB'000	Total RMB'000
Xu Lirong	–	–	–	–	–
Huang Xiaowen	–	–	–	–	–
Wang Haimin*2	–	–	–	–	–
Yang Zhijian	–	3,670	246	84	4,000
Feng Boming	–	5,576	170	–	5,746
Philip Yang	426	–	–	–	426
Wu Dawei	161	–	–	–	161
Zhou Zhonghui	163	–	–	–	163
TEO Siong Seng	459	–	–	–	459
MA Si Hang Frederick*1	39	–	–	–	39
Yang Shicheng*1	–	–	–	–	–
Deng Huangjun	–	2,741	–	–	2,741
Song Tao*1	–	163	6	7	176
Meng Yan	289	–	–	–	289
Zhang Jianping	289	–	–	–	289
	1,826	12,150	422	91	14,489

38 Emoluments of directors, supervisors and senior management (Continued)

(a) Directors', chief executive's and supervisors' emoluments (Continued)

Details of the remuneration of each of the directors, the chief executive and the supervisors are set out below: (Continued)

	Year ended 31 December 2019				
Name	Fees RMB'000	Salaries and allowances RMB'000	Benefits*5 in kind RMB'000	Retirement benefit contributions RMB'000	Total RMB'000
Xu Lirong	–	–	–	–	–
Huang Xiaowen	–	–	–	–	–
Wang Haimin	–	1,001	25	78	1,104
Zhang Wei (張為)*3	–	4,308	–	–	4,308
Yang Zhijian*4	–	936	28	40	1,004
Feng Boming	–	1,223	–	–	1,223
Zhang Wei (張煒)*3	–	–	–	–	–
Chen Dong*3	–	–	–	–	–
Philip Yang	458	–	–	–	458
Wu Dawei	156	–	–	–	156
Zhou Zhonghui	158	–	–	–	158
TEO Siong Seng	456	–	–	–	456
Fu Xiangyang*3	–	–	–	–	–
Hao Wenyi*3	–	–	–	–	–
Fang Meng*3	–	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

*1 Appointed during the year of 2020.
*2 Resigned during the year of 2020.
*3 Resigned during the year of 2019.
*4 Appointed during the year of 2019.
*5 Benefits in kind include share-based compensation, car related expenses and club membership.

Note:

(i) During the year of 2020, no emolument was 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.

38 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 2020	2019
Directors	–	1
Employees	5	4
	5	5

The details of emoluments paid to five highest paid individuals do not include director of the Company (2019: included one director of the Company as disclosed in note 38(a)). Details of emoluments paid to the five (2019: four) highest paid non-director individuals for the year ended 31 December 2020 are as follows:

	2020 RMB'000	2019 RMB'000
– Salaries and allowances	19,089	16,430
– Discretionary bonuses	14,343	3,723
– Retirement benefit contributions	3,214	1,807
– Share-based compensation	2,719	630
– Others	158	186
	39,523	22,776

The emoluments of the above non-director individuals fell within the following bands:

	Number of individuals 2020	2019
HK$5,000,001 to HK$5,500,000 (equivalent to approximately RMB4,450,000 to RMB4,890,000)	–	2
HK$6,000,001 to HK$6,500,000 (equivalent to approximately RMB5,340,000 to RMB5,780,000)	–	2
HK$7,500,001 to HK$8,000,000 (equivalent to approximately RMB6,670,000 to RMB7,110,000)	1	–
HK$8,000,001 to HK$8,500,000 (equivalent to approximately RMB7,110,000 to RMB7,560,000)	1	–
HK$8,500,001 to HK$9,000,000 (equivalent to approximately RMB7,560,000 to RMB8,000,000)	2	–
HK$10,000,001 to HK$10,500,000 (equivalent to approximately RMB8,890,000 to RMB9,340,000)	1	–
	5	4

39 Notes to the consolidated cash flow statement

(a) Reconciliation of profit before income tax to cash generated from operations:

	2020 RMB'000	2019 RMB'000
Profit before income tax	**13,947,709**	4,059,415
Depreciation		
– property, plant and equipment	**5,404,104**	4,927,989
– investment properties	**31,953**	27,565
– right-of-use assets	**6,554,693**	6,757,710
Amortization		
– intangible assets	**372,972**	352,051
Amortized amount of transaction costs on long-term borrowings and discount on issue of notes/bonds	**135,065**	487,822
Dividend income from listed and unlisted investments	**(88,651)**	(91,205)
Share of profits less losses of		
– joint ventures	**(655,548)**	(694,209)
– associates	**(1,447,992)**	(1,366,133)
Interest expenses	**3,948,828**	4,886,153
Interest income	**(716,213)**	(995,803)
Transaction cost arising from borrowings	**169,772**	79,826
Net (gain)/loss on disposal of property, plant and equipment	**(44,477)**	1,704
Fair value loss/(gain) from financial assets at FVPL, net	**38,346**	(322,783)
Reversal of investments at amortized cost	**–**	(15,576)
Net impairment losses on financial assets	**107,747**	19,912
Net gain on disposal of a subsidiary	**(500,327)**	–
Net exchange loss	**512,350**	40,489
Others	**6,034**	26,381
Operating profit before working capital changes	**27,776,365**	18,181,308
Decrease in inventories	**822,868**	41,020
Decrease/(increase) in trade and other receivables and contract assets	**333,587**	(335,470)
Increase in trade and other payables and contract liabilities	**12,994,059**	1,720,760
Increase in provisions and other liabilities and pension and retirement liabilities	**3,064,278**	1,034,857
Decrease in restricted bank deposits	**24,782**	291,595
Cash generated from operations	**45,015,939**	20,934,070

39 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 investment in an associate and a joint venture RMB'000	Lease liabilities RMB'000	Total RMB'000
Balance as 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
Changes from financing cash flows						
Loans draw down	19,848,368	5,500,000	–	–	–	25,348,368
Loans repaid	(36,708,362)	(9,000,000)	–	–	–	(45,708,362)
Repayment of loans from non-controlling shareholders of subsidiaries	–	–	(75,794)	–	–	(75,794)
Repayment of loan from an associate	–	–	–	(247,048)	–	(247,048)
Repayment of loan from a joint venture	–	–	–	(227,982)	–	(227,982)
Loan from an associate	–	–	–	121,585	–	121,585
Loan from a joint venture	–	–	–	227,982	–	227,982
Addition of lease liabilities	–	–	–	–	23,881,358	23,881,358
Payment of lease liabilities	–	–	–	–	(10,650,324)	(10,650,324)
Other non-cash movements	546,398	13,597	–	–	7,980,802	8,540,797
Foreign exchange difference	(4,529,697)	(572,147)	(27,707)	5,460	(8,585,806)	(13,709,897)
Balance as at 31 December 2020	79,521,912	15,449,759	549,827	224,998	45,448,012	141,194,508

40 Financial instruments by category

	2020 RMB'000	2019 RMB'000
Financial assets as per balance sheet		
Financial assets at fair value through other comprehensive income	**1,787,572**	2,097,256
Financial assets at amortized cost		
– Loans to joint ventures and associates	**881,028**	1,167,153
– Financial assets at amortized cost	**961,852**	1,334,589
– Trade and other receivables	**14,693,883**	14,604,985
– Cash and cash equivalents	**52,630,331**	49,689,784
– Restricted bank deposits	**221,058**	639,908
Financial assets at fair value through profit or loss	**656,143**	1,066,819
Total	**71,831,867**	70,600,494
Financial liabilities as per balance sheet		
Financial liabilities at amortized cost		
– Trade and other payables	**23,909,541**	21,844,920
– Borrowings	**94,971,671**	119,876,882
– Lease liabilities	**45,448,012**	32,821,982
– Put option liability	**1,472,532**	1,518,793
Financial liabilities at fair value through profit or loss		
– Derivative financial liabilities	**74,782**	84,322
Total	**165,876,538**	176,146,899

41 Discontinued operation

On 29 April 2019, OOIL and its subsidiaries entered into the Sale and Purchase Agreement with Olivia Holdings, LLC relating to the sale and purchase of the entire interests in LBCT, 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.

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

		2019 RMB'000
(i)	**Results**	
	Revenues	1,533,505
	Other operating expense	(1,012,262)
	Operating profit	521,243
	Finance income	8,255
	Finance costs	(245,741)
	Profit after income tax	283,757
	Profit on disposal of a subsidiary	6,829,712
	Profit from discontinued operation	7,113,469
	Cash flows	
	Operating cash flows	471,491
	Investing cash flows	12,555,292
	Financing cash flows	(805,316)
	Total cash flows	12,221,467

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 – CSP Chancay Terminal

On 10 May 2019, COSCO SHIPPING Ports subscribed shares representing 60% equity interests in CSP 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.

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

42 Acquisition of subsidiaries (Continued)

(a) Acquisition of a subsidiary – CSP Chancay Terminal (Continued)

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 CSP 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.

(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	–

42 Acquisition of subsidiaries (Continued)

(b) Acquisition of a subsidiary – Verbrugge Terminals Zeebrugge N.V. (Continued)

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 subsidiaries – OOCL (Egypt) Shipping Agency S.A.E. ("OEGY") and Orient Overseas Cargo Line Co. Ltd. ("OSAU")

On 24 February 2020 and 5 March 2020, OOIL acquired 100% and 51% equity interest in OSAU and OEGY, for a total consideration of RMB449,000.

Details of the purchase consideration, the net assets acquired and gain on bargain purchase are as follows:

	RMB'000
Purchase consideration	449
Fair value of previously held equity interest at the date of acquisition	3,664
Fair value of net assets acquired (see below)	(11,213)
Release of reserve upon step acquisition from joint venture to subsidiary	4,499
Gain on bargain purchase	(2,601)

The fair values of assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value RMB'000
Property, plant and equipment	228
Right-of-use assets	3,554
Trade and other receivables and contract assets	37,373
Cash and cash equivalents	67,010
Lease liabilities	(3,147)
Deferred income tax liabilities	(504)
Trade and other payables and contract liabilities	(86,421)
Tax payables	(6,880)
Total identifiable net assets acquired	11,213
Net cash inflow on acquisition:	
Cash and cash equivalents acquired	67,010
Purchase consideration settled in cash	(445)
Net cash inflow on acquisition	66,565

Notes:

(i) Acquired receivables

There are no acquired trade receivables.

(ii) Revenue and profit contribution

The contributed revenue and profit for the acquired business since the date of acquisition was not significant.

(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.

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 2020, 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 2020.

(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 2020, the Company provided guarantees for credit facilities and notes granted to its subsidiaries of RMB35,689,869,000 (2019: RMB43,949,868,000).

44 Commitments

(a) Capital commitments

	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000
Contracted but not provided for		
Containers	**–**	306,854
Container vessels	**11,689,612**	–
Terminal equipment	**2,145,230**	2,072,173
Other property, plant and equipment	**53,566**	36,611
Investments in terminals and other companies	**2,393,428**	2,390,184
Intangible assets	**3,784**	4,525
	16,285,620	4,810,347

44 Commitments (Continued)

(a) Capital commitments (Continued)

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 2020 RMB'000	As at 31 December 2019 RMB'000
Contracted but not provided for	**28,330**	35,694

(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 2020 RMB'000		
	Containers and container vessels	Leasehold land, buildings and other property, plant and equipment	Total
– not later than one year	**3,846,503**	**60,529**	**3,907,032**
– later than one year	**2,992,576**	**9,151**	**3,001,727**
	6,839,079	**69,680**	**6,908,759**

	As at 31 December 2019 RMB'000		
	Containers and container vessels	Leasehold land, buildings and other property, plant and equipment	Total
– not later than one year	4,425,241	316,003	4,741,244
– later than one year	1,059,073	53,442	1,112,515
	5,484,314	369,445	5,853,759

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.

	2020 **RMB'000**	2019 RMB'000
Transactions with COSCO SHIPPING		
Revenues		
Vessel service income	**349**	25,347
Expenses		
Interest expenses	**–**	20,489

45 Significant related party transactions (Continued)

	2020 RMB'000	2019 RMB'000
Transactions with subsidiaries of COSCO SHIPPING Group and its related entities (including joint ventures and associates of COSCO SHIPPING)		
Revenues		
Container shipping income	**1,448,351**	1,254,822
Freight forwarding income	**293,598**	260,295
Vessel services income	**135,585**	116,172
Crew service income	**8,777**	5,743
Terminal handling fee and storage income	**131,532**	151,543
Shipping related service income	**16,744**	436
Other income	**92,945**	100,252
Expenses		
Vessel costs		
Expenses relating to short-term leases and service components included in the rentals – Vessel	**671,133**	605,188
Vessel services expenses	**563,615**	250,003
Crew expenses	**1,121,671**	1,143,839
Voyage costs		
Bunker costs	**14,240,643**	15,695,995
Port charges	**3,574,798**	2,315,687
Equipment and cargo transportation costs		
Commission and rebates	**95,904**	194,428
Cargo and transhipment and equipment and repositioning expenses	**567,211**	1,100,704
Freight forwarding expenses	**74,301**	75,868
General service expenses	**151,710**	128,151
Expenses relating to short-term leases and leases with low-value assets – Building	**47,509**	40,731
Expenses relating to short-term leases and leases with low-value assets – Container	**1,278,067**	1,107,430
Interest expense of lease liabilities	**184,466**	462,671
Other expense	**81,969**	90,058
Others		
Payment of lease liabilities	**4,288,821**	4,519,777
Concession fee	**414,277**	414,277
Purchase of containers	**1,956,484**	1,886,254
Installment of vessel under construction	**1,298,846**	1,306,034

45 Significant related party transactions (Continued)

	2020 RMB'000	2019 RMB'000
Transactions with joint ventures of the Group		
Revenues		
Management fee and service fee income	21,617	21,619
Other income	25,174	16,560
Expenses		
Port charges	2,005,153	1,792,322
Expenses relating to short-term leases or leases with low-value assets – Building	4,598	4,362
Equipment and cargo transportation costs		
Commission and rebates	12,680	2,301
Cargo and transhipment and equipment and repositioning expenses	64,060	161,024
Transactions with associates of the Group		
Revenues		
Freight forwarding and other income	13,701	133,387
Interest income from COSCO SHIPPING Finance	88,401	106,250
Expenses		
Port charges	968,811	639,969
COSCO SHIPPING Finance interest expense	55,181	132,035
Other handling fee	17,274	–
Others		
Capital injection to COSCO SHIPPING Finance	353,414	–
Partial disposal of subsidiaries	416,971	–
Transactions with non-controlling shareholders of subsidiaries		
Revenues		
Terminal handling and storage income	593,083	643,909
Other income	2,387	17,186
Expenses		
Electricity and fuel expenses	34,806	65,455
Other expense	33,808	94,043
Transactions with other related parties		
Revenues		
Shipping service income	123,411	100,444
Expenses		
Expenses relating to short-term leases – Vessel	32,725	29,971

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 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 2020 and 31 December 2019, 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 2020, 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 2020, 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 2020
Capital held directly				
COSCO SHIPPING Lines Limited	China/Worldwide	Container transportation	RMB23,664,337,165	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 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 2020, 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 2020
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 and shipping agency	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	50.23%
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%
Hainan Yishunda Shipping Technology Co., Ltd	China	Shipping agency	RMB80,000,000	100.00%

46 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(b) Joint ventures

As at 31 December 2020, 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 2020
Asia Container Terminals Holdings Limited	Cayman Islands	Investment holding	HK$1 divided into 1,000 ordinary shares	20.00%
Conte-Rail, S.A.	Spain	Operation of rail terminals	45,000 ordinary shares of EURO34.3 each	25.50%
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	50.00%
COSCO-HPHT ACT Limited	British Virgin Islands	Investment holding	1,000 ordinary shares of US $1 each	50.00%
COSCO-PSA Terminal Private Limited	Singapore	Operation of container terminals	SGD286,213,000	49.00%
Dalian Dagang China Shipping Container Co., Ltd.	China	Operation of container terminals	RMB7,500,000	35.00%
Euro-Asia Oceangate S.a.r.l	Luxembourg	Investment holding	US$40,000	40.00%
Lianyungang Port Railway International Container Multimodal Transport Co., Ltd.	China	Logistics	RMB3,400,000	30.00%
Nansha Stevedoring Corporation Limited of Port of Guangzhou	China	Operation of container terminals	RMB1,260,000,000	40.00%
Ningbo Yuan Dong Terminals Limited	China	Operation of container terminals	RMB5,000,000,000	40.00%
Piraeus Consolidation and Distribution Center S.A.	Greece	Storage, consolidation and distribution	EURO1,000,000	50.00%
Qingdao Port Dongjiakou Ore Terminals Co., Ltd	China	Operation of iron ore terminal	RMB1,400,000,000	25.00%
Shanghai Pudong International Container Terminals Limited	China	Operation of container terminals	RMB1,900,000,000	30.00%
Tianjin Port Euroasia International Container Terminal Co., Ltd.	China	Operation of container terminals	RMB1,260,000,000	30.00%
Xiamen Haicang Free Trade Port Zone Container Inspection Co., Ltd.	China	Container stevedoring, storage, inspection and auxiliary services	RMB10,000,000	22.40%
Yingkou Container Terminals Company Limited	China	Operation of container terminals	RMB8,000,000	50.00%
Yingkou New Century Container Terminal Co., Ltd.	China	Operation of container terminals	RMB40,000,000	40.00%

46 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(b) Joint ventures (Continued)

As at 31 December 2020, the Company had indirect interests in the following principal joint ventures: (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 2020
OOCL (UAE) LLC	Dubai	Liner agency	300 ordinary shares AED300,000	49.00%
Tang Cang – COSCO – OOCL Logistics Company Limited	Vietnam	Container depot	Legal capital US$1,000,000	30.00%
Qingdao Orient International Container Storage & Transportation Co. Ltd.	China	Container depot	Registered capital RMB69,900,000	55.00%
Tangshan COSCO Shipping Container Logistics Co., Ltd	China	Logistics	RMB170,000,000	51.00%
Shanghai International Ferry Co., Ltd	China	Waterborne	US$10,500,000	50.00%
Yingkou COSCO Marine Container Service Co. Ltd	China	Logistics	RMB2,000,000	51.00%
Dalian Wanjie International Logistics Co., Ltd	China	Logistics	RMB74,000,000	50.00%
Qingdao Shenzhouxing International Freight Forwarding Co., Ltd	China	Liner agency	RMB5,000,000	50.00%
Xiamen Yuanda International Freight Forwarding Co., Ltd	China	Liner agency	RMB5,000,000	51.00%

46 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(c) Associates

As at 31 December 2020, 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 2020
Antwerp Gateway NV	Belgium	Operation of container terminals	EURO17,900,000	20.00%
APM Terminals Vado Holdings B.V.	Netherlands	Investment holding	10 ordinary shares of EURO100 each	40.00%
Beibu Gulf Port Co., Ltd.	China	Operation of terminals	RMB1,634,616,854	10.65%
COSCO Shipping Terminals (USA) LLC	USA	Investment holding	US$200,000	40.00%
Dalian Automobile Terminal Co., Ltd	China	Construction and operation of automobile terminals	RMB320,000,000	24.00%
Dalian container terminal Co., Ltd.	China	Operation of container terminals	RMB3,480,000,000	19.00%
Damietta International Port Company S.A.E	Egypt	Operation of container terminals	20,000,000 ordinary shares of US$10 each	20.00%
Dawning Company Limited	British Virgin Islands	Investment holding	200 "A" shares of US$1 each and 800 "B" shares of US $1 each	20.00%
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	35.00%
Fangchenggang Chista Terminals Co., Limited	China	Operation of container terminals	RMB10,000,000	20.00%
Guangxi Beibu Gulf International Container Terminal Co., Ltd	China	Operation of container terminals	RMB2,371,600,000	26.00%
Guangxi New Corridor International Container Terminal Co., Ltd.	China	Operation of container terminals	RMB10,000,000	25.00%
Kao Ming Container Terminal Corp.	China Taiwan	Operation of container terminals	TWD6,800,000,000	20.00%
Ningbo Meishan Bonded Port New Habour Terminal Operating Co., Ltd.	China	Operation of container terminals	RMB200,000,000	20.00%
Qingdao Port International Co., Ltd.	China	Operation of container terminals	RMB6,036,724,000	19.79%
Qinhuangdao Port New Habour Container Terminal Co., Ltd.	China	Operation of container terminals	RMB400,000,000	30.00%
Servicios Intermodales Bilbaoport, S.L.	Spain	Container storage and transportation	860,323 ordinary shares of EURO0.57 each	5.53%
Shanghai Mingdong Container Terminals Limited	China	Operation of container terminals	RMB4,000,000,000	20.00%
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	16.49%

46 Particulars of principal subsidiaries, joint ventures and associates (Continued)

(c) Associates (Continued)

As at 31 December 2020, 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 2020
Suez Canal Container Terminal S.A.E.	Egypt	Operation of container terminals	1,856,250 ordinary shares of US$100 each	20.00%
Taicang International Container Terminal Co., Ltd.	China	Operation of container terminals	RMB450,800,000	39.04%
Tianjin Port Container Terminal Co., Ltd.	China	Operation of container terminals	RMB2,408,312,700	16.01%
Wattrus Limited	British Virgin Islands	Investment holding	32 "A" shares of US$1 each and 593 "B" shares of US$1 each	5.12%
Tianjin Port Alliance International Container Terminal Co. Ltd.	China	Terminal operating	Registered capital US$160,000,000	20.00%
Zhongjing Supply Chain Technology Co., Ltd.	China	Supply chain management, technology and consulting	Registered capital RMB76,500,000	25.90%
Eshipping Global Supply Chain Management (Shenzhen) Co.,Ltd.	China	Supply chain management	Registered capital RMB40,000,000	42.35%

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

	Note	As at 31 December 2020 RMB'000	2019 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**282**	320
Intangible assets		**275**	1,544
Investments in subsidiaries		**38,217,348**	38,083,318
Loans to subsidiaries		**998,035**	21,657
Total non-current assets		**39,215,940**	38,106,839
Current assets			
Trade and other receivables and contract assets		**198,581**	230,203
Current portion of loans to subsidiaries		**1,500,000**	6,349,110
Cash and cash equivalents		**116,311**	99,623
Total current assets		**1,814,892**	6,678,936
Total assets		**41,030,832**	44,785,775
EQUITY			
Share capital		**12,259,529**	12,259,529
Reserves	(a)	**21,085,216**	21,137,825
Total equity		**33,344,745**	33,397,354
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**998,035**	3,993,858
Pension and retirement liabilities		**674**	–
Total Non-current liabilities		**998,709**	3,993,858
Current liabilities			
Trade and other payables and contract liabilities		**218,262**	332,564
Short-term borrowings		**2,000,000**	1,600,000
Current portion of long-term borrowings		**3,997,063**	4,989,941
Tax payables		**472,053**	472,058
Total current liabilities		**6,687,378**	7,394,563
Total liabilities		**7,686,087**	11,388,421
Total equity and liabilities		**41,030,832**	44,785,775

47 Balance sheet and reserve movement of the Company (Continued)

Balance sheet 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 2019	39,134,574	913,032	(20,996,130)	(3,342,792)	15,708,684
Issue of A shares	5,659,319	–	–	–	5,659,319
Fair value of share options 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
As at 1 January 2020	**44,873,341**	**913,032**	**(21,305,756)**	**(3,342,792)**	**21,137,825**
Fair value of share options granted	**140,060**	**–**	**–**	**–**	**140,060**
Loss for the year	**–**	**–**	**(192,669)**	**–**	**(192,669)**
As at 31 December 2020	**45,013,401**	**913,032**	**(21,498,425)**	**(3,342,792)**	**21,085,216**

48 Events after the balance sheet date

On 22 January 2021, OOIL entered into a share placing and subscription agreement for the allotment and issue of 11,400,000 shares at a subscription price of HK$81.8 per share. The share subscription was completed on 29 January 2021.

On 27 January 2021, Sound Joyce Enterprises Limited, a wholly-owned subsidiary of COSCO SHIPPING Ports (as purchaser), Saudi Industrial Services Company, City Island Holdings Limited, Xenel Industries Limited and Saudi Trade and Export Development Company Limited (together as sellers), and Red Sea Ports Development Company entered into a share purchase agreement pursuant to which, the sellers have conditionally agreed to sell, and Sound Joyce Enterprises Limited has conditionally agreed to purchase shares which represent approximately 20.00% of the total issued share capital of Red Sea Gateway Terminal Company Limited ("RSGT") (the "RSGT Acquisition") at a consideration of US$140,000,000 (equivalent to approximately RMB905,310,000) in cash. After completion of the RSGT Acquisition, RSGT will become an associate of COSCO SHIPPING Ports. As at the date of this report, the RSGT Acquisition was not completed.

On 26 February 2021, COSCO SHIPPING Ports (Tianjin) Limited, a wholly-owned subsidiary of COSCO SHIPPING Ports (as purchaser), Tianjin Port Holdings Co., Ltd. (as seller) and COSCO SHIPPING Ports entered into an equity transfer agreement in relation to the acquisition of 34.99% equity interests in Tianjin Port Container Terminal Co., Ltd. ("Tianjin Container Terminal") (the "TCT Acquisition") at a consideration of RMB1,348,371,228.15 in cash. The final consideration for the TCT Acquisition shall be adjusted upon completion of the transaction. Together with the 16.01% equity interests in Tianjin Container Terminal currently held by COSCO SHIPPING Ports, COSCO SHIPPING Ports will have 51% in Tianjin Container Terminal after completion of the TCT Acquisition and Tianjin Container Terminal will become a subsidiary of COSCO SHIPPING Ports. As at the date of this report, the TCT Acquisition was not completed.

Five Year Financial Summary

	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000 (Restated)
Revenues	**171,258,834**	150,540,591	120,342,284	90,399,078	69,833,164
Profit/(loss) before tax	**13,947,709**	4,059,415	3,649,367	5,703,036	(5,456,070)
Income tax expenses	**(760,215)**	(978,567)	(818,961)	(872,351)	(506,439)
Profit/(loss) from continuing operations for the year	**13,187,494**	3,080,848	2,830,406	4,830,685	(5,962,509)
Profit/(loss) from discontinued operation for the year	**–**	7,113,469	195,955	–	(3,138,723)
Profit/(loss) for the year	**13,187,494**	10,194,317	3,026,361	4,830,685	(9,101,232)
Profit/(loss) attributable to:					
– Equity holders of the Company	**9,927,098**	6,690,106	1,230,026	2,661,936	(9,906,003)
– Non-controlling interests	**3,260,396**	3,504,211	1,796,335	2,168,749	804,771
Total assets	**271,926,074**	262,224,030	228,143,805	133,190,005	119,652,733
Total liabilities	**(193,229,017)**	(193,098,793)	(171,790,916)	(89,479,425)	(82,103,864)
Total equity	**78,697,057**	69,125,237	56,352,889	43,710,580	37,548,869

Notes:

(a) The financial figures for the year 2020 and 2019 were extracted from the Consolidated Financial Statements.

(b) The financial figures for the year 2016 to 2018 were extracted from the 2019 annual report.

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