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)

2017 INTERIM REPORT

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Company Profile

I. The Company's Information

The Company's Chinese name	中遠海運控股股份有限公司
Abbreviation of the Company's Chinese name	中遠海控
The Company's English name	COSCO SHIPPING Holdings Co., Ltd. (the "**Company**" or "**COSCO SHIPPING Holdings**")
Abbreviation of the Company's English name	COSCO SHIP HOLD
Legal representative of the Company	WAN Min

II. Contact Persons and Methods

	Secretary to Board of Directors	**Representative of securities affairs**
Name	GUO Huawei	XIAO Junguang, ZHANG Yueming
Contact address	8/F, No. 658 Dong Da Ming Road, Shanghai, the People's Republic of China (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	guohuawei@chinacosco.com	xiaojunguang@chinacosco.com zhangyueming@chinacosco.com

III. Basic Profile

The Company's 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 of the Company's registered address	300461
Place of business of the Company	8/F, No. 658 Dong Da Ming Road, Shanghai City, the PRC
Postal code of the Company's place of business	200080
The Company's website	www.chinacosco.com
Email	investor@chinacosco.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 for publishing interim report	www.sse.com.cn
Place for inspection of the Company's interim report	8/F, No. 658 Dong Da Ming Road, Shanghai, the PRC

V. Shares of the Company

Shares of the Company (the "Shares")

Type of Shares	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	The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")	COSCO SHIP HOLD	01919	China COSCO

VI. Changes in Registration of the Company During the Reporting Period

(1) Basic Information

Registered address	2nd Floor, 12 Yuanhang Business Centre, Central Boulevard and East Seven Road Junction, Tianjin Port Free Trade Zone, Tianjin, the PRC.
Taxation registration number	Jin Di Shui Zi No.120116710933243
Unified social credit number	91120118MA0603879K

Company Profile

(2) Changes in principal businesses of the Company since its listing

The Company was listed on Shanghai Stock Exchange in 2007 and was principally engaged in container shipping, terminals and container leasing. The Company commenced engaging in logistics business in 2006 and dry bulk cargo shipping business in 2007. The Company disposed of its logistics business in 2013 and disposed of its dry bulk cargo shipping business and container leasing business in March 2016. At present, the principal businesses of the Company and its subsidiaries (the "**Group**") include container shipping and terminals services covering the whole container shipping value chain for both international and domestic customers.

(3) Changes in controlling shareholder of the Company since its listing

On 4 May 2016, the Company received notification from China Ocean Shipping (Group) Company* ("COSCO"), its controlling shareholder, that State-owned Assets Supervision and Administration Commission of the PRC ("SASAC") transferred its entire equity interest in COSCO at nil consideration to China COSCO Shipping Corporation Limited* ("COSCO SHIPPING"), a state-owned enterprise wholly-owned and controlled by SASAC, upon completion of which COSCO SHIPPING indirectly held approximately 45.47% equity interest in the Company through COSCO, and became an indirect controlling shareholder of the Company (the "**Controlling Shareholder Restructuring**"). SASAC has granted its approval of the equity transfer registration in respect of the Controlling Shareholder Restructuring, and the relevant equity transfer registration procedures have been completed. Before and after the Controlling Shareholder Restructuring, COSCO remains the direct controlling shareholder of the Company.

For details, please refer to the announcements of the Company dated 4 May 2016 and 30 May 2016.

VII. OTHER RELEVANT INFORMATION

Domestic auditor engaged by the Company	Name	Ruihua Certified Public Accountants, LLP.
	Office address	5-11/F,West Tower of China Overseas Property Plaza, Building 7, No. 8,Yongdingmen Xibinhe Road, Dongcheng District, Beijing
	Signing accountants	Su Chunsheng and Wang Rujie
International auditor engaged by the Company	Name	PricewaterhouseCoopers
	Office address	22nd Floor, Prince's Building, Central, Hong Kong
	Signing accountant	Mang Kwong Fung, Frederick

Other information of the Company

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

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

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

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

Domestic A Share registrar and transfer office
China Securities Depository and Clearing Corporation Limited, Shanghai Branch

36th Floor, China Insurance Building, 166 Lujiazui Road East, Pudong New District, Shanghai

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

Financial Summary

Interim Results for the six months ended 30 June 2017 prepared under the Hong Kong Financial Reporting Standards

Results Highlights:

	Six months ended 30 June		
	2017	2016	Difference
	RMB'000	RMB'000 (Restated)	RMB'000
Continuing operations			
Revenues	**43,445,690**	29,840,728	13,604,962
Profit/(loss) attributable to equity holders of the Company arising from:			
– Continuing operations	**1,863,467**	(4,490,456)	6,353,923
– Discontinued operations	**–**	(2,678,356)	2,678,356
	1,863,467	(7,168,812)	9,032,279
	RMB	RMB	RMB
Basic earnings/(loss) per share			
– From continuing operations	**0.18**	(0.44)	0.62
– From discontinued operations	**–**	(0.26)	0.26
	0.18	(0.70)	0.88

Management Discussion and Analysis

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 PREPARED UNDER THE HONG KONG FINANCIAL REPORTING STANDARDS

	Period from 1 January to 30 June 2017	Period from 1 January to 30 June 2016 *(Restated)*	Difference	Difference Rate
	RMB'000	RMB'000	RMB'000	(%)
Continuing operations				
Revenue	**43,445,690**	29,840,728	13,604,962	45.59
Operating profit/(loss)	**4,467,918**	(2,997,883)	7,465,801	—
Profit/(loss) before income tax from continuing operations	**4,078,471**	(3,314,671)	7,393,142	—
Profit/(loss) after income tax from continuing operations	**3,401,360**	(3,605,767)	7,007,127	—
Discontinued operations				
Loss after income tax from discontinued operations	**—**	(708,461)	708,461	—
Loss on disposal of discontinued operations	**—**	(2,430,262)	2,430,262	—
Loss from discontinued operations	**—**	(3,138,723)	3,138,723	—
Profit/(loss) for the period	**3,401,360**	(6,744,490)	10,145,850	—
Profit/(loss) attributable to equity holders of the Company	**1,863,467**	(7,168,812)	9,032,279	—
Basic earnings/(loss) per share	**0.18**	(0.70)	0.88	—

DISCUSSION AND ANALYSIS OF THE BOARD OF DIRECTORS OF THE COMPANY (THE "BOARD") ON THE OPERATION OF THE GROUP DURING THE REPORTING PERIOD

In the first half of 2017, the global economy picked up, which drove the demand for container shipping to bottom out. The growth of shipping capacity supply slowed down. Market shipping prices rose significantly as compared to the same period of last year, and fluctuations had been stabilized. The average value of the China Containerized Freight Index (CCFI) was 828 point from January to June, representing an increase of 19.8% as compared to the same period of last year.

Management Discussion and Analysis

In the first half of the year, COSCO SHIPPING Holdings actively grasped the opportunity of the market pick-up, and continued to deepen the reform and strengthened the enhancement of quality and effectiveness, with increasingly apparent synergies. The operating indexes improved substantially as compared to the same period of last year. In terms of the benefits to the Company, losses were turned into profits. The net profit attributable to shareholders of the Company (the "**Shareholders**") was RMB1.86 billion, compared to a loss of approximately RMB7.17 billion for the same period of last year. COSCO SHIPPING Lines, a wholly-owned subsidiary, achieved an increase in both volume and price and completed a shipping volume of 9.998 million TEUs, representing an increase of 34.9% as compared to the same period of last year. The average income per TEU was RMB3,691, representing an increase of 16.3% as compared to the same period of last year. Specifically, the average income per TEU from international routes reached RMB4,574, representing an increase of 19.7% as compared to the same period of last year. The total terminal throughput[1] of COSCO SHIPPING Ports Limited ("**COSCO SHIPPING Ports**"), a non-wholly owned subsidiary, was 41.78 million TEUs, representing an increase of 11.8% as compared to the same period of last year. Specifically, the total terminal throughput[1] of overseas was 8.88 million TEUs, representing an increase as high as 39.8% as compared to the same period of last year.

Leveraging economies of scale to build a world-class enterprise

In the first half of the year, COSCO SHIPPING Lines Co., Ltd. (中遠海運集裝箱運輸有限公司) ("**COSCO SHIPPING Lines**")constantly optimized global resources allocation and improved the global network layout adapted to the scale of shipping capacity. As at 30 June 2017, the size of the container fleet operated by the company reached 342 vessels and 1.76 million TEUs. The shipping capacity increased by 9.5% as compared to the same period of last year, ranking fourth in the world. More than 400 existing sales and service outlets of the Company with global coverage have formed a container transportation service network characterized by global operations and integrated services and are committed to providing customers with full trip transportation solutions of better quality. COSCO SHIPPING Ports continued to optimize its terminal investment portfolio, enhanced its control over terminal assets and further improved the global layout. The terminal portfolio owned by it was distributed over 32 ports around the world at present. The company had a total of 162 berths for containers in operation with a total annual capacity of 98.30 million TEUs.

On 1 April 2017, OCEAN Alliance came into operation after a year of careful planning and preparations. With COSCO SHIPPING Lines, CMA CGM, Evergreen Line and Orient Overseas Container Line as its members, OCEAN alliance deploys around 350 container vessels with an estimated total carrying capacity of 3.5 million TEUs. OCEAN Alliance provides 41 services in east-west major trade routes and the shipping routes to the Middle East and the Red Sea, offering 595 port pairs, i.e. direct port-to-port services, which allows customers to use "higher frequency, larger scale, broader coverage and higher efficiency" shipping services.

In line with the trend of industry consolidation, COSCO SHIPPING Holdings published an announcement on 9 July 2017 that a subsidiary of the Company and a subsidiary of Shanghai International Port (Group) Co., Ltd ("**SIPG**") have made a pre-conditional voluntary general offer to all shareholders of Orient Overseas (International) Limited ("**OOIL**") to acquire all issued shares of OOIL at an offer price of at HK$78.67 in cash. If the acquisition is successfully completed, the scale of the shipping capacity (including orders) of COSCO SHIPPING Holdings will exceed 2.9 million TEUs and its leading position in the global container shipping industry will be further enhanced. Post closing, COSCO SHIPPING Lines and OOIL will continue to operate under their respective brands, providing container transport and logistics services. By leveraging the strengths of each company and achieving synergies, the businesses will enhance their operating efficiencies and competitive positions to achieve sustainable growth in the long term.

1 Excluding the throughput of Qingdao Port International Co., Ltd. for May to June 2017 and the throughput of Qingdao Qianuan Container Terminal Co., Ltd. for the first half of 2016.

Management Discussion and Analysis

Capture opportunities arising from the Belt and Road Initiative and refine global network

China's the Belt and Road Initiative has created new opportunities to COSCO SHIPPING Holdings as it led to the development of logistics channels, interconnection between different shipping routes and the emergence of demand for cross-border intermodal transportation.

COSCO SHIPPING Lines has made vigorous efforts to expand its shipping capacity for the countries and markets along the Belt and Road in the Middle East, Africa, South Asia, etc. It deploys 131 vessels with total capacity of 1.2 million TEU along the Belt and Road countries, which accounts for 68% of the Company's total shipping capacity. By connecting its shipping routes with China-Europe Railway Express, the Company strived to develop itself into a one-stop service provider linking the Silk Road Economic Belt and the 21st Century Maritime Silk Road. China-Europe Sea-Land Express, a new express service carrying container cargo from China to Central and Eastern Europe through Piraeus in Greece, commenced operation in January this year. When compared with the traditional service routes, its delivery time is about seven days shorter.

In addition, COSCO SHIPPING Holdings continued to actively establish presence in important sea and land logistic nodes along "the Belt and Road". On 20 January 2017, COSCO SHIPPING Ports signed a contract to acquire shares in Qingdao Port International Co., Ltd. (青島港國際股份有限公司) and entered into a strategic cooperation agreement with, and ultimately held 18.41% of the shares in Qingdao Port International Co., Ltd. following the completion of the transaction. By making use of the model of strategically acquiring shares in port groups, the company further integrated itself into the management of the port area and consolidated its leading position as a terminal service provider in the Greater China region through sharing development room and management experience. On 15 May 2017, COSCO SHIPPING Lines and Lianyungang Port Group signed an agreement pursuant to which each of them will acquire 24.5% of the shares in KTZE-Khorgos Gateway LLP. This will drive China-Kazakhstan-Asia-Europe cross-border transportation and enable the company's China-Europe and Central Asia road-bridge services to have a key fulcrum, which will play an important role in enhancing the service efficiency and multimodal transportation competitive advantages of the company. On 12 June 2017, COSCO SHIPPING Ports announced the acquisition of 51% of the shares in Noatum Port Holdings, S.L.U., a port company in Spain. The project includes the largest container terminal in Port of Valencia and the only container terminal in Port of Bilbao. The acquisition will help the company establish its networks in the Mediterranean region and the European region, thereby promoting the construction of the global strategic fulcrum.

Enhancing quality and efficiency by adhering to the customer-oriented strategy

COSCO SHIPPING Lines further firmly established the "customer-oriented" philosophy, actively transited from "product thinking" to "customer thinking", identified and helped customers to solve "pain points" to enhance customers' experience. The company actively promoted "Nine Service Standards" on a global scale. The standards covered the important aspects during the process from cargo space booking to cargo delivery, including key contents and customers' pain points such as on-time rates, cargo space booking response and trans-shipment. Besides, the company continued to reinforce marketing team building, established new customer development, import marketing, customer maintenance and industry-specific professional marketing teams, improved the balance of cargo source, and promoted the growth of cargo volume and income. Taking the second quarter as an example, the freight volume completed by the company increased by 21.7% as compared to the same period of last year and increased by 14.8% as compared to the first quarter of this year. The total revenue from routes and the average income per TEU achieved increases of 46.5% and 20.3%, respectively, as compared to the same period of last year, remaining at higher levels in the industry in terms of the growth.

Management Discussion and Analysis

While achieving an increase in cargo volume and income, COSCO SHIPPING Lines continued to explore the potential of cost synergies by relying on the scale advantage of integration and reorganization. In the first half of the year, with the support from the OCEAN Alliance, the Company further optimized the network of shipping lines and capacity layout and continued to improve container fleet management and supplier procurement, which showed continuous growth of synergies. In the case of a sharp increase in oil prices, as compared to the same period of last year, the average cost per TEU of the Company declined by 2.5% to RMB3,429 as compared to the same period of last year, reinforcing the foundation for turning losses into profits in terms of the benefits to the company.

While COSCO SHIPPING Ports made progress in key investment projects, it improved the management of terminals continuously by mainly enhancing the operational capabilities of terminals it controlled as well as strengthening synergies with COSCO SHIPPING Lines to increase sales to the alliance and various shipping companies. During the first half of the year, Xiamen Ocean Gate Container Terminal benefited from the linkage with the shipping routes of the OCEAN Alliance, with throughput increasing by 20.6% as compared to the same period of last year, and reaching a high growth in profit. COSCO-HIT Terminals and Asia Container Terminals in Hong Kong commenced overall operations in January 2017, with throughput in the first half of the year increasing significantly by 42.8% as compared to the same period of last year, profit contribution increasing by 11.4% as compared to the same period of last year.

Looking ahead to the second half of 2017, the overall demand in the container shipping market is optimistic, but its growth may be uncertain. Delivery of new vessels will bring additional supply to shipping capacity and it will take time to solve the balance between supply and demand. COSCO SHIPPING Holdings will continue to focus on the theme of “growth”, strive to achieve higher growth in annual container volume and revenue and significantly improve the overall efficacy. Meanwhile, it will also prepare the various tasks for the offer to acquire OOIL and proceed steadily according to the business plan to complete the transaction as soon as practicable. COSCO SHIPPING Ports will continue to strengthen the operation management of the existing terminals, improve operation efficiency, follow up the investment projects at home and abroad, and cooperate with all parties to find new investment opportunities. In future, COSCO SHIPPING Holdings will follow the established strategies to enhance international competitiveness and innovative capabilities continuously, and work relentlessly towards the objective of “becoming a worldwide first-tier supplier of container transportation and terminal services” to create value for customers and generate returns for Shareholders.

Management Discussion and Analysis

(I) Analysis of principal businesses of continuing operations

1. Table of movement analysis for the related items in the financial information

Items	**For the six months ended 30 June 2017**	For the six months ended 30 June 2016 *(Restated)*	Difference	Difference Rate
	RMB'000	RMB'000	RMB'000	(%)
Continuing operations:				
Revenue	**43,445,690**	29,840,728	13,604,962	45.59
Cost of services and inventories sold	**(39,695,059)**	(31,205,145)	(8,489,914)	27.21
Other income, net	**2,721,303**	78,968	2,642,335	3,346.08
Selling, administrative and general expenses	**(2,004,016)**	(1,712,434)	(291,582)	17.03
Finance income	**219,432**	224,261	(4,829)	(2.15)
Finance costs	**(1,014,186)**	(947,541)	(66,645)	7.03
Net foreign exchange loss	**(318,545)**	(252,912)	(65,633)	25.95
Net cash flows generated from operating activities	**1,781,780**	80,793	1,700,987	2,105.36
Net cash flows (used in)/generated from investing activities	**(8,289,880)**	7,400,955	(15,690,835)	—
Net cash flows used in financing activities	**(632,832)**	(6,700,283)	6,067,451	(90.56)
Research and development expenses	**1,736**	927	809	87.27

Reasons for the change of the revenue

Overview

In the first half of 2017, the revenue of the Group amounted to RMB43,445,690,000, representing an increase of RMB13,604,962,000 or 45.59% as compared to the same period of last year.

Revenue from container shipping and related business

In the first half of 2017, revenue from container shipping and related business amounted to RMB41,826,869,000, representing an increase of RMB13,645,400,000 or 48.42% as compared to the same period of last year.

As at 30 June 2017, the container shipping team operated 342 container vessels, representing an increase of 30 vessels or 9.62% as compared to the beginning of the year. These vessels had a total capacity of 1,764,600 TEUs, representing an increase of 115,800 TEUs or 7.02% as compared to the beginning of the year. In the first half of 2017, container shipping volume amounted to 9,997,700 TEUs, representing an increase of 34.86% as compared to the same period last year. In the first half of 2017, container shipping volume of the Group and revenue from container shipping increased significantly as compared to the same period of last year, due to the market recovery and operating improvement in the container shipping industry on one hand, and the shipping capacity which increased significantly as a result of the lease of vessels for operation by COSCO SHIPPING Lines from the former China Shipping Container Lines Company Limited after the reorganization and integration which commenced on March 2016 on the other hand.

In the first half of 2017, the average income per TEU from international shipping of COSCO SHIPPING Lines recorded RMB4,574.08/TEU, a period-on-period increase of 19.70%. The average income per TEU from main routes of domestic trade was RMB1,725.52/TEU, representing a decrease of 3.46% as compared to the same period of last year.

Revenue from terminal and related business

In the first half of 2017, revenue generated from the terminal and related business amounted to RMB1,897,505,000, representing an increase of RMB99,539,000 or 5.54% as compared to the same period of last year.

In the first half of 2017, the throughput of controlled container terminal business amounted to 8,046,500 TEUs, representing an increase of 166,100 TEUs or 2.11% compared to the same period of last year. In the first half of 2017, the dry bulk throughput of controlled terminals amounted to 873.17 tons, representing an increase of 177.68 tons or 25.55% compared to the same period of last year.

Unit: TEU

Location of terminal	**January to June 2017**	January to June 2016	Difference	Difference Rate (%)
Bohai Rim Region	**7,629,840**	7,431,916	197,924	2.66
Yangtze River Delta Region	**9,759,389**	9,306,485	452,904	4.87
Southeast Coast and others	**2,328,929**	2,114,601	214,328	10.14
Pearl River Delta Region	**12,570,422**	11,622,980	947,442	8.15
Southwest Coast	**611,345**	530,625	80,720	15.21
Overseas	**8,880,942**	6,351,603	2,529,339	39.82
Total	**41,780,867**	37,358,210	4,422,657	11.84
Of which: Controlled terminals	**8,046,468**	7,880,362	166,106	2.11
Participating terminals	**33,734,399**	29,477,848	4,256,551	14.44

Note:

In the first half of 2017, Shanghai China Shipping Terminal Development Co., Ltd., a subsidiary of the Group, acquired additional 16.82% equity interests in Qingdao Port International Co., Ltd., at a consideration of 20% equity interests in Qingdao Qianwan Container Terminal Co., Ltd. (青島前灣集裝箱碼頭有限責任公司) plus cash.

In order to make the throughput data in the current period comparable to the same period of last year, the total throughput and non-controlled terminals' throughput in the first half of 2017 set out in the above table did not contain the throughput of 3,050,000 TEUs from May to June in 2017 after increase in shareholding of Qingdao Port International Co., Ltd.. The total throughput and non-controlled terminals' throughput in the first half of 2016 did not contain the throughput of 8,669,195 TEUs prior to the disposal of shares in Qingdao Qianwan Container Terminal Co., Ltd. from January to June in 2016. If included, the total throughput is 44,830,867 TEUs in the first half of 2017, 46,027,405 TEUs in the first half of 2016, 36,784,399 TEUs for the non-controlled terminals' throughput in the first half of 2017 and 38,147,043 TEUs for the non-controlled terminals' throughput in the first half of 2016.

Analysis of cost of services and inventories sold

Overview

In the first half of 2017, the operating cost of the Group amounted to RMB39,695,059,000, representing an increase of RMB8,489,914,000 or 27.21% as compared to the same period of last year.

Container shipping and related business cost

In the first half of 2017, the container shipping and related business cost amounted to RMB38,672,569,000, representing an increase of RMB8,467,422,000 or 28.03% as compared to the same period of last year. Average shipping cost per TEU decreased by 2.47% as compared to the same period of last year due to the synergistic effects of restructuring.

Terminal and related business cost

In the first half of 2017, the terminal and related business cost amounted to RMB1,216,703,000, representing an increase of RMB121,852,000 or 11.13% as compared to the same period of last year.

Other income, net

In the first half of 2017, the Group's net other income amounted to RMB2,721,303,000, representing an increase of RMB2,642,335,000 as compared to the same period of last year.

In the first half of 2017, Shanghai China Shipping Terminal Development Co., Ltd., a subsidiary of the Group, acquired additional 16.82% equity interests in Qingdao Port International Co., Ltd., at a consideration of 20% equity interests disposed in Qingdao Qianwan Container Terminal Co., Ltd. plus cash, resulting in other income of RMB2,150,432,000 in aggregate, of which:

(1) the net gains upon the disposal of 20% equity interest in Qingdao Qianwan Container Terminal Co., Ltd. was RMB1,886,333,000.

(2) Qingdao Port International Co., Ltd. became an associate of the Group as a result of the Group's increased shareholding of 16.82% in it. According to accounting standards, the 2.01% (1.59% after dilution) shareholding previously held by the Group in Qingdao Port International Co., Ltd. shall be measured using equity method, thus resulting in an increase in gains of RMB264,099,000.

Selling, administrative and general expenses

In the first half of 2017, the selling, administrative and general expenses of the Group amounted to RMB2,004,016,000, representing an increase of RMB291,582,000 or 17.03% as compared to the same period of last year. The increase was mainly due to an increase in relevant administrative expenses in line with significant growth of container shipping, terminal business during the period.

Finance income

In the first half of 2017, the finance income of the Group amounted to RMB219,432,000, representing a decrease of RMB4,829,000 or 2.15% as compared to the same period of last year. In the first half of 2017, with the scale of interest bearing liabilities generally maintained at the level of the beginning of the year, the decrease in finance income was mainly due to significant capital expenditures on acquiring additional shares of Qingdao Port International Co., Ltd., purchases of vessels and purchases of containers, which led to a significant decrease in the balance of monetary funds. As at 30 June 2017, the balance of monetary funds (including the balance of restricted bank monetary funds) amounted to RMB25.124 billion, representing a decrease of RMB7.388 billion or 22.72% from the beginning of the year.

Finance costs

In the first half of 2017, the finance costs of the Group amounted to RMB1,014,186,000, representing an increase of RMB66,645,000 or 7.03% as compared to the same period of last year. The reasons for the increase were: on the one hand, with the expectation of United States dollars (the "**USD**") appreciation from the beginning of 2016 to the beginning of 2017, the Group gradually adjusted debt structure to increase the percentage of RMB-denominated loans with higher interest rate to mitigate the exchange rate risks; and on the other hand, the interest rate of USD-denominated loans increased as compared with the same period of last year.

Net foreign exchange loss

In the first half of 2017, the net foreign exchange loss related to borrowings dominated in non-functional currency amounted to RMB318,545,000, representing an increase of RMB65,633,000 as compared to the same period of last year.

(II) Analysis of loss in discontinued operations for the period

In the first half of 2017, there were no discontinued operations, as compared to a loss on discontinued operations of the Group of RMB3,138,723,000 for the same period of last year, among which, upon the Group's disposal of COSCO SHIPPINGS Bulk Co., Ltd. and Florens Container Holdings Limited, a net loss on disposal of RMB2,430,262,000 was incurred.

(III) Working capital, financial resources and capital structure

As at 30 June 2017, the cash and cash equivalents amounted to RMB24,698,678,000, representing a decrease of RMB7,489,894,000 or 23.27% as compared to the beginning of the year.

In the first half of 2017, the net cash inflow from operating activities amounted to RMB1,781,780,000, representing an increase of RMB1,700,987,000 as compared to the same period of last year. In the first half of 2017, driven by global economic upturn, the Company recorded increases in container shipping volume and freight rate on period-on-period basis and became profitable. This was the major reason for such increase in the net cash inflow from operating activities in the first half of 2017 as compared to the same period of last year.

In the first half of 2017, the net cash outflow from investing activities amounted to RMB8,289,880,000 as compared to the net cash inflow of RMB7,400,955,000 in the same period of last year, of which:

In the first half of 2017, an amount of RMB5,575,059,000 was paid in cash for purchasing fixed assets, intangible assets and other long-term assets. In particular, (i) RMB4,320,394,000 was paid for purchasing container vessels, including RMB2,695,288,000 paid for 20 container vessels under construction which existed at the beginning of the year; RMB1,430,304,000 was paid for purchasing 14 container vessels under construction from related companies under COSCO SHIPPING Development Co., Ltd.; and RMB194,802,000 was paid for purchasing three used container vessels from third parties; (ii) and RMB864,115,000 was paid for purchase of 76,800 TEUs containers for COSCO SHIPPING Lines.

In the first half of 2017, an amount of RMB3,087,326,000 was paid in cash for investment. In particular, (i) an amount of RMB2,599,968,000 was paid in cash for acquiring additional shares of Qingdao Port International Co., Ltd. by Shanghai China Shipping Terminal Development Co., Ltd., a subsidiary of COSCO SHIPPING Ports. (ii) COSCO SHIPPING Ports contributed €7,052,000 to purchase 40% shares in APM Terminals Vado Holdings B.V., and provided shareholder loans of €24,743,000 to APM Terminals Vado Holdings B.V. (iii) COSCO SHIPPING Lines (Hong Kong) Co., Ltd. (中遠海運集運香港有限公司), a subsidiary of COSCO SHIPPING Lines, contributed US$38,000,000 to purchase 24.5% equity interests in dry ports of Horgos, Kazakhstan.

Management Discussion and Analysis

In the first half of 2017, the net cash outflow from financing activities amounted to RMB632,832,000, representing a decrease in net outflow of RMB6,067,451,000 as compared to the same period of last year, which included net inflow of bank loan proceeds of RMB407,875,000 and a cash of RMB846,639,000 paid for distributing dividends and profits and repaying interest.

As at 30 June 2017, the total outstanding borrowings of the Group were RMB57,325,872,000. After deducting the cash and cash equivalents, the net amount was RMB32,627,194,000.

The working capital and capital resources of the Group have been and are expected to continue to be generated from cash flows of operating activities and proceeds from new share issuance and loan facilities from banks. Cash of the Group has been and is expected to be utilized for various purposes such as payment of operating costs, purchases of container vessels, investments in terminals and repayment of loans.

As at 30 June 2017, the total liabilities of the Group amounted to RMB82,662,781,000, representing an increase of RMB558,917,000 or 0.68% as compared to the beginning of the year. Total equity interests amounted to RMB41,601,371,000, representing an increase of RMB4,052,502,000 or 10.79% as compared to the beginning of the year. As at 30 June 2017, the gearing ratio was 66.52%, representing a decrease of 2.10 percentage points from the beginning of 2017.

Debt analysis

1. Repayment of debts due and performance of obligations due

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Short-term borrowings	**6,613,591**	3,246,917
Long-term borrowings	**50,712,281**	54,130,058
Among which: Less than 1 year	**9,692,788**	6,661,134
1 to 2 years	**10,740,114**	14,536,972
3 to 5 years	**13,643,711**	16,723,202
Over 5 years	**16,635,668**	16,208,750
Total	**57,325,872**	57,376,975

2. Breakdown of borrowings by category

The secured borrowings of the Group amounted to RMB14,831,733,000 while unsecured borrowings amounted to RMB42,494,139,000, representing 25.87% and 74.13% of the total borrowings, respectively. Most of the Group's borrowings bear interest at floating rate.

3. Breakdown of borrowings by currency

The Group had borrowings denominated in USD equivalent to RMB30,904,908,000 and borrowings denominated in RMB which amounted to RMB22,007,295,000, representing 53.91% and 38.39% of the total borrowings, respectively.

Management Discussion and Analysis

4. Corporate guarantees and liabilities

As at 30 June 2017, the Group had provided a guarantee on a banking facility granted to a joint venture in the amount of RMB79,482,000. Save as disclosed above, the Group had no other significant contingent liabilities as at 30 June 2017.

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 bank balances, receivable and payable balances and borrowings with respect to non-functional currency. Management monitors foreign exchange exposure and will consider hedging certain foreign currency exposure with derivative financial instruments should the need arise.

Material acquisitions and disposals with regard to subsidiaries, associated companies and joint ventures during the accounting period

In the first half of 2017, the Group incurred an additional investment cost of RMB6,649,023,000 for four new associated companies and joint ventures, and a net gain on disposal of one joint venture of RMB1,886,333,000.

Increases in the year:

Invested Companies	Shareholding percentage as at the end of the period	Increase in investment costs during the period RMB'000
COSCO SHIPPING Lines (Israel) Co., Ltd.	60.00	439
APM Terminals Vado Holdings B.V.	40.00	51,295
KTZE-Khorgos Gateway LLP	24.50	250,510
Qingdao Port International Co., Ltd.	18.41	6,346,779
Total		6,649,023

Decreases in the year:

Invested Companies	Shareholding percentage as at the beginning of the period (%)	Shareholding percentage as at the end of the period(%)	Opening carrying amount RMB'000	Closing carrying amount RMB'000	Gain on disposal RMB'000
Qingdao Qianwan Container Terminal Co., Ltd.	20.00	0.00	1,315,954	0.00	1,886,333

Capital commitments

The Group currently has a total of 31 container vessels under construction. The capital commitments for future construction of container vessels amounted to RMB22,395,516,000.

Containers under construction amounted to 82,000 TEUs. The capital commitments for future construction of containers amounted to RMB1,151,503,000.

The capital commitments for investment in terminals amounted to RMB7,922,032,000 in aggregate, among which the commitments for purchasing fixed assets amounted to RMB4,333,519,000 and the equity investment commitment of terminals amounted to RMB3,588,513,000.

Financing plans

The Group will take its material capital expenditure for the second half of 2017 into consideration, including the acquisition of interests in companies, such as OOIL, construction of container vessels and containers and expenditure for terminal infrastructure projects, to formulate relevant manage financing arrangements, enhance capital management, optimize the utilization efficiency of funds and control the scale of debts effectively.

Directors, Supervisors and Senior Management

I. Equity Change

(I) Equity changes of current directors (the "**Directors**"), supervisors (the "**Supervisors**") and senior management of the Company who resigned during the reporting period

Not applicable.

(II) Share option granted to Directors, supervisors and senior management during the reporting period

Not applicable.

Ii. Changes in Directors, Supervisors and Senior Management During the Reporting Period

Name	Position	Change	Reason for change
WAN Min	Chairman of the Board, non-executive Director	Elected	Elected by the Board and the Shareholders' general meeting
HUANG Xiaowen	Vice chairman, executive Director	Elected	Elected by the Board and the Shareholders' general meeting
FAN HSU Lai Tai, Rita	Independent non-executive Director	Retired	Expiry of term
KWONG Che Keung, Gordon	Independent non-executive Director	Retired	Expiry of term
Peter Guy BOWIE	Independent non-executive director	Retired	Expiry of term
XU Zunwu	Executive Director	Elected	Elected by the Board and the Shareholders' general meeting
MA Jianhua	Non-executive Director	Elected	Elected by the Board and the Shareholders' general meeting
WANG Haimin	Executive Director	Elected	Elected by the Board and the Shareholders' general meeting
ZHANG Wei (張為)	Executive Director	Elected	Elected by the Board and the Shareholders' general meeting
FENG Boming	Non-executive Director	Elected	Elected by the Shareholders' general meeting and the Board
ZHANG Wei (張煒)	Non-executive Director	Elected	Elected by the Board and the Shareholders' general meeting
CHEN Dong	Non-executive Director	Elected	Elected by the Board and the Shareholders' general meeting
YANG, Liang Yee Philip	Independent non-executive Director	Elected	Elected by the Board and the Shareholders' general meeting
WU Dawei	Independent non-executive Director	Elected	Elected by the Board and the Shareholders' general meeting
ZHOU Zhonghui	Independent non-executive Director	Elected	Elected by the Board and the Shareholders' general meeting
TEO Siong Seng	Independent non-executive Director	Elected	Elected by the Board and the Shareholders' general meeting
KOO, Chee Kong Kenneth	Independent non-executive Director	Elected	Elected by the Board and the Shareholders' general meeting
FU Xiangyang	Chairman of the Supervisory Committee, Supervisor representing the Shareholders	Elected	Elected by the Supervisory Committee and the Shareholders' general meeting
HAO Wenyi	Supervisor representing the Shareholders	Elected	Elected by the Supervisory Committee and the Shareholders' general meeting
QIAN Weizhong	Employee Supervisor	Elected	Elected by the general meeting of employee representatives
FANG Meng	Employee Supervisor	Elected	Elected by the general meeting of employee representatives
MENG Yan	Independent Supervisor	Elected	Elected by the Supervisory Committee and the Shareholders' general meeting
ZHANG Jianping	Independent Supervisor	Elected	Elected by the Supervisory Committee and the Shareholders' general meeting

Directors, Supervisors and Senior Management

Iii. Other Explanatory Information

1. Appointment of and Changes in Directors

On 25 May 2017, the Company convened the 2016 annual general meeting and approved by election the re-appointment of Mr. Wan Min, Mr. Ma Jianhua, Mr. Feng Boming, Mr. Zhang Wei (張煒), Mr. Chen Dong as the non-executive Directors; Mr. Huang Xiaowen, Mr. Xu Zunwu, Mr. Wang Haimin, Mr. Zhang Wei (張為) as the executive Directors; Mr. Yang, Liang Yee Philip as the independent non-executive Director. Meanwhile, Mr. Wu Dawei, Mr. Zhou Zhonghui, Mr. Teo Siong Seng and Mr. Koo, Chee Kong Kenneth were elected as the independent non-executive Directors of the fifth session of the Board of the Company. Ms. Fan Hsu Lai Tai, Rita, Mr. Kwong Che Keung, Gordon, Mr. Peter Guy Bowie ceased to act as the independent non-executive Directors due to the expiry of their terms.

On 25 May 2017, the Company convened the first board meeting of the fifth session of the Board, at which Mr. Wan Min was elected as the chairman of the fifth session of the Board and Mr. Huang Xiaowen was elected as the vice-chairman.

2. Appointment of and Changes in Supervisor

On 23 May 2017, the Company convened the meeting of the employee representatives and approved by election to reappoint Mr. Qian Weizhong and Mr. Fang Meng as the employee Supervisors of the fifth session of the Supervisory Committee of the Company, with effect from 25 May 2017.

On 25 May 2017, the Company convened the 2016 annual general meeting and approved by election the re-appointment of Mr. Fu Xiangyang, Mr. Hao Wenyi as the shareholder Supervisors, and the re-appointment of Mr. Meng Yan and Mr. Zhang Jianping as the independent Supervisors. Meanwhile, approved by the first meeting of the fifth session of the Supervisory Committee, Mr. Fu Xiangyang was elected as the chairman of the supervisory committee of the Company.

3. Appointment of and Changes in Senior Management

On 25 May 2017, the Company convened the first meeting of the fifth session of the Board, at which considered and approved the re-appointment of Mr. Xu Zunwu as the general manager of the Company; Mr. Ma Jianhua, Mr. WANG Haimin, Mr. Qiu Jinguang, Mr. ZHANG Wei (張為) as the deputy general manager of the Company; Mr. Deng Huangjun as the chief financial officer of the Company; Mr. Guo Huawei as the secretary to the Board; meanwhile Mr. Guo Huawei continues to be the company secretary under the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

4. Changes in Directors, Supervisors and Senior Management after the Reporting Period

Nil.

Other Information

Employees and Remuneration Policies

As at 30 June 2017, there was no material change in the number of employees of the Group as compared with the information disclosed in the 2016 annual report published by the Company. During the six months ended 30 June 2017, there was no material change in the total staff cost, including directors' remuneration, and the remuneration and training policies as compared with the information disclosed in the 2016 annual report published by the Company on 26 April 2017.

Share Appreciation Rights Plan

A share appreciation rights plan (the "**Share Appreciation Rights Plan**") was adopted by the Company, which was designed to align the interests of Directors, Supervisors and senior management of the Company with the Company's operating results and market value of the Shares. The issuance of share appreciation rights does not involve any issuance of new Shares, and it does not have any dilutive effect on the Shareholders.

On 16 December 2005, the Board granted share appreciation rights to certain directors, supervisors and senior management of the Company and its subsidiaries, and other personnel designated by the Board, including nine Directors and three Supervisors at an exercise price of HK$3.195 each under the Share Appreciation Rights Plan. On 5 October 2006, the Board granted share appreciation rights to certain Directors, Supervisors and senior management of the Company and its subsidiaries, and other personnel designated by the Board, including eight Directors and three Supervisors at an exercise price of HK$3.588 each under the Share Appreciation Rights Plan. On 4 June 2007, the Company granted further share appreciation rights to certain Directors, Supervisors and senior management of the Company and its subsidiaries, and other personnel designated by the Board, including seven Directors and four Supervisors at an exercise price of HK$9.540 each under the Share Appreciation Rights Plan. As at 30 June 2017, the Company did not grant any share appreciation rights after the grant on 4 June 2007. As at 30 June 2017, all of the share appreciation rights granted under the Share Appreciation Rights Plan of the Company had lapsed.

(1) The purpose of the Share Appreciation Rights Plan:

The Share Appreciation Rights Plan is formulated in order to meet the Company's strategic development requirements, establish and improve the operational risk control mechanism and enhance the long-term incentive and restraint mechanism for senior management pursuant to domestic laws and regulations and drawing on international practices together with the Company's actual conditions.

The Share Appreciation Rights Plan aims to provide long-term incentives to attract and retain senior management and core business staff, so as to enhance the Company's profitability and value and maximize Shareholders' interests, hence promoting long-term development of the Company.

(2) The participants of the Share Appreciation Rights Plan:

The scope of application of the plan is determined by the Board of Directors, in particular:

1. Directors (excluding independent non-executive Directors), Supervisors (excluding independent Supervisors) and Secretary of the Board.

2. The Company's senior management, including chief executive officer, general manager, deputy general manager, chief financial officer, department general managers, department deputy general managers and other staff of similar levels.

3. Senior management of the level one subsidiaries, including the full time staff, part-time staff, assistants to general managers, department general managers, department deputy general managers of the companies.

4. Full-time and part-time staff of level two companies as well as full-time staff of port companies.

5. Other personnel approved by the Board: determined according to their importance in business development, mainly referring to personnel and core business staff of the Company and affiliated companies who are crucial to the Company's business development and have made outstanding contributions.

(3) The total number of securities that can be issued under the Share Appreciation Rights Plan and their percentage of the issued shares as at the date of the annual report:

The share appreciation rights were granted in unit, each unit representing one share.

In the absence of special approval, the total number of share appreciation rights granted shall not exceed 10% of the issued and outstanding H shares. The grant shall be made once a year and the number of shares in the first grant shall be in principle not more than 1% of the issued and outstanding H shares.

(4) The maximum entitlement of each participant under the Share Appreciation Rights Plan:

No participants shall be offered or granted share appreciation rights when the total number of unexercised share appreciation rights previously granted to a certain participant according to the plan is more than twenty five percent (25%) of the total number of share appreciation rights currently issued or issuable according to the plan.

Other Information

(5) The period within which the securities must be taken up under an option:

The securities must be taken up within the third year, the fourth year, the fifth year and the sixth year from the date of grant. The respective percentage of exercise shall be in aggregate not more that 25%, 50%, 75% and 100% of the share appreciation rights granted to such grantee.

(6) The minimum period, if any, for which an option must be held before it can be exercised:

Except that conditions of early termination as provided by the plan are fulfilled, the share appreciation rights granted each time shall be valid for ten years, two of which are the lockup period (i.e., the grantee shall not exercise the rights for two years from the date of grant).

(7) The amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid:

Not applicable.

(8) The basis of determining the exercise price:

1. At the beginning of the Company's listing, the exercise price of the share appreciation rights first granted shall be the price at the Initial Public Offering.

2. The exercise price of the share appreciation rights granted subsequently shall depends on the higher of the following:

   A. the official closing price of H shares as listed on Stock Exchange's daily quotation on the date of grant;

   B. the official average closing price of H shares as listed on Stock Exchange's daily quotation for the five trading days prior to the date of grant; or

   C. par value of the share.

(9) The remaining life of the Share Appreciation Rights Plan:

For the batch with exercise price of HK$9.54, the effective exercise period is from: 4 June 2009 to 3 June 2017.

Movements of the share appreciation rights, which were granted to Directors, Supervisors or senior management by the Company pursuant to the Share Appreciation Rights Plan during the six months ended 30 June 2017 are set out below:

				Number of units of share appreciation rights							
Name of director/ supervisor/ senior management	Capacity	Nature of interest	Exercise price	Outstanding as at 1 January 2017	Transfer (to)/from other category during the period	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2017	Approximate % of issued share capital of the Company's H shares as at 30 June 2017	Note
WAN Min	Beneficial owner	Personal	HK$9.540	260,000	–	–	–	(260,000)	–	–	(1)
MA Jianhua	Beneficial owner	Personal	HK$9.540	480,000	–	–	–	(480,000)	–	–	(1)
WANG Haimin	Beneficial owner	Personal	HK$9.540	75,000	–	–	–	(75,000)	–	–	(1)
ZHANG Wei (張為)	Beneficial owner	Personal	HK$9.540	75,000	–	–	–	(75,000)	–	–	(1)
FENG Boming	Beneficial owner	Personal	HK$9.540	35,000	–	–	–	(35,000)	–	–	(1)
ZHANG Wei (張煒)	Beneficial owner	Personal	HK$9.540	50,000	–	–	–	(50,000)	–	–	(1)
FU Xiangyang	Beneficial owner	Personal	HK$9.540	85,000	–	–	–	(85,000)	–	–	(1)
DENG Huangjun	Beneficial owner	Personal	HK$9.540	260,000	–	–	–	(260,000)	–	–	(1)
Total number of other continuous contract employees (Under the Company's employment, excluding senior management)	Beneficial owner	Personal	HK$9.540	9,790,000	–	–	–	(9,790,000)	–	–	(1)
Others (Not under the Company's employment, including ex-Directors)	Beneficial owner	Personal	HK$9.540	13,055,000	–	–	–	(13,055,000)	–	–	(1)
Total				24,165,000	–	–	–	(24,165,000)	–	–	

Note:

The share appreciation rights were granted by the Company in units with each unit representing one H Share pursuant to the Share Appreciation Rights Plan. At each of the last day of the third, fourth, fifth and sixth anniversary of the date of grant (i.e. 4 June 2007), the total number of the share appreciation rights exercisable shall not exceed 25%, 50%, 75% and 100%, respectively, of each of the total share appreciation rights granted. The share appreciation rights are exercisable at HK$9.540 per unit according to its terms between 4 June 2009 and 3 June 2017.

Other Information

Share Option Scheme of COSCO SHIPPING Ports

At the special general meeting of COSCO SHIPPING Ports held on 23 May 2003, its shareholders approved the adoption of a share option scheme (the "**2003 Share Option Scheme**") and the termination of the share option scheme adopted by its shareholders on 30 November 1994. As the expiration of 2003 Share Option Scheme on 22 May 2013, no further option shall thereafter be granted under the 2003 Share Option Scheme. However, for any outstanding options granted, the terms of the 2003 Share Option Scheme shall remain in full force and effect.

Movements of the share options, which were granted under the 2003 Share Option Scheme, during the six months ended 30 June 2017 are set out below:

		Number of share option							
Category	Exercise price (HK$)	Outstanding as at 1 January 2017	Transferred to/ from other categories during the period	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2017	Approximate percentage of total issued share capital of COSCO SHIPPING Ports as at 30 June 2017	Exercisable period
Others (Note (2))	19.30	9,940,000	–	–	–	(9,940,000)	–	–	(Note (1))
Total	19.30	9,940,000	–	–	–	(9,940,000)	–	–	(Note (1))

Notes:

(1) The share options were granted during the period from 17 April 2007 to 19 April 2007 under the 2003 Share Option Scheme at an exercise price of HK$19.30. The Options can be exercised at any time during a period of ten years commencing from the date when an offer is accepted or deemed to be accepted by the grantee pursuant to the 2003 Share Option Scheme ("**Commencing Date**"). The Commencement Date was from 17 April 2007 to 19 April 2007. All share options were lapsed and voided on 19 April 2017. No share option was exercised during the period from 1 January to 18 April 2017.

(2) This category comprises, inter alia, continuous contract employees of COSCO SHIPPING Ports.

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 the Reporting Period, Shanghai Pan Asia Shipping Company Limited ("**Shanghai Pan Asia**"), a subsidiary of COSCO SHIPPING Lines, decided to implement 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 Co., Ltd. on Capital Increase and Employees Participation Plan by Its Subsidiary Shanghai Pan Asia Shipping Company Limited (No.: Lin2017-014) 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 (寧波淑陽投資管理合夥企業 (有限合夥)) (the employees participation platform) ("**Hongyang**") signed the agreement on capital increase and completed the change of industrial and commercial registration. Upon successful completion of the transaction, Shanghai Pan Asia will be owned by COSCO SHIPPING Lines, Fosun Industrial Investment and Hongyang as to 82%, 10% (contributing approximately RMB427 million) and 8% (contributing approximately RMB341 million), respectively. The participating employees, of a total number of 157, are core management personnel of Shanghai Pan Asia, accounting for 33% of its total headcount.

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

As at 30 June 2017, 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (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 for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") were as follows:

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

Name of Director	Capacity	Nature of interest	Number of H shares of the Company	Approximate percentage of total issued H share capital	Approximate percentage of total issued share capital of the Company
WAN Min	Beneficial owner	Personal	2,500	0.00010%	0.00002%

Name of Director	Capacity	Nature of interests	Number of A shares of the Company	Approximate percentage of total issued A share capital	Approximate percentage of total issued share capital of the Company
WAN Min	Beneficial owner	Personal	35,000	0.00046%	0.00034%
	Beneficial owner	Spouse	12,000	0.00016%	0.00012%

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

Name of associated corporation	Name of Director/Supervisor	Capacity	Nature of interest	Number of ordinary Shares	Approximate percentage of total issued share capital
COSCO SHIPPING Development	FENG Boming	Beneficial owner	Personal	29,100	0.00025%
COSCO SHIPPING Ports	ZHANG Wei (張煒)	Beneficial owner	Personal	30,000	0.00099%

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

Movements of the share appreciation rights which were granted pursuant to the Share Appreciation Rights Plan during the six-month period ended 30 June 2017 are set out in the paragraph headed "Share Appreciation Rights Plan" in this section above.

Save as disclosed above, as at 30 June 2017, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in any shares, underlying shares or 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 into the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Substantial Shareholders' Interests in the Shares and Underlying Shares of the Company

As at 30 June 2017, so far as was known to the Directors, Shareholders having interests in the A Shares and H Shares which fall to be disclosed to the Company and the 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 were as follows:

		Number of shares/Percentage of total issued share capital of the Company					
Name	Nature of interest/capacity	Long position	% (approx)	Short position	% (approx)	Lending pool	% (approx)
China Ocean Shipping (Group) Company (a state-owned enterprise in China and the direct controlling shareholder of the Company) ("**COSCO**")	Beneficial interest Interest of controlled corporation	A Shares: 4,557,594,644 H Shares: 87,635,000 Total: 4,645,229,644	45.47	–	–	–	–
China COSCO Shipping Corporation Limited (a state-owned enterprise in China and the indirect controlling shareholder of the Company) ("**COSCO SHIPPING**") (Note)	Interest of controlled corporation	A Shares: 4,557,594,644 H Shares: 87,635,000 Total: 4,645,229,644	45.47	–	–	–	–

Note:

As at 30 June 2017, COSCO SHIPPING indirectly held approximately 45.47% equity interest in the Company through COSCO and was an indirect controlling shareholder of the Company.

Save as disclosed above, as at 30 June 2017, so far as was known to the Directors, there was no person (other than a Director, Supervisor or chief executive of the Company) who had any other interest or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the 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.

Audit Committee

The Company has established an audit committee in compliance with Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review the financial reporting process and the systems of internal controls of the Group (including the adequacy of resources, staff, qualification and experience, effectiveness of internal audit, corporate governance and control, and the training programmes and budget of the Company's accounting and financial reporting function), the completeness and accuracy of its accounts and to liaise on behalf of the Directors with external auditors. The audit committee consists of two independent non-executive Directors, Mr. Zhou Zhonghui (chairman of the audit committee) and Mr. Yang, Liang Yee Philip, and one non-executive Director, Mr. Chen Dong, who meet regularly with management of the Company and the Company's external auditors, review external auditors' review and audit reports (as applicable) of the Group and the interim and annual financial statements, as the case may be. The audit committee has reviewed the unaudited interim financial information for the six months ended 30 June 2017, and recommended its adoption by the Board.

Corporate Governance

The Company is committed to maintaining high standards of corporate governance of the Group. The Board considers that effective corporate governance is essential and makes important contribution to the success of the Company and the enhancement of Shareholder value.

The Company adopted a corporate governance code (the "**Code**") which incorporates all the code provisions in the Corporate Governance Code under Appendix 14 to the Listing Rules ("**Corporate Governance Code**") and a majority of the recommended best practices therein.

Having made all reasonable enquiries, none of the Directors is aware of any information that would reasonably indicate that the Company did not meet the applicable code provisions in the Corporate Governance Code or the Code for any part of the period for the six months ended 30 June 2017.

Model Code for Securities Transactions By Directors

The Company has adopted the Model Code under Appendix 10 to the Listing Rules as its own code of conduct ("Code of Conduct") regarding securities transactions of the Directors and Supervisors effective on 9 June 2005. Having made specific enquiries of all Directors and Supervisors, they have confirmed that they complied with the required standard set out in the Model Code and the Code of Conduct for the six months ended 30 June 2017.

Other Information

Purchase, Sale or Redemption of Listed Shares

The Company had not redeemed any of its listed Shares during the six months ended 30 June 2017. Neither the Company nor any of its subsidiaries had purchased or sold any of its listed Shares during the six months ended 30 June 2017.

Interim Dividend

The Board did not recommend the distribution of an interim dividend for the six months ended 30 June 2017.

Investor Relations

The Company highly values investor relations at all times and considers the maintenance of investor relations as on-going strategic work.

In the first half of the year, the Group had extensive communication with the capital market by organizing domestic and overseas road shows, reverse road shows, results press release, domestic and overseas investor meetings, corporate visits and telephone conferences. The Group had held a total of over 100 personal or group meetings, made contact with 420 investors, and actively made response to the questions of numerous medium and small investors through telephone, email, designated network platform and other channels. The Company promptly sent emails to investors who it has made contact with regarding important announcements, circulars published by the Company, information about the shipping market, etc, which were widely welcomed by investors.

We publish announcements, periodic reports, promotional material of the Company and contact information of analysts on the website of the Company regularly and update such information in a timely manner. We also try our best to facilitate domestic and overseas media to conduct interviews and obtain public information pursuant to laws and regulations.

While actively communicating with external parties, the Company also places great importance on opinions from the capital markets. The investment department actively collects relevant opinions and advice and reports to the senior management in a timely manner, which are important references to the decision-making process of the Company.

During the process of the above work, senior management and the relevant staff are all in strict compliance with domestic and overseas regulatory requirements, and actively and proactively conduct their tasks subject to laws and regulations.

The investor relations section on the website of the Company (www.chinacosco.com) addresses investor enquiries.

Corporate Culture

COSCO SHIPPING Holdings insists on the value of "maximization of business performance, company value, shareholder return and social responsibility". We are always dedicated to winning the recognition of investors with impressive performance in the stock market to maintain healthy and sustainable development of the Company; to promoting customized services based on the principles of safety, convenience, quality and efficiency, so as to actively respond to customers' demands and to strive towards building the best brand of integrated shipping and logistics services; to attracting and cultivating the employment of first-class talents to help our staff to fully realize their personal value and grow together with the enterprise; to complying with local laws and regulations; and to fulfilling social responsibility in countries/regions where our offices are established and striving to become the best enterprise in the industry.

Unaudited Condensed Consolidated Interim Balance Sheet

As at 30 June 2017

	Note	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**52,462,011**	48,426,064
Investment properties	6	**177,952**	195,244
Leasehold land and land use rights	6	**1,649,626**	1,671,261
Intangible assets	6	**159,806**	157,036
Joint ventures		**8,606,871**	10,106,369
Associates		**17,034,016**	10,324,185
Loans to joint ventures and associates		**1,444,279**	1,215,244
Available-for-sale financial assets		**3,003,104**	1,662,670
Deferred income tax assets		**81,186**	85,684
Other non-current assets		**435,100**	446,511
Total non-current assets		**85,053,951**	74,290,268
Current assets			
Inventories		**2,315,027**	1,564,690
Trade and other receivables	7	**11,771,036**	11,285,555
Restricted bank deposits		**425,460**	323,648
Cash and bank balances		**24,698,678**	32,188,572
Total current assets		**39,210,201**	45,362,465
Total assets		**124,264,152**	119,652,733

Unaudited Condensed Consolidated Interim Balance Sheet

As at 30 June 2017

	Note	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	8(a)	**10,216,274**	10,216,274
Reserves		**10,156,497**	8,107,022
		20,372,771	18,323,296
Non-controlling interests		**21,228,600**	19,225,573
Total equity		**41,601,371**	37,548,869
LIABILITIES			
Non-current liabilities			
Long-term borrowings	9	**41,019,493**	47,468,924
Provisions and other liabilities	10	**558,791**	557,382
Deferred income tax liabilities		**1,069,011**	522,240
Total non-current liabilities		**42,647,295**	48,548,546
Current liabilities			
Trade and other payables	11	**23,022,151**	22,722,039
Short-term borrowings	12	**6,613,591**	3,246,917
Current portion of long-term borrowings	9	**9,692,788**	6,661,134
Current portion of provisions and other liabilities	10	**3,428**	12,624
Tax payable		**683,528**	912,604
Total current liabilities		**40,015,486**	33,555,318
Total liabilities		**82,662,781**	82,103,864
Total equity and liabilities		**124,264,152**	119,652,733
Net current (liabilities)/assets		**(805,285)**	11,807,147
Total assets less current liabilities		**84,248,666**	86,097,415

Unaudited Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2017

	Note	Six months ended 30 June 2017 RMB'000	2016 RMB'000 (Restated, Note 22)
Continuing operations			
Revenues	5	**43,445,690**	29,840,728
Cost of services and inventories sold		**(39,695,059)**	(31,205,145)
Gross profit/(loss)		**3,750,631**	(1,364,417)
Other income, net	13	**2,721,303**	78,968
Selling, administrative and general expenses		**(2,004,016)**	(1,712,434)
Operating profit/(loss)	13	**4,467,918**	(2,997,883)
Finance income	14	**219,432**	224,261
Finance costs	14	**(1,014,186)**	(947,541)
Net foreign exchange loss	14	**(318,545)**	(252,912)
Net finance costs	14	**(1,113,299)**	(976,192)
Share of profits less losses of			
– joint ventures		**295,102**	376,473
– associates		**428,750**	282,931
Profit/(loss) before income tax		**4,078,471**	(3,314,671)
Income tax expenses	15	**(677,111)**	(291,096)
Profit/(loss) for the period from continuing operations		**3,401,360**	(3,605,767)
Discontinued operations			
Loss on disposals of subsidiaries	18	**–**	(2,430,262)
Loss for the period after tax of discontinued operations		**–**	(708,461)
Loss from discontinued operations		**–**	(3,138,723)
Profit/(loss) for the period		**3,401,360**	(6,744,490)
Profit/(loss) attributable to:			
– Equity holders of the Company		**1,863,467**	(7,168,812)
– Non-controlling interests		**1,537,893**	424,322
		3,401,360	(6,744,490)

Unaudited Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2017

	Note	Six months ended 30 June 2017 RMB'000	2016 RMB'000 (Restated, Note 22)
Profit/(loss) attributable to equity holders of the Company arising from:			
– Continuing operations		**1,863,467**	(4,490,456)
– Discontinued operations		**–**	(2,678,356)
		1,863,467	(7,168,812)
		RMB	RMB
Earnings/(loss) per share attributable to equity holders of the Company:			
Basic earnings/(loss) per share			
– From continuing operations	16	**0.18**	(0.44)
– From discontinued operations	16	**–**	(0.26)
		0.18	(0.70)

Unaudited Condensed Consolidated Interim Statement Of Comprehensive Income

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
		(Restated, Note 22)
Profit/(loss) for the period	**3,401,360**	(6,744,490)
Other comprehensive income/(loss)		
Items that have been or may be reclassified subsequently to profit or loss		
Fair value gains/(losses) on available-for-sale financial assets, net of tax	**1,486,271**	(45,759)
Release of investment revaluation reserve upon additional purchase of an available-for-sale financial asset to make it an associate	**(264,099)**	—
Share of other comprehensive income of joint ventures and associates	**1,296**	2,643
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates	**(332,007)**	(131,729)
Recycling of currency translation differences upon disposals of subsidiaries	**—**	3,368,688
Item that may not be reclassified subsequently to profit or loss		
Remeasurements of post-employment benefit obligations	**(15,040)**	134,980
Total other comprehensive income	**876,421**	3,328,823
Total comprehensive income/(loss) for the period	**4,277,781**	(3,415,667)
Total comprehensive income/(loss) for the period attributable to:		
– Equity holders of the Company	**2,103,340**	(4,084,139)
– Non-controlling interests	**2,174,441**	668,472
	4,277,781	(3,415,667)
Total comprehensive income/(loss) attributable to equity holders of the Company arising from:		
– Continuing operations	**2,103,340**	(3,766,679)
– Discontinued operations	**—**	(317,460)
	2,103,340	(4,084,139)

Unaudited Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2017

	Equity holders of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2017	18,323,296	19,225,573	37,548,869
Comprehensive income			
Profit for the period	1,863,467	1,537,893	3,401,360
Other comprehensive income:			
Fair value gains on available-for-sale financial assets, net of tax	692,631	793,640	1,486,271
Release of investment revaluation reserve upon additional purchase of an available-for-sale financial asset to make it an associate	(123,387)	(140,712)	(264,099)
Share of other comprehensive (loss)/income of joint ventures and associates	(27)	1,323	1,296
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates	(314,304)	(17,703)	(332,007)
Remeasurements of post-employment benefit obligations	(15,040)	–	(15,040)
Total other comprehensive income	239,873	636,548	876,421
Total comprehensive income for the period	2,103,340	2,174,441	4,277,781
Transactions with owners:			
Distribution to owners	(53,891)	–	(53,891)
Dividends paid to non-controlling interests of subsidiaries	–	(171,735)	(171,735)
Others	26	321	347
Total transactions with owners	(53,865)	(171,414)	(225,279)
As at 30 June 2017	20,372,771	21,228,600	41,601,371

Unaudited Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2017

	Equity holders of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2016, as previously reported	28,407,665	24,582,013	52,989,678
Adoption of merger accounting (note 22)	151,884	29,513	181,397
Balance at 1 January 2016, as restated	28,559,549	24,611,526	53,171,075
Comprehensive income			
(Loss)/profit for the period	(7,168,812)	424,322	(6,744,490)
Other comprehensive income:			
Fair value loss on available-for-sale financial assets, net of tax	(31,147)	(14,612)	(45,759)
Share of other comprehensive income of joint ventures and associates	1,249	1,394	2,643
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates	(54,265)	(77,464)	(131,729)
Recycling of currency translation differences upon disposals of subsidiaries	3,033,856	334,832	3,368,688
Remeasurements of post-employment benefit obligations	134,980	—	134,980
Total other comprehensive income	3,084,673	244,150	3,328,823
Total comprehensive (loss)/income for the period	(4,084,139)	668,472	(3,415,667)
Transactions with owners:			
Distribution to owners	(4,232,378)	—	(4,232,378)
Contribution from non-controlling interests of subsidiaries	—	56,577	56,577
Dividends paid to non-controlling interests of subsidiaries	—	(1,410,268)	(1,410,268)
Disposals of subsidiaries	—	(4,977,727)	(4,977,727)
Others	251,788	225	252,013
Total transactions with owners	(3,980,590)	(6,331,193)	(10,311,783)
As at 30 June 2016, as restated	20,494,820	18,948,805	39,443,625

Unaudited Condensed Consolidated Interim Cash Flows Statement

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
		(Restated)
Cash flows from operating activities		
Cash generated from/(used in) operations	**2,064,309**	(76,224)
Interest received	**234,744**	352,635
Income tax paid	**(517,273)**	(195,618)
Net cash generated from operating activities	**1,781,780**	80,793
Cash flows from investing activities		
Purchase of property, plant and equipment, investment properties, leasehold land, land use rights and intangible assets	**(5,575,059)**	(2,768,673)
Investments in jointly controlled entities and associates	**(2,907,353)**	(170,815)
Loans advanced to an associate	**(179,973)**	—
Purchase of available-for-sale financial assets	**—**	(190,000)
Acquisition of equity interests from non-controlling interests	**—**	(296,406)
Proceeds from disposal of property, plant and equipment, investment properties, land use right and intangible assets	**8,933**	48,491
Cash received from disposal of jointly controlled entities and associates	**25,819**	—
Cash received from disposal of available-for-sale financial assets	**—**	460,000
Cash received from disposal of a subsidiary	**—**	9,458,989
Cash received from entrust loan and interest	**—**	430,576
Dividends received from jointly controlled entities	**172,807**	276,473
Dividends received from associates	**197,017**	139,957
Dividends received from available-for-sale financial assets	**2,202**	12,363
Others	**(34,273)**	—
Net cash (used in)/generated from investing activities	**(8,289,880)**	7,400,955

Unaudited Condensed Consolidated Interim Cash Flows Statement

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
		(Restated)
Cash flows from financing activities		
Proceeds from borrowings	**8,818,126**	19,205,915
Repayments of borrowings	**(8,410,251)**	(15,322,816)
Dividends paid to non-controlling interests	**(49,648)**	(1,087,846)
Contributions from non-controlling shareholders of subsidiaries	**28**	56,184
Interest paid	**(789,923)**	(1,078,675)
Other incidental borrowing costs and charges paid	**(223,781)**	(122,465)
Acquisition of subsidiaries under common control	**–**	(8,350,973)
Acquisition of remaining equity interests from non-controlling interests	**(742)**	–
Dividends paid to former shareholders of subsidiaries	**(7,068)**	–
Loans from a non-controlling shareholder of a subsidiary	**30,427**	393
Net cash used in financing activities	**(632,832)**	(6,700,283)
Net (decrease)/increase in cash and cash equivalents	**(7,140,932)**	781,465
Cash and cash equivalents as at 1 January	**32,188,572**	33,897,143
Exchange (losses)/gains	**(348,962)**	391,407
Cash and bank balances as at 30 June	**24,698,678**	35,070,015

Notes to the Unaudited Condensed Consolidated Interim Financial Information

1 General information

COSCO SHIPPING Holdings Co., Ltd. (the "Company") was incorporated in the People's Republic of China (the "PRC") on 3 March 2005 as a joint stock company with limited liability under the Company Law of the PRC. The address of its registered office is 2nd Floor, 12 Yuanhang Business Centre, Central Boulevard and East Seven Road Junction, Tianjin Port Free Trade Zone, Tianjin, the PRC. The H-Shares and A-Shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited and The Shanghai Stock Exchange respectively.

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

This unaudited interim financial information for the six months ended 30 June 2017 (the "Interim Financial Information") is presented in Renminbi ("RMB'') and all values are rounded to the nearest thousand except when otherwise indicated. The Interim Financial Information was approved by the Board of Directors (the "Board") for issue on 30 August 2017.

The Interim Financial Information has been reviewed, and not audited.

2 Basis of preparation and significant accounting policies

The Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" and the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

During the second half of 2016, the Group completed the acquisitions from China Ocean Shipping (Group) Company ("COSCO Group") and China Shipping (Group) Company ("China Shipping Group") of the equity interests in various offshore companies ("Acquired Entities").

As both COSCO Group and China Shipping Group are wholly owned and controlled by State-owned Assets Supervision and Administration Commission of the State Council of the PRC, the aforesaid transactions were regarded as business combinations under common control. The comparative information in the Interim Financial Information has been restated accordingly under merger accounting. See note 22.

As at 30 June 2017, the Group had net current liabilities of approximately RMB805,285,000. The Board has reviewed the prevailing environment and believed that based on the Group's available unused banking facilities of approximately RMB32,886,489,000 and its cash and bank balances of RMB24,698,678,000, the Group has sufficient financial resources to satisfy its working capital requirements and payments of liabilities and its forthcoming future capital commitments as and when they fall due in the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing the Interim Financial Information.

The Interim Financial Information should be read in conjunction with the annual audited financial statements for the year ended 31 December 2016 (the "2016 Annual Financial Statements") which were prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

Except as described below and for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings, the significant accounting policies and methods of computation used in the preparation of the Interim Financial Information are consistent with the 2016 Annual Financial Statements.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

2 Basis of preparation and significant accounting policies (Continued)

(a) New standard and amendments to standards adopted by the Group

New standard and the amendments to standards which are mandatory for the financial year beginning on 1 January 2017 do not have any significant effect on the Interim Financial Information or result in any significant changes in the Group's significant accounting policies.

(b) New and amended standards not yet effective for the financial year beginning on 1 January 2017 and have not been early adopted by the Group

The HKICPA has issued certain new and amended standards, which are not yet effective for the year beginning on 1 January 2017.

The Group has not early adopted these new and amended standards in the Interim Financial Information, but has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will result.

3 Financial risk management

3.1 Financial risk factors

All aspects of the Group's financial risk management objectives and practices are consistent with those disclosed in the 2016 Annual Financial Statements.

The Group meets its day-to-day working capital requirements through its bank facilities. The current economic conditions continue to create uncertainties particularly over the level of demand for the Group's services and the availability of bank facilities for the foreseeable future. The Group's forecasts and projections, taking into account of reasonable possible changes in trading performance, show that the Group should be able to operate within the level of its current facilities.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

3 Financial risk management (Continued)

3.2 Fair value estimation

The table below analyses 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).

The following table presents the Group's assets and liabilities that are measured at fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 30 June 2017				
Assets				
Available-for-sale financial assets	**2,306,215**	**–**	**696,889**	**3,003,104**
As at 31 December 2016				
Assets				
Available-for-sale financial assets	466,336	–	1,196,334	1,662,670

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regular occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily listed equity investments classified as available-for-sale financial assets.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise 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.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

3 Financial risk management (Continued)

3.2 Fair value estimation (Continued)

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

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 available-for-sale financial assets classified as level 3 recognised in the Interim Financial Information are as follows:

	Six months ended 30 June 2017 RMB'000	Six months ended 30 June 2016 RMB'000
As at 1 January	**1,196,334**	1,963,592
Disposals	**–**	(270,000)
Disposals of subsidiaries	**–**	(497,260)
Reclassified to level 1	**(499,445)**	–
	696,889	1,196,332

As at 30 June 2017, description of the valuation techniques and the inputs used in the fair value measurement in level 3 include:

– The fair value of financial investments in wealth management products are determined by using discounted cash flow method.

– The fair value of investments in unlisted property management companies and a hotel are determined using valuation techniques (including asset-based approach and market comparable approach). The inputs are mainly prices per square metre.

– The fair value of other unlisted available-for-sale financial assets is determined by reference to valuation report or the valuation performed by management using valuation techniques (including price/earnings multiple method and direct market quote). The inputs are mainly price/earnings multiples. Discount rates ranging from 20% to 30% are applied to compute the fair value on top of market price/earnings multiples.

Financial assets and liabilities approximate their carrying amounts including: trade and other receivables, cash and bank balances, restricted bank deposits, finance lease receivables, loans to joint ventures and associates, trade and other payables, short-term and long-term borrowings.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

4 Critical accounting estimates and judgements

The preparation of the Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were basically the same as those that applied to the 2016 Annual Financial Statements.

5 Revenues and segment information

Operating segments

The chief operating decision-maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and analysed from a business perspective:

– Container shipping and related business

– Container terminal and related 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 joint ventures, associates, loans to joint ventures and associates, available-for-sale financial assets 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 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, leasehold land and land use rights, intangible assets, investments in joint ventures and associates and other non-current assets.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

5 Revenues and segment information (Continued)

Operating segments (Continued)

	Six months ended 30 June 2017				
	Continuing operations				
	Container shipping and related business RMB'000	Container terminal and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Income statement					
Total revenues	41,826,869	1,897,505	–	(278,684)	43,445,690
Comprising:					
– Inter-segment revenues	848	277,836	–	(278,684)	–
– Revenues (from external customers)	41,826,021	1,619,669	–	–	43,445,690
Segment profit/(loss)	1,651,768	3,031,193	(214,628)	(415)	4,467,918
Finance income	137,291	3,159	156,798	(77,816)	219,432
Finance costs	(604,627)	(141,238)	(346,137)	77,816	(1,014,186)
Net related exchange loss	(54,583)	(263,962)	–	–	(318,545)
Share of profits less losses of					
– joint ventures	19,584	275,518	–	–	295,102
– associates	(1,616)	394,768	35,598	–	428,750
Profit/(loss) before income tax	1,147,817	3,299,438	(368,369)	(415)	4,078,471
Income tax expenses	(137,180)	(424,298)	(115,767)	134	(677,111)
Profit/(loss) for the period	1,010,637	2,875,140	(484,136)	(281)	3,401,360
Gain/(loss) on disposals of property, plant and equipment	2,509	(137)	–	–	2,372
Depreciation and amortisation	786,527	340,733	12,870	–	1,140,130
Provision for impairment of trade and other receivables, net	4,724	2,914	–	–	7,638
Gain on remeasurement of previously held interest of an available-for-sale financial asset at fair value upon further acquisition to become an associate	–	264,099	–	–	264,099
Gain on disposal of a joint venture	–	1,886,333	–	–	1,886,333
Amortised amount of transaction costs on long-term borrowings	7,435	1,848	6,000	–	15,283
Amortised amount of discount on issue of notes	7,545	735	5,421	–	13,701
Additions to non-current assets	5,223,353	347,818	35,894	–	5,607,065

Notes to the Unaudited Condensed Consolidated Interim Financial Information

5 Revenues and segment information (Continued)

Operating segments (Continued)

	Six months ended 30 June 2016 (Restated)							
	Continuing operations					Discontinued operations		
	Container shipping and related business RMB'000	Container terminal and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000	Dry bulk shipping and related business RMB'000	Container leasing, management, sales and related business RMB'000	Total RMB'000
Income statement								
Total revenues	28,181,469	1,797,966	–	(138,707)	29,840,728	1,117,222	477,276	1,594,498
Comprising:								
– Inter-segment revenues	247	138,460	–	(138,707)	–	–	–	–
– Revenues (from external customers)	28,181,222	1,659,506	–	–	29,840,728	1,117,222	477,276	1,594,498
Segment (loss)/profit	(3,457,707)	651,626	(191,263)	(539)	(2,997,883)	(555,897)	82,591	(473,306)
Finance income	114,644	2,813	173,367	(66,563)	224,261	11,197	496	11,693
Finance costs	(507,824)	(151,132)	(355,148)	66,563	(947,541)	(152,876)	(30,627)	(183,503)
Net related exchange loss	(174,645)	(78,267)	–	–	(252,912)	(61,348)	(856)	(62,204)
Share of profits less losses of								
– joint ventures	11,700	364,773	–	–	376,473	5,233	–	5,233
– associates	6,998	275,933	–	–	282,931	(17)	–	(17)
(Loss)/profit before income tax	(4,006,834)	1,065,746	(373,044)	(539)	(3,314,671)	(753,708)	51,604	(702,104)
Income tax expenses	(98,552)	(95,282)	(97,399)	137	(291,096)	(3,909)	(2,448)	(6,357)
(Loss)/profit for the period	(4,105,386)	970,464	(470,443)	(402)	(3,605,767)	(757,617)	49,156	(708,461)
Loss on disposals of subsidiaries								(2,430,262)
Loss from discontinued operations								(3,138,723)
(Loss)/gain on disposals of property, plant and equipment	(71,932)	6,409	–	–	(65,523)	–	–	–
Depreciation and amortisation	778,371	289,099	3,972	–	1,071,442	266,334	227,362	493,696
Reversal of provision/(provision) for impairment of trade and other receivables, net	29,103	(994)	–	–	28,109	(6,393)	–	(6,393)
Amortised amount of transaction costs on long-term borrowings	6,451	843	6,000	–	13,294	829	–	829
Amortised amount of discount on issue of notes	7,545	758	4,944	–	13,247	–	843	843
Additions to non-current assets	482,222	516,391	1,749	–	1,000,362	38,205	2,082,108	2,120,313

5 Revenues and segment information (Continued)

Operating segments (Continued)

	As at 30 June 2017				
	Container shipping and related business RMB'000	Container terminal and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Balance sheet					
Segment assets	**70,234,864**	**19,761,810**	**18,843,757**	**(14,745,735)**	**94,094,696**
Joint ventures	**343,286**	**8,263,585**	**—**	**—**	**8,606,871**
Associates	**344,487**	**16,208,895**	**480,634**	**—**	**17,034,016**
Loans to joint ventures and associates	**—**	**1,444,279**	**—**	**—**	**1,444,279**
Available-for-sale financial assets	**569,619**	**2,433,485**	**—**	**—**	**3,003,104**
Unallocated assets					**81,186**
Total assets					**124,264,152**
Segment liabilities	**62,068,521**	**12,190,965**	**21,396,491**	**(14,745,735)**	**80,910,242**
Unallocated liabilities					**1,752,539**
Total liabilities					**82,662,781**

	As at 31 December 2016				
	Container shipping and related business RMB'000	Container terminal and related business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Balance sheet					
Segment assets	64,488,910	19,591,715	23,334,848	(11,156,892)	96,258,581
Joint ventures	331,831	9,774,538	—	—	10,106,369
Associates	125,685	9,752,277	446,223	—	10,324,185
Loans to joint ventures and associates	—	1,215,244	—	—	1,215,244
Available-for-sale financial assets	573,987	1,088,683	—	—	1,662,670
Unallocated assets					85,684
Total assets					119,652,733
Segment liabilities	57,635,980	12,375,998	21,813,934	(11,156,892)	80,669,020
Unallocated liabilities					1,434,844
Total liabilities					82,103,864

Notes to the Unaudited Condensed Consolidated Interim Financial Information

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, PRC coastal, Trans-Atlantic and others which are reported as follows:

Geographical	Trade lanes
America	Trans-Pacific
Europe	Asia-Europe (including Mediterranean)
Asia Pacific	Intra-Asia (including Australia)
China domestic	PRC coastal
Other international market	Trans-Atlantic and others

For the geographical information, freight revenues from container shipping are analysed based on the outbound cargoes or goods transport to each geographical territory.

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

	Six months ended 30 June 2017		
	Total revenue RMB'000	Inter-segment revenue RMB'000	External revenue RMB'000
Continuing operations			
Container shipping and related business			
– America	10,675,959	–	10,675,959
– Europe	10,187,864	–	10,187,864
– Asia Pacific	7,662,886	–	7,662,886
– China domestic	9,358,595	(848)	9,357,747
– Other international market	3,941,565	–	3,941,565
Container shipping and related business	41,826,869	(848)	41,826,021
Container terminal and related business, corporate and other operations			
– Europe	584,818	–	584,818
– China domestic	1,312,687	(277,836)	1,034,851
Container terminal and related business, corporate and other operations	1,897,505	(277,836)	1,619,669
Total	43,724,374	(278,684)	43,445,690

5 Revenues and segment information (Continued)

Geographical information (Continued)

(a) Revenues (Continued)

	Six months ended 30 June 2016 (Restated)		
	Total revenue RMB'000	Inter-segment revenue RMB'000	External revenue RMB'000
Continuing operations			
Container shipping and related business			
– America	7,435,703	—	7,435,703
– Europe	6,020,305	—	6,020,305
– Asia Pacific	5,164,796	—	5,164,796
– China domestic	7,767,585	(247)	7,767,338
– Other international market	1,793,080	—	1,793,080
Container shipping and related business	28,181,469	(247)	28,181,222
Container terminal and related business, corporate and other operations			
– Europe	579,618	—	579,618
– China domestic	1,218,348	(138,460)	1,079,888
Container terminal and related business, corporate and other operations	1,797,966	(138,460)	1,659,506
Total	29,979,435	(138,707)	29,840,728
Discontinued operations			
Dry bulk shipping and related business			
– International shipping	906,163	—	906,163
– PRC coastal shipping	211,059	—	211,059
Dry bulk shipping and related business	1,117,222	—	1,117,222
Container leasing, management, sales and related business	477,276	—	477,276
Total	1,594,498	—	1,594,498

Notes to the Unaudited Condensed Consolidated Interim Financial Information

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, leasehold land and land use rights, intangible assets, joint ventures, associates and other non-current assets.

The container vessels and containers (included in property, plant and equipment) are primarily utilised 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, vessels under construction and containers 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 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
China domestic	**35,710,430**	29,813,152
Non-China domestic	**10,511,690**	11,208,365
Unallocated	**34,303,262**	30,305,153
Total	**80,525,382**	71,326,670

Notes to the Unaudited Condensed Consolidated Interim Financial Information

6 Tangible and intangible assets

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Property, plant and equipment(#)	**52,462,011**	48,426,064
Investment properties	**177,952**	195,244
Leasehold land and land use rights	**1,649,626**	1,671,261
Intangible assets	**159,806**	157,036
Total tangible and intangible assets	**54,449,395**	50,449,605

(#) As at 30 June 2017, property, plant and equipment included container vessels, leasehold land and buildings, containers, trucks, chassis and motor vehicles, computer and office equipment, assets under construction.

Movements of the tangible and intangible assets during the period is set out below:

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000 (Restated)
Opening net book value as at 1 January	**50,449,605**	88,564,824
Currency translation differences	**(465,650)**	672,677
Additions	**5,607,065**	3,120,675
Disposals/write-off	**(6,827)**	(163,864)
Disposals of subsidiaries	**–**	(40,837,715)
Depreciation/amortisation	**(1,134,798)**	(1,557,502)
Closing net book value as at 30 June	**54,449,395**	49,799,095

Notes to the Unaudited Condensed Consolidated Interim Financial Information

7 Trade and other receivables

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Trade receivables (notes a and b)		
– third parties	**6,155,509**	5,367,815
– fellow subsidiaries	**443,071**	457,019
– joint ventures	**39,740**	9,941
– associates	**—**	110
– other related companies	**105,172**	96,859
	6,743,492	5,931,744
Bills receivables (note b)	**348,228**	253,996
	7,091,720	6,185,740
Prepayments, deposits and other receivables		
– third parties	**3,301,017**	3,774,199
– fellow subsidiaries (note c)	**483,632**	376,564
– joint ventures (note c)	**479,148**	663,153
– associates (note c)	**285,010**	120,862
– other related companies (note c)	**130,509**	165,037
	4,679,316	5,099,815
Total	**11,771,036**	11,285,555

7 Trade and other receivables (Continued)

Notes:

(a) Trade receivables with related parties are unsecured and have similar credit periods as third party customers.

(b) The Group's trade receivables are generally within credit terms of 90 days. Trade receivables primarily consist of voyage-related receivables. As at 30 June 2017, the ageing analysis of trade and bills receivables on the basis of the date of relevant invoice or demand note was as follows:

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
1-3 months	**6,582,184**	5,874,942
4-6 months	**356,739**	200,776
7-12 months	**145,820**	109,957
Over 1 year	**81,617**	71,625
Trade and bills receivables, gross	**7,166,360**	6,257,300
Provision for impairment	**(74,640)**	(71,560)
	7,091,720	6,185,740

(c) Other receivables due from related parties are unsecured, interest free and have no fixed terms of repayment.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

8 Share capital and equity linked benefits

(a) Share capital

	As at 30 June 2017		As at 31 December 2016	
	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	7,635,674	7,635,674	7,635,674	7,635,674
	10,216,274	10,216,274	10,216,274	10,216,274

(b) Share appreciation rights

The Group has adopted a cash-settled, share-based payment scheme (the "Plan") which was approved on 9 June 2005. The Plan provides for the grant of share appreciation rights ("SARs") based on the share price of the H-share of the Company to eligible participants as approved by the Board (collectively the "Grantees"). The Plan will remain in force unless otherwise cancelled or amended.

Movements in the number of SARs granted by the Company during the period are set out below:

	Six months ended 30 June 2017 Number of units of SARs				
Exercise price	Outstanding as at 1 January 2017	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2017
HK$9.540	24,165,000	—	—	(24,165,000)	—

	Six months ended 30 June 2016 Number of units of SARs				
Exercise price	Outstanding as at 1 January 2016	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2016
HK$3.588	19,070,000	—	—	—	19,070,000
HK$9.540	24,250,000	—	—	—	24,250,000
Total	43,320,000	—	—	—	43,320,000

8 Share capital and equity linked benefits (Continued)

(c) Share options of a subsidiary

The Group's subsidiary, COSCO SHIPPING Ports Limited ("COSCO SHIPPING Ports"), operates share option schemes whereby options are granted to eligible employees and directors or any participants of the Group, to subscribe for its shares.

Movements of the share options granted by COSCO SHIPPING Ports during the period are set out below:

	Six months ended 30 June 2017 Number of share options				
Exercise price	**Outstanding as at 1 January 2017**	**Granted during the period**	**Exercised during the period**	**Lapsed during the period**	**Outstanding as at 30 June 2017**
HK$19.30	**9,940,000**	**–**	**–**	**(9,940,000)**	**–**

	Six months ended 30 June 2016 Number of share options				
Exercise price	Outstanding as at 1 January 2016	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding as at 30 June 2016
HK$19.30	12,980,000	–	–	(2,710,000)	10,270,000

9 Long-term borrowings

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Bank loans		
- secured (note b)	**14,741,933**	14,010,694
- unsecured	**17,931,349**	21,799,528
Loans from COSCO Finance Co., Ltd ("COSCO Finance"), a fellow subsidiary		
- unsecured	**118,000**	167,000
Loans from China Shipping Finance Company Limited ("CS Finance")		
- secured	**89,800**	98,402
Notes (note c)	**17,663,477**	17,852,399
Loans from non-controlling shareholders of subsidiaries	**1,182**	2,212
Loans from a fellow subsidiary (note d)	**166,540**	199,823
Total long-term borrowings	**50,712,281**	54,130,058
Current portion of long-term borrowings	**(9,692,788)**	(6,661,134)
	41,019,493	47,468,924

Notes to the Unaudited Condensed Consolidated Interim Financial Information

9 Long-term borrowings (Continued)

Notes:

(a) Movements in long-term borrowings for the period is analysed as follows:

	RMB'000
Six months ended 30 June 2017	
As at 1 January 2017	**54,130,058**
Repayments of borrowings	**(6,459,960)**
Drawdown of borrowings	**3,432,144**
Currency translation differences	**(418,945)**
Amortised amount of transaction costs on long-term borrowings	**15,283**
Amortised amount of discount on issue of notes	**13,701**
As at 30 June 2017	**50,712,281**
Six months ended 30 June 2016 (restated)	
As at 1 January 2016	90,171,440
Repayments of borrowings	(6,663,440)
Drawdown of borrowings	7,525,816
Currency translation differences	2,745,642
Amortised amount of transaction costs on long-term borrowings	13,294
Amortised amount of discount on issue of notes	13,247
Disposals of subsidiaries	(34,257,380)
As at 30 June 2016	59,548,619

(b) The secured bank loans as at 30 June 2017 are secured, inter alia, by one or more of the following:

(i) First legal mortgages over certain vessels, property, plant and equipment with aggregate net book value of RMB23,445,983,000 (31 December 2016: RMB22,601,560,000);

(ii) Assignment of the charter, rental income and earnings, requisition compensation, insurance relating to certain container vessels;

(iii) Shares of certain subsidiaries; and

(iv) Restricted bank deposits amounted to approximately RMB311,309,000 (31 December 2016: RMB323,648,000).

As at 31 December 2016, the secured bank loans were also secured by two vessels with aggregate net book value of RMB605,857,000 under finance lease arrangements.

(c) Notes issued by the Company and its subsidiaries

(i) Notes issued by the Company

Notes with principal amount of RMB5,000,000,000 and RMB4,000,000,000, which bear interest at a fixed rate of 4.35% and 5.45% per annum, were issued by the Company to investors on 3 September 2010 and 29 November 2011 respectively at a price equal to the principal amount. The interest is payable annually in arrears and these notes will mature at their principal amount on 6 September 2020 and 30 November 2018 respectively.

9 Long-term borrowings (Continued)

Notes: (Continued)

(c) Notes issued by the Company and its subsidiaries (Continued)

(ii) Notes 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 RMB6,631,200,000). The bonds carry a fixed interest yield of 4.00% per annum and were issued at a price of 98.766% of their principal amount. The bonds bear interest from 3 December 2012, payable semi-annually in arrears. The bonds are guaranteed by an irrevocable standby letter of credit issued by Bank of China Limited, Beijing Branch. The bonds have been listed on The Stock Exchange of Hong Kong Limited. Unless previously redeemed or repurchased by COSCO Finance (2011) Limited, the bonds will mature on 3 December 2022 at their principal amount. The bonds are subject to redemption in whole, at the option of COSCO Finance (2011) Limited at any time in the event of certain changes affecting the taxes of certain jurisdictions at their principal amount together with accrued interest, or at any time after 3 December 2017 at a redemption price.

10-year notes with principal amount of US$300,000,000 (equivalent to approximately RMB1,989,360,000) were issued by a subsidiary of the Company to investors on 31 January 2013. The notes carried a fixed interest yield of 4.46% per annum and were issued at a price of 99.32 per cent 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 RMB13,528,000). The notes bear interest from 31 January 2013, payable semi-annually in arrears on 31 January and 31 July of each year, commencing on 31 July 2013. The notes are guaranteed unconditionally and irrevocably by the Company and listed on the Stock Exchange of Hong Kong Limited. Unless previously redeemed or repurchased by the Company, the notes will mature on 31 January 2023 at their principal amount. The notes are subject to redemption in whole, at their principal amount, together with accrued interest, at the option of the Company at any time in the event of certain changes affecting the taxes of certain jurisdictions.

(d) Loans from a fellow subsidiary

As at 30 June 2017, balance of RMB166,540,000 (31 December 2016: RMB199,823,000) represented finance lease contracts the Group entered for leasing of terminal equipment from a fellow subsidiary. The average term of the finance lease contracts is 8 years (31 December 2016: 8 years), and bear interest ranging from 2% above to 11% below the RMB five-year benchmark lending rate, or 5.98%. The cost of assets acquired under the finance leases amounted to RMB 577,933,000 (31 December 2016: RMB557,929,000) as at 30 June 2017. The carrying value of the loans are not materially different from its fair value.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

10 Provisions and other liabilities

	Retirement benefit obligations RMB'000	Provision for onerous contracts RMB'000	Provision for one-off housing subsidy RMB'000	Deferred income and others RMB'000	Total RMB'000
Six months ended 30 June 2017					
As at 1 January 2017	**302,257**	**–**	**39,982**	**227,767**	**570,006**
Decrease during the period	**(11,140)**	**–**	**–**	**(2,742)**	**(13,882)**
Provisions for the period	**4,580**	**–**	**–**	**1,773**	**6,353**
Currency translation differences	**(108)**	**–**	**–**	**(150)**	**(258)**
As at 30 June 2017	**295,589**	**–**	**39,982**	**226,648**	**562,219**
Less: current portion of provisions and other liabilities	**(3,428)**	**–**	**–**	**–**	**(3,428)**
Non-current portion of provisions and other liabilities	**292,161**	**–**	**39,982**	**226,648**	**558,791**
Six months ended 30 June 2016					
As at 1 January 2016, as restated	1,009,779	75,686	79,913	221,369	1,386,747
Decrease during the period	(36,225)	(70,504)	(24)	(171,639)	(278,392)
Provisions for the period	13,478	155,493	24	183,374	352,369
Currency translation differences	279	798	–	4,782	5,859
Disposals of subsidiaries	(681,198)	(161,473)	(30,954)	(28,356)	(901,981)
As at 30 June 2016	306,113	–	48,959	209,530	564,602
Less: current portion of provisions and other liabilities	(9,821)	–	–	(4,038)	(13,859)
Non-current portion of provisions and other liabilities	296,292	–	48,959	205,492	550,743

11 Trade and other payables

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Trade payables (note a)		
– third parties	**6,595,504**	5,345,658
– fellow subsidiaries	**1,322,789**	1,970,808
– joint ventures	**270,122**	226,094
– associates	**31,462**	53,153
– other related companies	**41,901**	82,341
	8,261,778	7,678,054
Bills payables (note a)	**52,000**	26,000
	8,313,778	7,704,054
Advance from customers	**232,151**	239,176
Other payables and accruals	**12,462,899**	12,811,738
Due to related companies		
– fellow subsidiaries	**337,221**	362,013
– joint ventures	**317,605**	297,384
– associates	**2,116**	121
– other related companies (note b)	**1,356,381**	1,307,553
	2,013,323	1,967,071
Total	**23,022,151**	22,722,039

Notes to the Unaudited Condensed Consolidated Interim Financial Information

11 Trade and other payables (Continued)

Notes:

(a) As at 30 June 2017, the ageing analysis of trade and bills payables on the basis of the date of relevant invoice or demand note was as follows:

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
1-6 months	8,048,674	6,356,481
7-12 months	86,388	1,273,350
1-2 years	163,448	38,853
2-3 years	5,717	10,101
Over 3 years	9,551	25,269
	8,313,778	7,704,054

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

(b) Most of the amounts due to other related parties are unsecured and repayable within twelve months. These balances are interest-free except for the below:

(i) Balance of US$6,242,000 or equivalent to approximately RMB42,286,000 (31 December 2016: US$8,534,000 or equivalent to approximately RMB59,200,000) bears interest at 0.6% above 1-year US dollar LIBOR per annum (31 December 2016: 0.6% above 1-year US dollar LIBOR per annum);

(ii) Balance of US$14,761,000 or equivalent to approximately RMB99,997,000 (31 December 2016: US$57,661,000 or equivalent to approximately RMB399,994,000) bears interest at 3.9% per annum (31 December 2016: 3.9% per annum);

(iii) Balance of US$53,141,000 or equivalent to approximately RMB359,998,000) (31 December 2016: US$51,896,000 or equivalent to approximately RMB360,003,000) bears interest at 3.5% per annum (31 December 2016: 3.5% per annum);

(iv) Balance of US$44,284,000 or equivalent to approximately RMB299,980,000 (31 December 2016: Nil) bears interest at 3.8% per annum; and

(v) Balance of US$4,430,000 or equivalent to approximately RMB30,011,000 (31 December 2016: Nil) bears interest at 4.4% per annum.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

12 Short-term borrowings

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Bank loans - unsecured	**3,891,674**	1,800,000
COSCO Finance - unsecured	**2,038,807**	763,807
Loan from COSCO Group - unsecured	**563,110**	563,110
Other loans -unsecured	**120,000**	120,000
	6,613,591	3,246,917

13 Operating profit/(loss)

Operating profit/(loss) is stated after crediting/charging the following:

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000 (Restated)
Crediting:		
Gain on disposals of property, plant and equipment		
–others	**3,548**	13,049
Reversal of provision for impairment of trade and other receivables	**1,116**	34,558
Government subsidies	**385,404**	49,017
Dividend income from listed and unlisted investments	**5,985**	26,618
Gain on disposal of a subsidiary	**4,357**	11,851
Gain on disposal of available-for-sale financial assets	**—**	11,515
Gain on remeasurement of previously held interest of an available-for-sale financial asset at fair value upon further acquisition to become an associate	**264,099**	—
Gain on disposal of a joint venture	**1,886,333**	—
Net foreign exchange gain	**168,550**	645
Charging:		
Loss on disposals of property, plant and equipment		
– container vessels	**—**	74,218
– others	**1,176**	4,354
Cost of bunkers consumed	**5,104,652**	2,503,003
Operating lease rentals		
– container vessels	**5,999,765**	4,420,778
– land and buildings	**119,459**	85,953
– other property, plant and equipment	**11,051**	34,719
Provision for impairment of trade and other receivables	**8,754**	6,449

Notes to the Unaudited Condensed Consolidated Interim Financial Information

14 Finance income and costs

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
		(Restated)
Finance income		
Interest income from:		
– deposits in COSCO Finance	**21,372**	25,938
– deposits in CS Finance	**69**	786
– loans to joint ventures and associates	**24,147**	10,156
– banks	**173,844**	187,381
	219,432	224,261
Finance costs		
Interest expenses on:		
– bank loans	**(508,971)**	(451,183)
– loans from COSCO Group	**(10,192)**	–
– loans from COSCO Finance	**(23,303)**	(27,195)
– loans from CS Finance	**(1,848)**	(2,364)
– loans from a joint venture	**(3,175)**	(2,959)
– loans from non-controlling shareholders of subsidiaries (note 11(b))	**(15,262)**	(6,688)
– loans from and amount due to fellow subsidiaries	**(5,793)**	(11,887)
– other loans	**(1,508)**	(1,820)
– notes	**(398,496)**	(390,064)
	(968,548)	(894,160)
Amortised amount of transaction costs on long-term borrowings	**(15,283)**	(13,294)
Amortised amount of discount on issue of notes	**(13,701)**	(13,247)
Other incidental borrowing costs and charges	**(84,045)**	(70,830)
Less: amount capitalised in construction in progress	**67,391**	43,990
	(1,014,186)	(947,541)
Net foreign exchange loss	**(318,545)**	(252,912)
Net finance costs	**(1,113,299)**	(976,192)

Notes to the Unaudited Condensed Consolidated Interim Financial Information

15 Income tax expenses

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
		(Restated)
Current income tax (note a)		
– PRC enterprise income tax	**420,458**	140,166
– Hong Kong profits tax	**7,254**	1,902
– Overseas taxation	**95,864**	94,230
	523,576	236,298
Deferred income tax (note b)	**153,535**	54,798
	677,111	291,096

Notes:

(a) Current income tax

Taxation has been provided at the appropriate rate of taxation prevailing in the countries in which the Group operates. These rates range from 12.5% 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 12.5% to 25%.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits derived from or arising in Hong Kong for the period.

(b) Deferred income tax

Deferred taxation is calculated in full on temporary differences under the liability method using tax rates substantively enacted at the balance sheet date.

As at 30 June 2017, the unrecognised deferred income tax liabilities were RMB4,170,725,000 (31 December 2016: RMB3,786,117,000) relating to income tax and withholding tax that would be payable for undistributed profits of certain overseas subsidiaries, as the Board considered that the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these overseas subsidiaries as at 30 June 2017 amounted to RMB18,045,252,000 (31 December 2016: RMB16,632,180,000).

As at 30 June 2017, the Group had tax losses of RMB37,098,342,000 (31 December 2016: RMB38,703,167,000), which were not recognised for deferred tax assets as the Board considered that the utilisation of these tax losses in the foreseeable future is not probable, of which an amount of RMB36,697,520,000 (31 December 2016: RMB38,315,817,000) will expire within five years.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

16 Earnings/(loss) per share

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2017	2016 (Restated)
Profit/(loss) from continuing operations attributable to equity holders of the Company (RMB)	**1,863,467,000**	(4,490,456,000)
Loss from discontinued operations attributable to equity holders of the Company (RMB)	**–**	(2,678,356,000)
	1,863,467,000	(7,168,812,000)
Number of ordinary shares in issue	**10,216,274,357**	10,216,274,357
Basic earnings/(loss) per share (RMB)		
From continuing operations	**0.18**	(0.44)
From discontinued operations	**–**	(0.26)
	0.18	(0.70)

(b) Diluted

The outstanding share options granted by the Company did not have any dilutive effect on the earnings/(loss) per share for the six months ended 30 June 2017 (30 June 2016: Same), and the diluted earnings/(loss) per share is equal to the basic earnings per share for the six months ended 30 June 2017 (30 June 2016: Same).

17 Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

18 Discontinued operations

(a) Disposal of 100% equity interest in COSCO SHIPPING Bulk Co., Ltd. ("COSCO Bulk")

The disposal of 100% equity interests in COSCO Bulk to COSCO Group was completed on 15 March 2016 for a total consideration of RMB4,873,281,000. Given that COSCO Bulk represented a separate major line of business with separately identifiable operations and cash flows before the disposal, it had been classified as discontinued operation in the Interim Financial Information.

18 Discontinued operations (Continued)

(b) Disposal of 100% equity interest in Florens Container Holdings Limited ("FCHL")

On 24 March 2016, COSCO SHIPPING Ports, completed the disposal of all the issued shares in FCHL (representing the container leasing, management, sales and related businesses of the Group) to China Shipping Group for a total consideration of US$1,223,725,000 (approximately RMB7.91 billion). The FCHL's shareholder's loans in the aggregate sum of US$285,000,000 (approximately RMB1.94 billion) were transferred on the same day to China Shipping Group at the consideration of US$285,000,000 (approximately RMB1.94 billion). Given that FCHL represented a separate major line of business with separately identifiable operations and cash flows before the disposal, it is classified as discontinued operation in the Interim Financial Information.

19 Contingent liabilities

(a) As at 30 June 2017, the Group was involved in a number of claims. The Group is unable to ascertain the likelihood and amounts of these claims. However, based on advice of legal counsel and/or information available to the Group, the Board is of the opinion that the related claims amounts should not be material to the Group's Interim Financial Information.

(b) Guarantee

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Bank guarantee to a joint venture at face value	**79,482**	63,200

A subsidiary of COSCO SHIPPING Ports provided corporate guarantee to a joint venture in respect of banking facilities of the joint venture. The Board considers 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 recognised at the balance sheet date.

As at 30 June 2017, the Company provided guarantees for credit facilities and notes granted to its subsidiaries of RMB9,191,954,000 (31 December 2016: RMB9,224,474,000).

Notes to the Unaudited Condensed Consolidated Interim Financial Information

20 Commitments

(a) Capital commitments

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Contracted but not provided for		
Containers	1,151,503	–
Containers vessels	22,395,516	14,797,488
Terminal equipment	4,333,519	4,099,356
Buildings	–	4,746
Other property, plant and equipment	–	7,896
Investments in terminals and other companies	3,588,513	4,671,059
Intangible assets	2,059	17,614
	31,471,110	23,598,159

Amounts of capital commitments relating to the Group's interest in the joint ventures not included in the above are as follows:

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Contracted but not provided for	118,850	417,059

20 Commitments (Continued)

(b) Operating lease commitments

The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Container vessels		
– not later than one year	**9,056,214**	9,578,427
– later than one year and not later than five years	**22,847,418**	24,559,999
– later than five years	**1,537,588**	1,621,059
	33,441,220	35,759,485
Concession of Piraeus Port		
– not later than one year	**444,785**	372,378
– later than one year and not later than five years	**2,190,098**	2,304,305
– later than five years	**15,692,376**	29,205,811
	18,327,259	31,882,494
Containers		
– not later than one year	**1,520,582**	1,613,705
– later than one year and not later than five years	**2,974,786**	3,038,213
– later than five years	**217,551**	254,036
	4,712,919	4,905,954
Leasehold land, buildings and other property, plant and equipment		
– not later than one year	**1,123,783**	269,473
– later than one year and not later than five years	**226,317**	211,003
– later than five years	**42,001**	53,989
	1,392,101	534,465
	57,873,499	73,082,398

Notes to the Unaudited Condensed Consolidated Interim Financial Information

21 Significant related party transactions

The Company's ultimate parent company is China COSCO SHIPPING Corporation Limited ("COSCO SHIPPING"), a state-owned enterprise established in the PRC and is controlled by the PRC government.

In addition to the related party information and transactions disclosed elsewhere in the Interim Financial Information, 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 period.

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
		(Restated, Note 22)
Continuing operations		
Transactions with COSCO SHIPPING		
Expenses		
Sub-charter expenses	**24,639**	60,467
Rental expenses	**–**	13,473

Notes to the Unaudited Condensed Consolidated Interim Financial Information

21 Significant related party transactions (Continued)

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000 (Restated, Note 22)
Continuing operations		
Transactions with subsidiaries of COSCO SHIPPING and its related entities (including joint ventures and associates of COSCO SHIPPING)		
Revenues		
Container shipping income	**162,127**	136,543
Freight forwarding and shipping agency income	**15,837**	17,892
Vessel services income	**12,256**	13,285
Crew service income	**56,205**	24,981
Expenses		
Vessel costs		
Sub-charter expenses	**49,032**	172,984
Vessel leasing expenses	**2,860,302**	1,903,770
Vessel services expenses	**143,047**	140,408
Crew expenses	**1,221**	141
Voyage costs		
Bunker costs	**5,271,790**	1,998,037
Port charges	**887,380**	555,794
Equipment and cargo transportation costs		
Commission and rebates	**4,654**	200,592
Cargo and transhipment and equipment and repositioning expenses	**42,397**	103,819
General services expenses	**9,765**	3,329
Management fee expenses	**972**	1,282
Rental expenses	**62,186**	55,497
Container leasing expenses	**791,447**	497,637
Purchase of container vessels under construction	**1,429,801**	—
Purchase of containers	**665,901**	—

21 Significant related party transactions (Continued)

	Six months ended 30 June 2017 RMB'000	2016 RMB'000 (Restated, Note 22)
Continuing operations		
Transactions with joint ventures of the Group		
Revenues		
Management fee and service fee income	**11,192**	10,227
Crew service income	**8,701**	4,910
Expenses		
Port charges	**439,322**	335,097
Transactions with associates of the Group		
Expenses		
Port charges	**150,166**	84,826
Transactions with non-controlling shareholders of subsidiaries		
Revenues		
Terminal handling and storage income	**157,563**	148,030
Expenses		
Container handling and logistics services fee	**38,214**	39,381
Electricity and fuel expenses	**21,636**	21,272
Port construction fee and high-frequency communication fee	**337**	294

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 Group or between the Group and China 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.

21 Significant related party transactions (Continued)

Balances with related parties

Other than those disclosed elsewhere in the Interim Financial Information, the outstanding balances with related entities at period end are as follows:

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Balances placed in COSCO Finance (note a)	**4,897,554**	6,583,385
Balances placed in CS Finance (note a)	**30,157**	474,828
	4,927,711	7,058,213

Notes:

(a) Balances placed in COSCO Finance and CS Finance bear interest at prevailing market rates.

(b) As at 30 June 2017 and 31 December 2016, majority of the Group's bank balances and bank borrowings are in state-owned banks.

Key management compensation

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Salaries, bonuses and other allowances	**9,637**	7,027
Contribution to retirement benefit scheme	**144**	127
Fair value change on SARs not yet exercised	**–**	(1,717)
	9,781	5,437

Notes to the Unaudited Condensed Consolidated Interim Financial Information

22 Business combinations under common control

Statements of adjustments for business combinations under common control on the Group's financial position as 31 December 2015, and the results for the six months ended 30 June 2016 are summarised as follows:

	The Group before Acquired Entities RMB'000	Effect of adoption of merger accounting RMB'000	Total RMB'000
As at 1 January 2016			
ASSETS			
Non-current assets	113,823,887	26,152	113,850,039
Current assets	46,211,009	432,450	46,643,459
Total assets	160,034,896	458,602	160,493,498
EQUITY			
Capital and reserves			
Share capital	10,216,274	—	10,216,274
Reserves	18,191,391	151,884	18,343,275
	28,407,665	151,884	28,559,549
Non-controlling interests	24,582,013	29,513	24,611,526
Total equity	52,989,678	181,397	53,171,075
LIABILITIES			
Non-current liabilities	77,140,551	6,631	77,147,182
Current liabilities	29,904,667	270,574	30,175,241
Total liabilities	107,045,218	277,205	107,322,423
Total equity and liabilities	160,034,896	458,602	160,493,498
Six months ended 30 June 2016			
Continuing operations			
Revenues	29,628,964	211,764	29,840,728
(Loss)/profit before income tax	(3,381,185)	66,514	(3,314,671)
Income tax expenses	(275,691)	(15,405)	(291,096)
(Loss)/profit for the period from continuing operations	(3,656,876)	51,109	(3,605,767)
(Loss)/profit for the period	(6,795,599)	51,109	(6,744,490)

Notes:

Adjustments were made to eliminate the investment costs and capitals of the Acquired Entities against reserves and non-controlling interests and eliminate the inter-group balances as at 31 December 2015 and the inter-group transactions for the periods ended 30 June 2016.

No other significant adjustments were made to the net assets and net (loss)/profit of any entities or businesses as a result of the common control combinations to achieve consistency of accounting policies.

Notes to the Unaudited Condensed Consolidated Interim Financial Information

23 Significant subsequent events

Shanghai Pan Asia Shipping Company Limited (上海泛亞航運有限公司) ("Shanghai Pan Asia"), a subsidiary of the Company, solicited Shanghai Fuxing Property Investment Company Limited (上海復星產業投資有限公司) as its strategic investor through public listing on Shanghai United Assets and Equity Exchange and determined Ningbo Hongyang Investment Management Partnership (LLP) (寧波泓陽投資管理合夥企業(有限合夥)) as a new employee stock ownership platform for concurrent pilot of employee stock ownership. The original registered capital of Shanghai Pan Asia is RMB1,259.98 million and the amount of the proposed capital increase is RMB276.58 million, representing 18% of its registered capital after the capital increase. Upon completion of the capital increase, its registered capital will increase to RMB1,536.57 million.

On 4 July 2017, Shanghai Pan Asia completed the registration of changes in the registered capital and shareholders according to its capital increase agreement, assets appraisal report, the capital increase certificate issued by Shanghai United Assets and Equity Exchange and its amended articles of association.

On 9 July 2017, the Company published an announcement that UBS AG Hong Kong Branch, on behalf of the Faulkner Global Holdings Limited (a wholly-owned subsidiary of the Company) and Shanghai Port Group (BVI) Development Co., Limited (collectively the "Joint Offerors"), firmly intended to make a voluntary general offer to acquire all of the issued shares of Orient Overseas (International) Limited ("OOIL") at HK$78.67 in cash per share (the "Offer"). Assuming the Offer is accepted in full, the Group will acquire 90.1% equity interest in OOIL at a consideration of HK$44,357.30 million, equivalent to RMB38,568.23 million.

As at the date of issuance of the Interim Financial Information, the Offer is still subject to satisfaction of the pre-conditions to the Offer as stipulated in the joint announcement.

On 4 August 2017, COSCO Ports (Dalian) Limited, China Shipping Ports Development Co., Limited and China Shipping Terminal Development Co., Ltd., all being wholly owned subsidiaries of the Company, entered into a merger agreement with Dalian Port Container Development Co., Ltd. ("DPCD"), Singapore Dalian Port Investment Pte Ltd., PSA China Pte Ltd., Nippon Yusen Kabushiki Kaisha, Dalian Container Terminal Co., Ltd. ("DCT"), Dalian Port Container Terminal Co., Ltd. ("DPCT") and Dalian International Container Terminal Co., Ltd. ("DICT") in relation to the merger of DCT, DPCT and DICT (the "Merger"). Upon completion of the Merger, DCT as the surviving entity would assume all assets, businesses, credits and debts of DPCT and DICT, and DPCT and DICT would be deregistered. The Group will hold 19% equity interests in DCT as an associate after completion of the Merger.

Report on Review of Interim Financial Information

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 29 to 71, which comprises the interim condensed consolidated balance sheet of COSCO SHIPPING Holdings Co., Ltd. (the "Company") and its subsidiaries (together the "Group") as at 30 June 2017 and the related interim condensed consolidated income statement, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity, interim condensed consolidated cash flows statement for the six–month period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of this Interim Financial Information in accordance with HKAS 34. Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with HKAS 34.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 August 2017

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