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)

INTERIM REPORT
2018

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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	XU Lirong[Note]

Note: Pursuant to the articles of association of the Company (the "**Articles of Association**"), the legal representative of the Company shall be the chairman of the Company. On 30 August 2018, the board (the "**Board**") of directors (the "**Directors**") of the Company elected Mr. Xu Lirong as the chairman of the Company .The appointment took effect from the same date. As at the date of this report, the Company is in the process of the industrial and commercial registration for the change of legal representative.

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 (the "**CSRC**") 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

(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 Company Limited (formerly China Ocean Shipping (Group) Company) ("**COSCO**"), its controlling shareholder, that the State-owned Assets Supervision and Administration Commission of the PRC (the "**SASAC**") transferred its entire equity interest in COSCO at nil consideration to China COSCO Shipping Corporation Limited* ("**China COSCO Shipping**"), a state-owned enterprise wholly-owned and controlled by the 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**"). The 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	ShineWing Certified Public Accountants
	Office address	8/F, Block A, Fu Hua Mansion No.8 Chao Yang Men Beidajie, Dong Cheng District, Beijing
	Signing accountants	DONG Qinchuan, WANG Jinli
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, etc.

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 2018 (THE "REPORTING PERIOD") PREPARED UNDER THE HONG KONG FINANCIAL REPORTING STANDARDS

Results Highlights:

	Six months ended 30 June		
	2018	2017	Difference
	RMB'000	RMB'000	RMB'000
Revenues	**45,041,047**	43,445,690	1,595,357
Profit attributable to equity holders of the Company	**40,796**	1,863,467	(1,822,671)
	RMB	RMB	RMB
Basic earnings per share	**0.0040**	0.1824	(0.1784)

INTERIM RESULTS FOR THE REPORTING PERIOD PREPARED UNDER THE HONG KONG FINANCIAL REPORTING STANDARDS

	Six months ended 30 June			
	2018	2017	Difference	Change Rate
	RMB'000	RMB'000	RMB'000	(%)
Revenues	**45,041,047**	43,445,690	1,595,357	3.67
Operating profit	**1,148,420**	4,467,918	(3,319,498)	(74.30)
Profit before income tax	**1,076,781**	4,078,471	(3,001,690)	(73.60)
Profit for the period	**769,138**	3,401,360	(2,632,222)	(77.39)
Profit attributable to equity holders of the Company	**40,796**	1,863,467	(1,822,671)	(97.81)
Basic earnings per share (RMB)	**0.0040**	0.1824	(0.1784)	(97.81)

(I) DISCUSSION AND ANALYSIS OF THE BOARD ON THE OPERATION OF THE GROUP DURING THE REPORTING PERIOD

In the first half of 2018, in light of the overall continuous recovery of the global economy, demand for container transportation grew moderately and global cargo volume increased by 6.2% as compared to the same period of last year. However, due to the concentrated delivery of large container vessels during the same period, the growth in global capacity exceeded the growth in demand, which put downward pressure on the market price. In the first half of the year, the average of the China Containerized Freight Index (CCFI) was 797 points, representing a decrease of 3.8% as compared to the same period of last year, while the average CCFI for the second quarter recorded a decrease of 4.6% as compared to the first quarter of this year. Meanwhile, surging bunker prices resulted in the increase of the cost of liner companies.

In the first half of the year, COSCO SHIPPING Holdings made full efforts to improve performance, to develop new business and to innovate, and also proactively dealt with the adverse effects of the market and achieved hard-won results

During the Reporting Period, due to the operating performance of the container shipping business, which was better than the industry average, and the profit contribution of the terminal business, COSCO SHIPPING Holdings maintained profitability and realized net profit attributable to shareholders of the Company (the "**Shareholders**") of RMB40,796,000. COSCO SHIPPING Lines Co., Ltd (中遠海運集裝箱運輸有限公司) ("**COSCO SHIPPING Lines**"), a wholly-owned subsidiary of the Company, achieved a shipping volume of 11.235 million TEUs, representing an increase of 12.4% as compared to the same period of last year, which exceeded the average increase of shipping volume in the market. Benefitting from the economies of scale and the improved management, COSCO SHIPPING Ports Limited ("**COSCO SHIPPING Ports**"), a non-wholly owned subsidiary of the Company, achieved a total throughput of 56.707 million TEUs, representing an increase of 26.5% as compared to the same period of last year.

Both of the two major capital operation projects of COSCO SHIPPING Holdings have achieved important progress. On 26 June 2018, the Company's application for the non-public issuance of A shares was approved by the Public Offering Review Committee of the CSRC. On 20 August 2018, the Company has received the Approval regarding the Non-public Issuance of A Shares of COSCO SHIPPING Holdings Co,. Ltd. issued by the CSRC.

On 29 June 2018, all the pre-conditions to the offer (the "**Offer**") for the acquisition of Orient Overseas (International) Limited ("**OOIL**") made by Faulkner Global Holdings Limited (a subsidiary of the Company) ("**Faulkner Global**") and Shanghai Port Group (BVI) Development Co., Limited (上港集團BVI發展有限公司) (a subsidiary of Shanghai International Port (Group) Co., Ltd.) (the "**Joint Offerors**") were fulfilled. On 6 July 2018, the Company, the Joint Offerors and OOIL issued the composite document to all shareholders of OOIL. On 27 July 2018, the Offer closed, and valid acceptances of the Offer received by the Joint Offerors represented approximately 98.43% of the issued shares of OOIL as at that date. As such, the acquisition of OOIL was successfully completed. This acquisition is the most important merger and acquisition project since the establishment of China COSCO SHIPPING Corporation Limited and also the largest merger and acquisition in the global shipping industry so far in terms of the size of the transaction. COSCO SHIPPING Holdings became the controlling shareholder of OOIL and will soon open a new chapter of developing "dual brands".

Adhering to strategic guidance and promoting large-scale development and globalization, achieving remarkable results in the development of emerging markets, with the Ocean Alliance having maintained its advantages in providing services

As at 30 June 2018, the size of the container fleet operated by the Company reached 393 vessels and 2.04 million TEUs. The shipping capacity increased by 15.8% as compared to the same period of last year, which exceeded 2 million TEUs for the first time and achieved a historic leap.

During the first half of the year, the nine large container vessels newly delivered were all utilized in main shipping routes in Europe and America. The shipping capacity replaced was mainly put in emerging markets. The Company added a number of routes relating to emerging markets including the Far East - South Africa, Far East - west of South America, Europe - west of South America, and South Asia - Europe, which have further improved the layout of the global route network. During the first half of the year, the shipping volume of the Company in emerging markets increased by 27%, which was significantly higher than that for the routes in Europe and America.

The Ocean Alliance (of which the Company is a member) started to operate the "Day 2 Product" in early April this year. Consisting of 42 services involving 335 vessels and capacity of 3.6 million TEUs, the Ocean Alliance has the most comprehensive network and service with a leading role in coverage and frequency by providing services to 621 port-pairs. As a result, the competitive advantages of the Company in the east-west services have been consolidated.

Continue to strengthen the layout along the "Belt and Road" and to leverage the synergies of ports and shipping to provide customers with "end-to-end" transportation solutions

As at 30 June 2018, the Company had put approximately 189 vessels and 1.25 million TEUs in use along the routes of the "Belt and Road", which represented approximately 60% of the Company's total fleet size. Most of the controlled and non-controlled terminals of the Company are located along the routes of the "Belt and Road", with a total of 274 berths under operation, including 184 container berths with an annual handling capacity of 102.29 million TEUs. In the first half of the year, terminal throughput in overseas regions increased by 36.8% as compared to the same period of last year. Among them, Singapore COSCO-PSA Terminal has added one berth since the beginning of this year, with a significant increase of 63.3% in the throughput. The Company has fully played the role of the Port of Piraeus in Greece as the bridgehead of the Maritime Silk Road, and increased the number of self-operating fleets and connectivity to the Alliance. In the first half of the year, the throughput of the Port of Piraeus increased by 18.4% as compared to the same period of last year.

Meanwhile, taking into account the layout of these shipping routes, the Company actively developed the sea-rail transportation business and contributed to the construction of the "Silk Road Economic Belt". In the first half of the year, the number of regular trains operated for the "China-Europe Sea-rail Express" relying on the Port of Piraeus in Greece reached 475, with the cargo volume increased by 100% as compared to the same period of last year. The Company cooperated with China Railway Corporation* (中國鐵路總公司) and launched three international trains lines, i.e. Tianjin to Moscow, Nanchang to Moscow, and Lianyungang to Almaty/Tashkent. At present, the Company has a total of 110 foreign trade railway lines departing from China, 150 domestic trade lines, and 20,000 to-door-service points (到門網點), which provided customers with diversified choices and "end-to-end" transportation solutions.

Actively grasp the development trend of digitalized shipping to improve customer experience and enhance service standards

As an exploration and innovation in digitalized shipping, the Company promotes information sharing with customers and external partners. In the first half of the year, the Company cooperated with JD.COM (京東商城) and Good-farmer (佳農) to launch the function to trace the origin of Ecuador's bananas by using the blockchain technology, and actively participated in the big data platform project for Shanghai's import customs clearance to promote fast customs clearance of import and export of goods in Shanghai, which improved customer experience. In addition, the Company has also completed the research and development and testing of the marine booking platform for exhibitors at China International Import Expo. On the basis of the Pan-Asian e-commerce platform, the Company has also formally established a foreign trade e-commerce working group to provide customers with a package of services, striving to realize complete online trading for foreign trades. By being customer-oriented, the Company further promoted nine service standards globally, established the standardization process for import and export customer services, provided core customers with personalized and customized services, and further improved customer experience through the application of information technology.

Implement a dual-brand strategy and leverage synergies

Upon completion of the acquisition of OOIL, the shipping capacity of the container shipping business segment of COSCO SHIPPING Holdings exceeded 2.7 million TEUs, its shipping capacity exceeded 3 million TEUs including order book, and the Company ranked third in the world in terms of shipping capacity. The two brands "COSCO SHIPPING" and "OOCL" will achieve synergistic development. The front desk sales and customer service systems of the two companies will remain unchanged to ensure the continuity of customer services; while middle and back desk functions such as cost control will be gradually optimized to improve operation efficiency and service standards, which is expected to result in obvious synergies in areas such as route networks, information systems, container fleets and supplier procurement. Synergies will be carried out under the unified organization and coordination of COSCO SHIPPING Holdings, which will be implemented by the two liner companies. To this end, COSCO SHIPPING Holdings has newly appointed six deputy general managers who were from COSCO SHIPPING Lines and OOCL, and established a Synergy Management Office to have a clear division of labor and to improve the working mechanism. Relevant work streams have commenced.

Looking forward to the second half of 2018, the world economy will remain on the path of recovery. Although trade protectionism is on the rise and Sino-US trade frictions may inhibit the growth of the global economy to a certain extent, it is expected that the global economy will continue its growth since 2017, thus providing guarantee for the growth of container shipping volume. In terms of shipping capacity, currently orders of container vessels are at a historically low level and the pressure on capacity delivery has slowed down. Meanwhile, after this round of consolidation, the future development of the container shipping industry will be more sustainable and the container shipping market will tend to be more stable. In terms of ports, with the synergies between the Ocean Alliance and the fleets of the Company, the throughput of the terminal business of the Company will continue to increase in the second half of the year.

COSCO SHIPPING Holdings has already stood at a new historical starting point. Under the leadership of the Board and the new management team, the Company will focus on the four strategies of "globalization, end-to-end, digitalization and dual-brands" to integrate container shipping, ports and supply chain capabilities, striving to achieve the synergies of the dual-brands of container shipping. The Company will also further promote coordinated development of the container shipping and terminal businesses, provide customer-oriented and differentiated services, and build the Company into a world-class provider of integrated container shipping services, hence creating value for customers and returns for Shareholders.

(II) Major profit or loss items and cashflow analysis

In the first half of 2018, the Group generated revenue of RMB45,041,047,000, representing an increase of RMB1,595,357,000 or 3.67% as compared to the same period of last year. In the first half of 2018, profit attributable to equity holders of the Company was RMB40,796,000, as compared to the profit attributable to equity holders of the Company of RMB1,863,467,000 for the same period of last year.

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

Items	Six months ended 30 June 2018 RMB'000	2017 RMB'000	Difference RMB'000	Change Rate (%)
Revenues	45,041,047	43,445,690	1,595,357	3.67
Cost of services and inventories sold	(42,186,575)	(39,695,059)	(2,491,516)	6.28
Other income, net	325,222	570,871	(245,649)	(43.03)
Selling, administrative and general expenses	(2,031,274)	(2,004,016)	(27,258)	1.36
Finance income	187,270	219,432	(32,162)	(14.66)
Finance costs	(1,194,899)	(1,014,186)	(180,713)	17.82
Net related exchange loss	(81,496)	(318,545)	237,049	(74.42)
Share of profits less losses of				
– joint ventures	330,688	295,102	35,586	12.06
– associates	686,798	428,750	258,048	60.19
Income tax expenses	(307,643)	(677,111)	369,468	(54.57)
Net cash flows generated from operating activities	466,261	1,781,780	(1,315,519)	(73.83)
Net cash flows used in investing activities	(7,400,763)	(8,289,880)	889,117	(10.73)
Net cash flows generated from/(used in) financing activities	10,545,294	(632,832)	11,178,126	—
Research and development expenses	2,823	1,736	1,087	62.62

2. Revenues

Overview

In the first half of 2018, the revenues of the Group amounted to RMB45,041,047,000, representing an increase of RMB1,595,357,000 or 3.67% as compared to the same period of last year.

Revenue from container shipping and related business

In the first half of 2018, revenue generated from container shipping and related business amounted to RMB42,367,825,000, representing an increase of RMB540,956,000 or 1.29% as compared to the same period of last year.

As at the end of June 2018, the container shipping fleets operated 393 container vessels, representing an increase of 33 vessels or 9.17% as compared to the beginning of the year. The self-operating vessels had a total capacity of 2,042,800 TEUs, representing an increase of 223,700 TEUs or 12.30% as compared to the beginning of the year.

In the first half of 2018, container shipping volume amounted to 11,234,900 TEUs, representing an increase of 1,237,200 or 12.37% as compared to the same period of last year.

In the first half of 2018, the average value of the China Containerized Freight Index (CCFI) was 796.58 points, representing a decrease of 31.37 points or 3.79% as compared to the same period of last year. In the first half of 2018, the average exchange rate for the US dollar against RMB reduced by 6.75% as compared to the same period of last year. The increase in container shipping revenue in the first half of 2018 was lower than the increase in heavy container volume, mainly due to downward pressure of the market freight rate and the decrease in average exchange rate for the US dollar against RMB as compared to the same period of last year.

Revenue from terminal and related business

In the first half of 2018, revenue generated from the terminal and related business amounted to RMB3,178,329,000, representing an increase of RMB1,280,824,000 or 67.50% as compared to the same period of last year.

The throughput of controlled container terminal business amounted to 10,863,600 TEUs, representing an increase of 2,817,100 TEUs or 35.01% as compared to the same period of last year. The dry bulk throughput of controlled terminals amounted to 7,397,900 tons, representing a decrease of 1,050,700 tons or 12.44% as compared to the same period of last year.

Without taking into account the impact of the acquisition of NOATUM Terminal and Zeebrugge Terminal in the fourth quarter of 2017, in the first half of 2018, the throughput of controlled container terminals increased by 933,000 TEUs, representing an increase of 11.60% as compared to the same period of last year; the revenue from terminals and related businesses increased by RMB312,789,000, representing an increase of 16.29% as compared to the same period of last year.

Unit: TEU

Location of terminal	Six months ended 30 June 2018	2017	Difference	Difference Rate (%)
Bohai Rim Region	**18,676,484**	10,679,840	7,996,644	74.88
Yangtze River Delta Region	**9,659,775**	9,759,389	(99,614)	(1.02)
Southeast Coast and others	**2,812,496**	2,328,929	483,567	20.76
Pearl River Delta Region	**12,764,908**	12,570,422	194,486	1.55
Southwest Coast	**643,599**	611,345	32,254	5.28
Overseas	**12,149,338**	8,880,942	3,268,396	36.80
Total	**56,706,600**	44,830,867	11,875,733	26.49
Of which: Controlled terminals	**10,863,569**	8,046,468	2,817,101	35.01
Non-controlled terminals	**45,843,031**	36,784,399	9,058,632	24.63

Note:

In the first half of 2017, Shanghai China Shipping Terminal Development Co., Ltd. (上海中海碼頭發展有限公司) ("**Shanghai China Shipping Terminal**"), a subsidiary of COSCO SHIPPING Holdings, acquired additional 16.82% equity interests in Qingdao Port International Co., Ltd (青島港國際股份有限公司) ("**Qingdao Port International**"), at a consideration of 20% equity interests in Qingdao Qianwan Terminal Container Terminal Co., Ltd. (青島前灣集裝箱碼頭有限責任公司) ("**Qingdao Qianwan Terminal**") plus cash. Therefore, Qingdao Port International became an associate company (non-controlled terminal) of the Group. The Group's capacity in the Bohai Rim region in the first half of 2018 included the throughput of 9,380,000 TEUs of Qingdao Port International from January to June 2018. The throughput in the first half of 2017 only contains the throughput of 3,050,000 TEUs of Qingdao Port International from May to June in 2017 after the Group's increase in shareholding in Qingdao Port International.

3. Costs

Overview

In the first half of 2018, the operating cost of the Group amounted to RMB42,186,575,000, representing an increase of RMB2,491,516,000 or 6.28% as compared to the same period of last year.

Container shipping and related business cost

In the first half of 2018, the container shipping and related business cost amounted to RMB40,448,181,000, representing an increase of RMB1,775,612,000 or 4.59% as compared to the same period of last year. Average shipping cost per TEU decreased by 3.66% as compared to the same period of last year. Average shipping cost per TEU excluding fuel cost decreased by 6.76% as compared to the same period of last year.

Terminal and related business cost

In the first half of 2018, the terminal and related business cost amounted to RMB2,159,822,000, representing an increase of RMB943,119,000 or 77.51% as compared to the same period of last year.

Without taking into account the impact of the acquisition of NOATUM Terminal and Zeebrugge Terminal in the fourth quarter of 2017, in the first half of 2018, the terminal and related business cost increased by RMB147,155,000, representing an increase of 12.06% as compared to the same period of last year. The increase in cost was mainly due to increased business volume of the controlled terminals.

4. Other profit or loss items

Other income, net

In the first half of 2018, the Group's net other income amounted to RMB325,222,000, representing a decrease of RMB245,649,000 as compared to the same period of last year. The Group's net other income includes government subsidies of RMB188,189,000, representing a decrease of RMB197,215,000 as compared to the same period of last year. Net foreign exchange gains amounted to RMB93,930,000 (excluding foreign exchange gains and losses arising from borrowings dominated in non-functional currencies), representing a decrease of RMB74,620,000 as compared to the same period of last year.

Selling, administrative and general expenses

In the first half of 2018, the selling, administrative and general expenses amounted to RMB2,031,274,000, representing an increase of RMB27,258,000 or 1.36% as compared to the same period of last year. Without taking into account the impact of the acquisition of NOATUM Terminal and Zeebrugge Terminal, in the first half of 2018, the selling, administrative and general expenses decreased by RMB82,679,000 as compared to the same period of last year.

Finance income

In the first half of 2018, the finance income amounted to RMB187,270,000, representing a decrease of RMB32,162,000 or 14.66% as compared to the same period of last year. The decrease was mainly due to a decrease in the balance of unutilized monetary funds by repayment of certain borrowings since the second half of 2017 with an aim to reducing leverage ratio, liabilities and financial risks.

Finance costs

In the first half of 2018, the finance costs amounted to RMB1,194,899,000, representing an increase of RMB180,713,000 or 17.82% as compared to the same period of last year, which was due to, on the one hand, the increase in the balance of average interest-bearing liabilities in the first half of 2018, and on the other hand, the increase in the interest rate of USD-denominated loans as compared with the same period of last year.

Net related exchange loss

In the first half of 2018, the net foreign exchange loss related to borrowings dominated in non-functional currency amounted to RMB81,496,000, representing a decrease of RMB237,049,000 as compared to the same period of last year.

Share of profits less losses of joint ventures and associates

The Group's share of profits of joint ventures and associates in aggregate amounted to RMB1,017,486,000 in the first half of 2018, representing an increase of RMB293,634,000 as compared to the same period of last year, among which, the investment income from Qingdao Port International from January to June 2018 amounted to RMB339,282,000 measured by the equity method, representing an increase of RMB247,609,000 as compared to the same period of last year. The investment income from a terminal in Turkey amounted to RMB69,717,000, representing an increase of RMB40,270,000 as compared to the same period of last year.

Income tax expenses

Income tax expenses of the Group in the first half of 2018 amounted to RMB307,643,000, representing a decrease of RMB369,468,000 as compared to the same period of last year.

5. Cash flows

As at 30 June 2018, the balance of cash and cash equivalents amounted to RMB29,560,260,000, representing an increase of RMB3,821,734,000 or 14.85% as compared to the end of last year. The Group's cash and cash equivalents are mainly denominated in RMB and USD, the remaining are denominated in Euros, Hong Kong dollars and other currencies.

Net cash flows from operating activities

In the first half of 2018, the net cash inflow from operating activities amounted to RMB466,261,000, representing a decrease of RMB1,315,519,000 as compared to the same period of last year. In the first half of 2018, there is an excessive supply over demand in the container shipping market, and cash flows from operating activities of COSCO SHIPPING Lines changed from net cash inflow of RMB1,264,336,000 in the same period of the last year to net cash outflow of RMB47,368,000 in the current period, mainly due to factors such as drop in freight revenues and increase in fuel cost. In the first half of 2018, the port business still recorded a stable growth, the cash flows of operating activities of COSCO SHIPPING Ports amounted to RMB544,006,000, representing an increase of RMB43,914,000 as compared to the same period of last year.

Net cash flows from investing activities

In the first half of 2018, the net cash outflow from investing activities amounted to RMB7,400,763,000, representing a decrease of RMB889,117,000 as compared to the same period of last year, of which:

RMB6,481,882,000 was paid for the purchase of container vessels; RMB661,398,000 was paid for the purchase of containers; RMB544,839,000 was paid for expenses incurred for terminal construction projects. RMB152,172,000 was paid in cash for investment in joint ventures and associates. RMB346,270,000 was received in cash from investment income, mainly due to amount of profit distribution received from associates and joint ventures, and RMB122,662,000 was received in cash from investing activities.

Net cash flows from financing activities

In the first half of 2018, the net cash inflow from financing activities amounted to RMB10,545,294,000 as compared to a net outflow of RMB632,832,000 for the same period of last year, which included a net inflow of loan proceeds from banks and non-bank financial institutions of RMB11,577,401,000, and an amount of RMB1,000,265,000 was paid in cash for the distribution of dividends and profits and the repayment of interest.

Impact of changes in exchange rate on cash and cash equivalents

As at 30 June 2018, balance of cash and cash equivalents increased by RMB210,942,000, primarily due to appreciation in the USD to RMB exchange rate as compared to the beginning of the year.

(III) Working capital, financial resources and capital structure

Overview

As at 30 June 2018, the total assets of the Group amounted to RMB147,212,303,000, representing an increase of RMB14,022,298,000 or 10.53% as compared to the end of last year. The total liabilities amounted to RMB102,994,960,000, representing an increase of RMB13,515,535,000 or 15.10% as compared to the end of last year.

As at the end of June 2018, the total outstanding borrowings of the Group were RMB75,574,005,000. After deducting the cash and cash equivalents, the net amount was RMB46,013,745,000, representing an increase of RMB8,362,524,000 or 22.21% as compared to the end of last year. As at 30 June 2018, the net current liabilities of the Group were RMB10,016,253,000, as compared to RMB4,154,725,000 at the end of last year. As at the end of June 2018, the net debt to equity ratio was 104.06%, representing an increase of 17.92 percentage points as compared to the end of last year.

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

Debt analysis

Breakdown of borrowings by loan term

Category	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Short-term borrowings	**18,631,288**	10,939,802
Long-term borrowings		
Less than 1 year	**11,285,616**	8,540,731
1 to 2 years	**4,466,237**	8,476,861
3 to 5 years	**28,315,315**	17,580,968
Over 5 years	**12,875,549**	17,851,385
Subtotal	**56,942,717**	52,449,945
Total	**75,574,005**	63,389,747

Breakdown of borrowings by category

As at 30 June 2018, the Group had bank borrowings of RMB44,634,700,000, notes payable and bonds of RMB17,500,839,000, and other borrowings of RMB13,438,466,000, accounting for 59.06%, 23.16% and 17.78% of the total borrowings, respectively. Among the bank borrowings, the secured borrowings of the Group amounted to RMB24,995,221,000 while unsecured borrowings amounted to RMB19,639,479,000, representing 33.07% and 25.99% of the total borrowings, respectively. Most of the Group's borrowings bear interest at floating rate.

Breakdown of borrowings by currency

The Group had borrowings denominated in US dollars equivalent to RMB41,292,525,000 and borrowings denominated in RMB amounted to RMB26,495,958,000, borrowings denominated in Euro amounted to RMB5,509,151,000, and borrowings denominated in HK$ amounted to RMB2,276,371,000, representing 54.64%, 35.06%, 7.29% and 3.01% of the total borrowings, respectively.

Secured borrowings

Certain properties, plant and equipments of the Group with net book value of RMB30,044,993,000 (31 December 2017: RMB23,905,072,000) were mortgaged to banks and financial institutions as collaterals for borrowings in the total amount of RMB25,067,221,000 (31 December 2017: RMB20,940,293,000), representing 46.55% of the total value of the property, plant and equipment (31 December 2017: 41.63%).

Corporate guarantees and contingent liabilities

As at 30 June 2018, the Group had no external guarantee or other significant contingent liabilities.

Foreign exchange risk

The Group operates internationally and is exposed to various foreign exchange risks arising from non-functional currencies. Foreign exchange risks come 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 a non-functional currency. Management monitors foreign exchange exposure and will consider hedging certain foreign currency exposure with derivative financial instruments should the need arise.

Capital commitments

As at 30 June 2018, the Group had a total of 19 container vessels under construction. The capital commitments for future construction of container vessels amounted to RMB12,298,261,000.

As at 30 June 2018, the Group's containers under construction amounted to 200,000 TEUs in aggregate. The capital commitments for future construction of containers amounted to RMB2,240,681,000.

As at 30 June 2018, the Group's capital commitments for investment in terminals amounted to RMB6,418,982,000 in aggregate, among which the commitments for purchase of fixed assets amounted to RMB3,538,192,000 and the equity investment commitment of terminals amounted to RMB2,880,790,000.

Facilities and financing plans

Facilities

As at 30 June 2018, the unutilized bank loan facilities of the Group were RMB58,546,026,000. The Group is highly concerned about the potential financial risks of the loan facilities, and has strengthened the monitoring of liabilities and gearing ratio of its subsidiaries and repaid bank loans in full as scheduled.

Financing plans

The Group will take its material capital expenditure for 2018 into consideration, including the acquisition of interests in companies, such as OOIL, construction of containers and expenditure for terminal infrastructure projects, to manage financing arrangements, to enhance capital management, to optimize the utilization efficiency of funds and to control the scale of debts effectively.

(IV) Investment of associated companies and joint ventures

In the first half of 2018, the Group had two new associated companies, namely COSCO SHIPPING Micro-finance Company Limited (中遠海運小額貸款公司) and OceanRail Logistics S.A, which accordingly incurred additional investment cost of RMB73,115,000, and increased the capital of COSCO-PSA Terminal Private Limited (中遠－新港碼頭有限公司), which accordingly incurred increased investment cost of RMB253,969,000.

Increases for the Reporting Period:

Unit: '000 Currency: RMB

Invested Companies	Shareholding percentage as at the end of the period (%)	Increase in investment costs during the year	Remarks
COSCO SHIPPING Micro-finance Company Limited (中遠海運小額貸款公司)	25	50,000	Increase during the year
OceanRail Logistics S.A	30	23,115	Increase during the year
COSCO-PSA Terminal Private Limited (中遠－新港碼頭有限公司)	49	253,969	Increase in capital according to shareholding ratio
Total		327,084	

SIGNIFICANT EVENTS

1. COSCO SHIPPING Holdings published an announcement on 9 July 2017 that Faulkner Global, a subsidiary of the Company, and Shanghai Port Group (BVI) Development Co., Limited, a subsidiary of Shanghai International Port (Group) Co., Ltd., made a pre-conditional voluntary general cash offer to all shareholders of OOIL to acquire all of the issued shares of OOIL at an offer price of HK$78.67 per share. The Offer was considered and approved at the third meeting of the 5th session of the Board held on 7 July 2017 and the second extraordinary general meeting of 2017 of the Company held on 16 October 2017. On 29 June 2018, all the pre-conditions to the Offer were fulfilled. On 13 July 2018, the Offer became unconditional in all respects. On 27 July 2018, the offer closed. On 7 August 2018, the Joint Offerors completed the payment of the relevant consideration for the Offer. Therefore, the Offer was completed.

   On 17 August 2018, to restore the public float of the shares of OOIL to the minimum of 25%, Faulkner Global completed the sale of a total of 84,640,235 shares of OOIL to certain investors. After completion of such sale, the minimum public float of 25% of shares of OOIL was restored and the shares of OOIL held by Faulkner Global represented approximately 75% of its total issued shares.

   Upon completion of the Offer, the Company emerged as the third largest container liner company in the world in terms of fleet size, which further strengthened the competitive strength of the Company in the industry. COSCO SHIPPING Lines, COSCO SHIPPING Ports and OOIL, subsidiaries of the Company, will achieve strong synergies in business operation. In respect of container shipping business, the Company can provide a full range of container transportation services to customers around the world with more abundant global resources, more reasonable operational network, more comprehensive geographical coverage, and more flexible global capacity control. Meanwhile, in terms of terminal business, the Company can promote the growth and global layout of its terminal business with its larger size of fleet, realize strategic coordination of container shipping routes and terminal layouts, and effectively enhance the overall competitiveness of the Company.

   For details of the Offer, please refer to the announcements of the Company (including but not limited to) dated 7 July 2017, 29 June 2018, 13 July 2018 and 27 July 2018, the composite document dated 6 July 2018 and the circular of the Company dated 25 September 2017.

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

As disclosed in the circular of the Company dated 1 December 2017, the Proposed Non-public Issuance of A Shares and the capital raised will be used to settle the consideration payable for 20 container vessels under construction. The delivery and completion of the construction of the container vessels would enable the Company to further expand the scale of its business, further optimize the planning of its shipping capacity and strengthen supports for terminals of the Group along the routes under "the Belt and Road" initiative, which would enhance the Company's operating efficiency and its competitiveness in the global shipping industry.

The Company will perform its obligation of information disclosure timely based on progress of matters relating to the Proposed Non-public Issuance of A Shares according to the provisions and requirements of relevant laws and regulations. Investors are advised to pay attention to investment risks. For details of the Proposed Non-public Issuance of A Shares, please refer to the announcements of the Company dated 30 October 2017, 15 December 2017, 5 March 2018, 26 June 2018 and 20 August 2018 and the circular of the Company dated 1 December 2017.

3. After consideration and approval by the fourteenth meeting of the fifth session of the Board, the seventh meeting of the fifth session of supervisory committee and the second extraordinary general meeting of 2018 of the Company, Company proposed to apply to the National Association of Financial Market Institutional Investors for the registration and issuance of the medium-term notes in an amount of RMB5 billion and the short-term commercial papers RMB10 billion and to authorize to any one Director. The proceeds will be primarily used for the repayment of the medium-term notes in an amount of RMB4 billion issued on 2011 and due on 29 November 2018.

   For details, please refer to the announcements of the Company dated 13 July 2018 and 30 August 2018.

4. To further improve the corporate governance structure, the ninth meeting of the fifth session of the Board and the 2017 annual general meeting of the Company considered and approved the amendments to certain provisions of the Articles of Association of the Company and the Rules of Procedures for Shareholders General Meeting according to relevant provisions of relevant PRC laws and regulations. For details, please refer to the announcements of the Company dated 29 March 2018 and 8 June 2018 and the circular of the Company dated 18 May 2018. The 15th meeting of the fifth session of the Board and the second extraordinary general meeting of 2018 of the Company considered and approved adjustment to the business scope of COSCO SHIPPING Holdings and the corresponding amendments to the Articles of Association of the Company. For details, please refer to the announcements of the Company dated 27 July 2018 and 30 August 2018.

Directors, Supervisors and Senior Management

I. Changes in Equity

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

Not applicable.

(II) Share option(s) granted to Directors, Supervisors and senior management during the Reporting Period

Name	Position	Number of share options held at the beginning of the period	Number of share options newly granted during the Reporting Period	Exercisable share options during the Reporting Period	Share options exercised during the Reporting Period	Number of share options held at the end of the period
ZHANG Wei (張為)	Executive Director and Deputy General Manager		1,500,000			1,500,000
FANG Meng	Supervisor		1,500,000			1,500,000
DENG Huangjun	Chief Financial Officer		1,200,000			1,200,000
Total	–		4,200,000			4,200,000

Notes:

(1) At the annual general meeting of the Company and the special general meeting of COSCO SHIPPING Ports held on 8 June 2018, the adoption of a share option scheme (the "**COSCO SHIPPING Ports Share Option Scheme**") and grant of share options of COSCO SHIPPING Ports were considered and approved.

(2) Mr. DENG Huangjun has ceased to be the Chief Financial Officer of the Company since 27 July 2018.

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	Resigned	Change of job positions
XU Zunwu	Executive Director, general manager	Resigned	Reaching of retirement age
WANG Haimin	Executive Director, general manager	Appointed	Appointment by the Board
KOO, Chee Kong Kenneth	Independent non-executive Director	Resigned	Workload and other personal commitments

1. Appointment of and Changes in Directors

On 8 January 2018, Mr. Wan Min resigned as the Chairman, a non-executive Director and the chairman and a member of the executive committee of the Board due to change of job positions.

On 28 February 2018, Mr. Koo, Chee Kong Kenneth resigned as an independent non-executive Director and a member of the risk management committee of the Board due to his workload and other personal commitments.

On 2 March 2018, Mr. Xu Zunwu resigned as an executive Director, the general manager of the Company, the chairman and a member of the risk management committee of the Board, a member of the strategic development committee of the Board, and a member of the nomination committee of the Board due to his reaching of retirement age.

2. Appointment of and Changes in Supervisor

Nil.

3. Appointment of and Changes in Senior Management

On 2 March 2018, resolutions of the Company were passed at the eighth meeting of the fifth session of the Board to approve executive Director Mr. Wang Haimin to also act as the general manager of the Company.

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

Name	Position	Change	Reason for change
Xu Lirong	Chairman, Executive Director	Election	Election at the extraordinary general meeting and the Board
Ma Jianhua	Non-executive Director, Deputy general manager	Resignation	Change of job arrangement
Qiu Jinguang	Deputy general manager	Resignation	Change of job arrangement
Deng Huangjun	Chief financial officer	Resignation	Change of job arrangement
Chen Xiang	Deputy general manager	Appointment	Appointment by the Board
Yao Erxin	Deputy general manager	Appointment	Appointment by the Board
Zhu Jiandong	Deputy general manager	Appointment	Appointment by the Board
Stephen Ng	Deputy general manager	Appointment	Appointment by the Board
Zhang Mingwen	Chief financial officer	Appointment	Appointment by the Board
Steve Siu	Deputy general manager	Appointment	Appointment by the Board
Chen Shuai	Deputy general manager	Appointment	Appointment by the Board

Directors, Supervisors and Senior Management

1. On 13 July 2018, Mr. Ma Jianhua resigned as a non-executive Director due to change of job arrangement.

2. On 27 July 2018, the Company convened the fifteenth meeting of the fifth session of the Board, which considered and approved the proposal in respect of the following adjustments to senior management of COSCO SHIPPING Holdings: accepting Mr. Ma Jianhua and Mr. Qiu Jinguang's resignations as deputy general managers of the Company due to change of job position and Mr. Deng Huangjun's resignation as the chief financial officer of the Company due to change of job position; approving the appointments of Ms. Chen Xiang, Mr. Yao Erxin, Mr. Zhu Jiandong and Mr. Stephen Ng as deputy general managers of the Company, Mr. Zhang Mingwen as the chief financial officer of the Company, and Mr. Steve Siu and Mr. Chen Shuai as deputy general managers of the Company.

3. On 30 August 2018, the second extraordinary general meeting of the Company and the sixteenth meeting of the fifth session of the Board of the Company considered and approved the appointment of Mr. Xu Lirong to act as the Chairman of the fifth session of the Board and an executive Director of the fifth session of the Board. Mr. Xu currently also serves as an executive director, the chairman of the board of directors and the chairman of the executive committee and the nomination committee of OOIL (a company listed on the Stock Exchange (stock code: 316) and a subsidiary of the Company), and a director, the chairman of the board of directors and a member of the executive committee of Orient Overseas Container Line Limited (a subsidiary of OOIL).

4. Mr. Huang Xiaowen currently also serves as an executive director, the chief executive officer, a member of the executive committee and the chairman of the inside information committee and the risk committee of OOIL; Mr. Wang Haimin currently also serves as an executive director and a member of the executive committee, the finance committee, the compliance committee, the inside information committee and the risk committee of OOIL, and a director, a co-chief executive officer and a member of the executive committee of Orient Overseas Container Line Limited; Mr. Zhang Wei currently also serves as an executive director and a member of the executive committee, the remuneration committee, the inside information committee and the risk committee of OOIL; and Mr. Yang Liang Yee Philip currently also serves as an independent non-executive director, the chairman of the share committee and a member of the audit committee and the nomination committee of OOIL.

Other Information

Employees and Remuneration Policies

As at 30 June 2018, there were approximately 18,826 employees in the Group. Total staff costs of the Group for the Reporting Period, including Directors' remuneration, in aggregate amounted to approximately RMB3,306,198,000.

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

Share Option Scheme of COSCO SHIPPING Ports

On 8 June 2018, the Company convened its annual general meeting and COSCO SHIPPING Ports convened its special general meeting respectively, at which the adoption of the COSCO SHIPPING Ports Share Option Scheme was considered and approved. According to the COSCO SHIPPING Ports Share Option Scheme, share options of COSCO SHIPPING Ports were granted to a total of 238 participants at the exercising price of HK$7.27 per share on 19 June 2018, with the total number of share options to be granted not exceeding 1.94% of the total issued shares of COSCO SHIPPING Ports. Eligible participants include the directors of COSCO SHIPPING Ports, key management personnel such as senior management members at the headquarters of COSCO SHIPPING Ports and departmental deputy managers and above, and management personnel (including senior and mid-level management personnel) appointed to subsidiaries and other invested companies of COSCO SHIPPING Ports, and senior management personnel of the subsidiaries of COSCO SHIPPING Ports. The participants may exercise the share options in three equal batches in the 3rd, 4th and 5th year after the grant date respectively.

During the Reporting Period, 53,483,200 share options were granted under the COSCO SHIPPING Ports Share Option Scheme, 725,080 of which were not accepted. As at 30 June 2018, 52,758,120 share options were outstanding.

Other Information

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

Category	Exercise price per share (HK$)	Number of share option: Outstanding as at 1 January 2018	Granted during the period	Exercised during the period	Transferred (to)/from other categories during the period	Lapsed during the period	Outstanding as at 30 June 2018	Exercisable period	Notes
Directors of COSCO SHIPPING Ports[(4)]									
Mr. ZHANG Wei (張為) [(4)]	7.27	N/A	1,500,000	–	–	–	1,500,000	19.6.2020-18.6.2023	(1), (2)
Mr. FANG Meng [(4)]	7.27	N/A	1,500,000	–	–	–	1,500,000	19.6.2020-18.6.2023	(1), (2)
Mr. DENG Huangjun [(4)]	7.27	N/A	1,200,000	–	–	–	1,200,000	19.6.2020-18.6.2023	(1), (2)
Dr. WONG Tin Yau, Kelvin	7.27	N/A	1,200,000	–	–	–	1,200,000	19.6.2020-18.6.2023	(1), (2)
		N/A	5,400,000	–	–	–	5,400,000		
Continuous contract employees	7.27	N/A	48,083,200	–	–	(725,080)	47,358,120	19.6.2020-18.6.2023	(1), (3)
Total		N/A	53,483,200	–	–	(725,080)	52,758,120		

Notes:

(1) The share options were granted on 19 June 2018 under the COSCO SHIPPING Ports Share Option Scheme at an exercise price of HK$7.27 per Share. According to the terms of the COSCO SHIPPING Ports Share Option Scheme, options under each grant have a validity period of five years commencing from the date of grant and cannot be exercised during the two year period commencing from the date of grant (the "**Restriction Period**"). Besides, subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. (a) 33.3% of the share options will be vested on 19 June 2020; (b) 33.3% of the share options will be vested on 19 June 2021; and (c) 33.4% of the share options will be vested on 19 June 2022. Details of the vesting conditions for the share options are set out in the section headed "11. Performance Target before the Options can be granted and vested — Performance Conditions for the vesting of Share Options" in the circular of the Company dated 18 May 2018. No consideration was paid by the grantees for the acceptance of share option.

(2) These share options represent personal interest held by relevant Directors, Supervisors and senior management of the Company as beneficial owners.

(3) Certain employees of COSCO SHIPPING Ports had not accepted the share options and the relevant share options were lapsed.

(4) As at 30 June 2018, Mr. ZHANG Wei was an executive Director, Mr. FANG Meng was a Supervisor and Mr. DENG Huangjun was the Chief Financial Officer of the Company.

(5) During the Reporting Period, no share options were exercised or cancelled under the COSCO SHIPPING Ports Share Option Scheme.

(6) The fair value of share options granted during the period is calculated based on the Black-Scholes valuation model, and the fair value and the significant parameters of such model are as follows:

	Fair value of share option per share HK$	Share price of as at the date of grant HK$	Exercise price HK$	Standard deviation of expected share price return	Expected term of share option	Expected dividend paid out rate	Risk-free interest rate
Granted on 19 June 2018 – 52,758,120 share options (outstanding as at 30 June 2018)	1.179	6.85	7.27	28.64%	4 years	2.88%	2.21%

The volatility measured at the standard deviation of expected share price return is based on the historical share price movement of COSCO SHIPPING Ports prior to the date of grant. Changes in the subjective input assumptions could materially affect the fair value estimates, and the Blank-Scholes valuation does not necessarily provide a reliable measure of the fair value of the share options.

The closing prices of the shares of COSCO SHIPPING Ports immediately before the date on which the share options were granted on 19 June 2018 was HK$7.16.

(1) The Group recognize the fair value of share options as expenses in the income statement over the vesting period. The fair value of the share options is measured at the date of grant.

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 the capital increase and employees participation plan. Shanghai Pan Asia introduced certain strategic investor(s) by participating in the public tender for subscribing for equity on the Shanghai United Assets and Equity Exchange. The subscription price per unit will be not less than the appraised net asset value (after the filing procedures having been completed) per unit of the registered capital of Shanghai Pan Asia. Meanwhile, it introduced employees' participation through the employees' participation platform, under which employees will subscribe for equity interests at the final subscription price of strategic investor(s). Please refer to the announcement of COSCO SHIPPING Holdings 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 (寧波泓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. On 30 June 2018, 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.

Interests of Directors, Supervisors and Chief Executive in Shares, Underlying Shares and Debentures

As at 30 June 2018, the interests of the Directors, Supervisors and chief executive of the Company 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
TEO Siong Seng	Beneficial owner	Personal	161,000	0.00624%	0.00158%

(b) Long positions in shares 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 Co., Ltd.	FENG Boming	Beneficial owner	Personal	29,100	0.00025%
	TEO Siong Seng	Beneficial owner	Personal	200,000	0.00171%
COSCO SHIPPING Ports	ZHANG Wei (張為)	Beneficial owner	Personal	300,000	0.010%
	ZHANG Wei (張煒)	Beneficial owner	Personal	30,000	0.001%
	FANG Meng	Beneficial owner	Personal	150,000	0.005%

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

Nil.

(d) Long positions in underlying shares of equity derivatives of the associated corporations of the Company:

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

Save as disclosed above, as at 30 June 2018, 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 2018, 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	Capacity and Nature of interest	Long position	% (approx)	Short position	% (approx)	Lending pool	% (approx)
COSCO (a state-owned enterprise in China and the direct controlling shareholder of the Company)	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 (a state-owned enterprise in China and the indirect controlling shareholder of the Company)	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 2018, COSCO SHIPPING indirectly held approximately 45.47% equity interest in the Company through COSCO and was an indirect controlling shareholder of the Company. On 30 October 2017, the Board approved the Proposed Non-public Issuance of A Shares, pursuant to which the Company will issue a maximum of 2,043,254,870 A Shares (subject to adjustment) to not more than 10 specific target subscribers (including China COSCO SHIPPING), as part of the Proposed Non-public Issuance of A Shares, on 30 October 2017, the Company and China COSCO SHIPPING entered into the China COSCO SHIPPING Subscription Agreement pursuant to which China COSCO SHIPPING has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, 50% of the total number of A Shares to be issued under the Proposed Non-public Issuance of A Shares. As at the date of this report, the Proposed Non-public Issuance of A Shares and the proposed subscription of A Shares by China COSCO SHIPPING have not yet been completed.

Save as disclosed above, as at 30 June 2018, 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.

Other Information

Audit Committee

The Company has established the audit committee of the Company (the "**Audit Committee**") in compliance with Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 qualifications and experience, effectiveness of internal audit, corporate governance and control, and the training programs 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, namely Mr. Zhou Zhonghui (chairman of the Audit Committee) and Mr. Yang, Liang Yee Philip, and one non-executive Director, namely Mr. Chen Dong, who meet regularly with management of the Company and the Company's external auditors, and 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 Reporting Period, and recommended its adoption by the Board.

Corporate Governance

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

The Company adopted the Company's corporate governance code (the "**Code**") which incorporates all the code provisions in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**") and a majority of the recommended best practices therein. Having made specific enquiries, the Directors were not aware of any information which reasonably showed that the Company had not complied with the Corporate Governance Code or any applicable code provisions therein at any time during the Reporting Period.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as its own code of conduct (the "**Code of Conduct**") regarding securities transactions of the Directors and the Supervisors effective on 9 June 2005, on terms no less exacting than the required standard set out in the Model Code. After making specific enquiries to all Directors and Supervisors, they have confirmed that they had complied with the required standards as set out in the Model Code and the Code of Conduct for the Reporting Period.

Purchase, Sale or Redemption of Listed Securities

The Company had not redeemed any of its listed shares during the Reporting Period. Neither the Company nor any of its subsidiaries had purchased or sold any of its listed securities during the Reporting Period.

Other Information

Interim Dividend

The Board did not recommend the distribution of an interim dividend for the Reporting Period.

Investor Relations

The Company highly values investor relations at all times and considers the maintenance of investor relations as part of its 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, providing hospitality to visitors and organizing telephone conferences. The Group had held a total of over 135 personal or group meetings, made contact with 667 investors, and actively made responses to the questions of numerous medium and small investors through telephone, email, designated network platforms 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, making these opinions important references to the decision-making process of the Company.

During the work processes of the above, all senior management and relevant staff are in strict compliance with the 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 focuses on the vision and goal of becoming a worldwide first-tier supplier of container transportation and terminal investment and operation services, to build the four platforms of "strategic synergy, capital operation, compliance management, collaborative services". We always insist on winning the recognition of investors to maintain healthy and sustainable development of the Company; insist on being client-oriented based on the principles of safety, convenience, quality and efficiency, so as to build the best brand of integrated shipping and logistics services; insist on attracting and cultivating the employment of first-class talents to help our staff grow together with the enterprise. We uphold the enterprise spirit of "concerted efforts" to strive to become the model in the industry by promoting business performance, enhancing corporate value, increasing Shareholders' value and fufilling social responsibility.

Unaudited Condensed Consolidated Interim Balance Sheet

As at 30 June 2018

	Note	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**64,537,326**	57,420,313
Investment properties	7	**191,983**	192,042
Leasehold land and land use rights	7	**2,120,357**	2,082,427
Intangible assets	7	**2,997,006**	3,081,821
Joint ventures		**8,564,680**	8,169,778
Associates		**18,271,925**	17,692,258
Loans to joint ventures and associates		**1,280,213**	1,046,848
Financial assets at fair value through other comprehensive income		**2,323,730**	—
Available-for-sale financial assets		**—**	2,366,832
Deferred income tax assets		**1,186,159**	1,158,757
Other non-current assets		**493,390**	572,092
Total non-current assets		**101,966,769**	93,783,168
Current assets			
Inventories		**2,985,272**	2,330,221
Trade and other receivables and contract assets	8	**12,353,208**	10,986,870
Restricted bank deposits		**346,794**	351,220
Cash and bank balances		**29,560,260**	25,738,526
Total current assets		**45,245,534**	39,406,837
Total assets		**147,212,303**	133,190,005

Unaudited Condensed Consolidated Interim Balance Sheet

As at 30 June 2018

	Note	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	9(a)	**10,216,274**	10,216,274
Reserves		**10,622,387**	10,453,013
		20,838,661	20,669,287
Non-controlling interests		**23,378,682**	23,041,293
Total equity		**44,217,343**	43,710,580
LIABILITIES			
Non-current liabilities			
Long-term borrowings	10	**45,657,101**	43,909,214
Provisions and other liabilities	11	**646,468**	652,013
Derivative financial liabilities		**44,625**	42,649
Deferred income tax liabilities		**1,384,979**	1,313,987
Total non-current liabilities		**47,733,173**	45,917,863
Current liabilities			
Trade and other payables and contract liabilities	12	**24,478,252**	23,185,929
Derivative financial liabilities		**18,169**	18,527
Short-term borrowings	13	**18,631,288**	10,939,802
Current portion of long-term borrowings	10	**11,285,616**	8,540,731
Current portion of provisions and other liabilities	11	**1,829**	4,688
Tax payable		**846,633**	871,885
Total current liabilities		**55,261,787**	43,561,562
Total liabilities		**102,994,960**	89,479,425
Total equity and liabilities		**147,212,303**	133,190,005
Net current liabilities		**10,016,253**	4,154,725
Total assets less current liabilities		**91,950,516**	89,628,443

Unaudited Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2018

	Note	Six months ended 30 June 2018 RMB'000	2017 RMB'000
Revenues	6	**45,041,047**	43,445,690
Cost of services and inventories sold		**(42,186,575)**	(39,695,059)
Gross profit		**2,854,472**	3,750,631
Other income, net		**325,222**	570,871
Gain on disposal of a joint venture	15	**–**	1,886,333
Gain on remeasurement of previously held interest of an available-for-sale financial asset upon further acquisition to become an associate	15	**–**	264,099
Selling, administrative and general expenses		**(2,031,274)**	(2,004,016)
Operating profit	14	**1,148,420**	4,467,918
Finance income	16	**187,270**	219,432
Finance costs	16	**(1,194,899)**	(1,014,186)
Net related exchange loss	16	**(81,496)**	(318,545)
Net finance costs	16	**(1,089,125)**	(1,113,299)
Share of profits less losses of			
– joint ventures		**330,688**	295,102
– associates		**686,798**	428,750
Profit before income tax		**1,076,781**	4,078,471
Income tax expenses	17	**(307,643)**	(677,111)
Profit for the period		**769,138**	3,401,360
Profit attributable to:			
– Equity holders of the Company		**40,796**	1,863,467
– Non-controlling interests		**728,342**	1,537,893
		769,138	3,401,360
		RMB	RMB
Earnings per share attributable to equity holders of the Company:			
Basic earnings per share	18	**0.0040**	0.1824

Unaudited Condensed Consolidated Interim Statement of Comprehensive Income

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Profit for the period	**769,138**	3,401,360
Other comprehensive (loss)/income		
Items that have been or may be reclassified subsequently to profit or loss		
Fair value gain on available-for-sale financial assets, net of tax	**–**	1,486,271
Cash flow hedges, net of tax	**(2,077)**	–
Release of investment revaluation reserve upon disposal of an available-for-sale financial asset	**–**	(264,099)
Share of other comprehensive income of joint ventures and associates	**28,330**	1,296
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates	**65,856**	(332,007)
Item that may not be reclassified subsequently to profit or loss		
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	**(87,993)**	–
Remeasurements of post-employment benefit obligations	**(6,480)**	(15,040)
Share of other comprehensive income of an associate-other reserve	**(26,774)**	–
Total other comprehensive (loss)/income	**(29,138)**	876,421
Total comprehensive income for the period	**740,000**	4,277,781
Total comprehensive income for the period attributable to:		
– Equity holders of the Company	**99,319**	2,103,340
– Non-controlling interests	**640,681**	2,174,441
	740,000	4,277,781

Unaudited Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2018

	Equity holders of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2018, as previously reported	20,669,287	23,041,293	43,710,580
Change in accounting policy (note 3)	48,560	–	48,560
Balance at 1 January 2018, as restated	20,717,847	23,041,293	43,759,140
Comprehensive income			
Profit for the period	40,796	728,342	769,138
Other comprehensive income/(loss):			
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	(43,342)	(44,651)	(87,993)
Cash flow hedges, net of tax	(417)	(1,660)	(2,077)
Share of other comprehensive income/(loss) of joint ventures and associates	3,113	(1,557)	1,556
Exchange differences from retranslation of financial statements of subsidiaries, joint ventures and associates	105,649	(39,793)	65,856
Remeasurements of post-employment benefit obligations	(6,480)	–	(6,480)
Total other comprehensive income/(loss)	58,523	(87,661)	(29,138)
Total comprehensive income for the period	99,319	640,681	740,000
Transactions with owners:			
Dividends paid to minority shareholders of subsidiaries	–	(285,390)	(285,390)
Contribution from minority shareholders of subsidiaries	19,731	(19,731)	–
Fair value of share options granted	526	596	1,122
Others	1,238	1,233	2,471
Total transactions with owners	21,495	(303,292)	(281,797)
As at 30 June 2018	20,838,661	23,378,682	44,217,343

Unaudited Condensed Consolidated Interim Statement of Changes in Equity

For the six months ended 30 June 2018

	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 minority shareholders 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 Cash Flows Statement

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	**555,167**	2,064,309
Interest received	**187,678**	234,744
Income tax paid	**(276,584)**	(517,273)
Net cash generated from operating activities	**466,261**	1,781,780
Cash flows from investing activities		
Purchase of property, plant and equipment, investment properties, leasehold land and land use rights and intangible assets	**(7,771,241)**	(5,575,059)
Investments in jointly ventures and associates	**(152,172)**	(2,907,353)
Loans advanced to an associate	**—**	(179,973)
Proceeds from disposal of property, plant and equipment, investment properties, leasehold land and land use rights and intangible assets	**53,718**	8,933
Cash received from disposal of a jointly venture	**—**	25,819
Repayments of loans granted to jointly ventures	**122,662**	—
Dividends received from jointly ventures	**208,318**	172,807
Dividends received from associates	**135,805**	197,017
Dividends received from financial assets at fair value through other comprehensive income	**2,147**	—
Dividends received from available-for-sale financial assets	**—**	2,202
Others	**—**	(34,273)
Net cash used in investing activities	**(7,400,763)**	(8,289,880)

Unaudited Condensed Consolidated Interim Cash Flows Statement

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Cash flows from financing activities		
Proceeds from borrowings	**21,818,692**	8,818,126
Repayments of borrowings	**(10,279,322)**	(8,410,251)
Dividends paid to non-controlling interests	**(106,367)**	(49,648)
Contributions from a non-controlling shareholder of a subsidiary	**–**	28
Interest paid	**(893,898)**	(789,923)
Other incidental borrowing costs and charges paid	**(29,658)**	(223,781)
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	**35,847**	30,427
Net cash generated from/(used in) financing activities	**10,545,294**	(632,832)
Net increase/(decrease) in cash and bank balances	**3,610,792**	(7,140,932)
Cash and cash equivalents as at 1 January	**25,738,526**	32,188,572
Exchange gain/(loss)	**210,942**	(348,962)
Cash and bank balances as at 30 June	**29,560,260**	24,698,678

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 limited 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 2018 (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 "Directors") for issue on 30 August 2018.

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").

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention except for certain financial assets and liabilities (including derivative instruments) which have been stated at fair value.

The Interim Financial Information should be read in conjunction with the annual audited financial statements for the year ended 31 December 2017 (the "2017 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 2017 Annual Financial Statements.

2 Basis of preparation and significant accounting policies (Continued)

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

In 2018, the Group adopted the following new standards, amendments, improvement and interpretation to existing HKFRSs below, which are relevant to its operations.

New standards and amendments

HKFRS 2 Amendment	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 Amendment	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendment)	Clarification to HKFRS 15
HKAS 40 (Amendment)	Transfer of Investment Property
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration

Annual Improvements 2014-2016

HKAS 28 Amendment	Investments in Associates and Joint Ventures
HKFRS 1 Amendment	First time adoption of HKFRS

The adoption of the above new standards, amendments, improvement and interpretation to existing HKFRSs do not have a material impact on the Group, except for HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers as set out in note 3.

(b) New and amended standards not yet effective for the financial year beginning on 1 January 2018 and have not been early adopted by the Group

The HKICPA has issued certain new standards, interpretation and amendments to existing standards which are not yet effective for the year ending 31 December 2018 and have not been early adopted by the Group. The Group will apply these standards, interpretation and amendments to existing standards as and when they become effective. The Group has already commenced an assessment of the related impact to the Group and it 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 be resulted, except for the below new standard:

HKFRS 16 "Leases" was issued in May 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard will affect primarily the accounting for the Group's operating leases. As at 30 June 2018, the Group has non-cancellable operating lease commitments of RMB66,875,985,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

3 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

3.1 Impact on the financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail in note 3.2, 3.3, 3.4 and 3.5 below.

Condensed consolidated balance sheet (extract)	31 December 2017 As originally presented RMB'000	Adjustment on initial adoption of HKFRS 9 RMB'000	Adjustment on initial adoption of HKFRS 15 RMB'000	1 January 2018 Restated RMB'000
ASSETS				
Financial assets at fair value through other comprehensive income ("FVOCI")	–	2,431,579	–	2,431,579
Available-for-sale financial assets	2,366,832	(2,366,832)	–	–
Total non-current assets	93,783,168	64,747	–	93,847,915
Trade and other receivables and contract assets	10,986,870	–	41,703	11,028,573
– Contract assets	–	–	142,959	142,959
Total current assets	39,406,837	–	41,703	39,448,540
Total assets	133,190,005	64,747	41,703	133,296,455

3 Changes in accounting policies (Continued)

3.1 Impact on the financial statements (Continued)

Condensed consolidated balance sheet (extract)	31 December 2017 As originally presented RMB'000	Adjustment on initial adoption of HKFRS 9 RMB'000	Adjustment on initial adoption of HKFRS 15 RMB'000	1 January 2018 Restated RMB'000
EQUITY				
Reserves	10,453,013	48,560	–	10,501,573
Total equity	43,710,580	48,560	–	43,759,140
LIABILITIES				
Deferred income tax liabilities	1,313,987	16,187	–	1,330,174
Total non-current liabilities	45,917,863	16,187	–	45,934,050
Trade and other payables and contract liabilities	23,185,929	–	41,703	23,227,632
– Contract liabilities	–	–	296,001	296,001
Total current liabilities	43,561,562	–	41,703	43,603,265
Total liabilities	89,479,425	16,187	41,703	89,537,315
Total equity and liabilities	133,190,005	64,747	41,703	133,296,455

3.2 HKFRS 9 Financial Instruments – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 3.3 below. In accordance with the transitional provision in HKFRS 9, comparative figures have not been restated. The reclassification and adjustments arising from the new impairment rules are therefore not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The Group has elected to present in other comprehensive income changes in the fair value of all its equity investments previously classified as available-for-sale financial assets, and reclassified to financial asset at FVOCI as at 1 January 2018.

3 Changes in accounting policies (Continued)

3.2 HKFRS 9 Financial Instruments – Impact of adoption (Continued)

The impact of this change on the Group's equity is as follows:

	Investment revaluation reserve RMB'000	FVOCI reserve RMB'000	Accumulated losses RMB'000
Opening balance as at 1 January 2018 – HKAS 39	**382,749**	**–**	**(13,285,792)**
Reclassify investment revaluation reserve to FVOCI reserve	(382,749)	382,749	–
Revaluation FVOCI	–	48,560	–
Reclassify impairment loss on available-for-sales financial asset previously recorded in accumulated losses to investment revaluation reserve	–	(60,545)	60,545
Opening balance as at 1 January 2018 – HKFRS 9	**–**	**370,764**	**(13,225,247)**

The Group applies the simplified approach permitted by HKFRS 9 for trade receivables, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The results of the revision at 1 January 2018 have not resulted in any material change in impairment provision or any material impact on the carrying amount of the Group's trade receivables.

3.3 HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018

Equity investments and other financial assets

Classification and measurement

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and
- Those to be measured at amortised cost

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

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

3 Changes in accounting policies (Continued)

3.3 HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 (Continued)

Equity investments previously classified as available-for-sale

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

Changes in the fair value of financial assets at financial assets at fair value through profit or loss are recognised in other income/(expenses) in the statement of profit or loss as applicable. Impairment loss (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment of financial assets

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets classified at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

3.4 HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018. In accordance with the transition provisions in HKFRS 15, the comparative information for prior periods is not restated, the Group recognises the cumulative effect of initially applying the guidance as adjustments to the opening balance of accumulated losses on 1 January 2018, and the Group applies the new guidance only to contracts that are not yet completed on that date.

Presentation of contract assets and contract liabilities

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under HKFRS 15:

- Contract assets relating to the percentage of completion for these incompleted shipment were previously included in trade and other receivables;
- Contract liabilities relating to advance from customers with contracts were previously included in trade and other payables;
- Contract liabilities relating to expected volume discounts were previously presented on a net basis in trade and other receivables.

3 Changes in accounting policies (Continued)

3.5 HKFRS 15 Revenue from Contracts with Customers – Accounting policies applied from 1 January 2018

Revenue for container shipping is one performance obligation per shipment, which is rendered on a period-related basis, i. e. for the duration of transport. Combining several shipments on a single ship journey produces essentially the same results with regard to the amount of revenue recognised and when it is recognised as are produced when the revenue is recognised on the basis of the single shipment. Since revenue from sea freight, inland container transport is already recognised and categorised on a period-related basis, the first-time application of HKFRS 15 has not had any significant effects in relation to this revenue stream. The method currently used to measure percentage-of-completion (time proportion method) continues to be used under HKFRS 15. A contract asset (included in trade and other receivables) is recognised for receivables in connection with the percentage of completion for these incompleted shipment on the respective balance sheet date. A contract liability (included in trade and other payables) is recognised for to advance from customers with contracts.

Revenue for terminals and related services is recognised over time as Group's performance provides all of the benefits received and consumed simultaneously by the customer. Revenue is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A contract liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

4 Financial risk management

4.1 Financial risk factors

All aspects of the Group's financial risk management objectives and practices are consistent with those disclosed in the 2017 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.

As at 30 June 2018, the Group's current liabilities exceeded its current assets by approximately RMB10,016,253,000. As at 30 June 2018, the Group (excluding COSCO SHIPPING Ports Limited ("COSCO SHIPPING Ports", a non-wholly owned subsidiary of the Company)), has total unutilised uncommitted and committed credit facilities of approximately RMB54,590,554,000 from banks, the Directors believe that, based on experience to date, it is likely that these facilities will be rolled over in the coming year if required. In preparing the financial statements, the Directors consider the adequacy of cash inflows from operations and financing to meet its financial obligations as and when they fall due and prepared a cash flow forecast for the Group for the coming 12 months. With the cash inflows from operations and available credit facilities and other sources of financing, the Directors consider that the Group will be able to obtain sufficient financing to enable it to operate, as well as to meet its liabilities as and when they become due, and the capital expenditure requirements for the coming 12 months. Accordingly, the Directors believe that it is appropriate to prepare the financial statements on a going concern basis.

4 Financial risk management (Continued)

4.2 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 2018				
Financial assets at FVOCI	**1,550,017**	**—**	**773,713**	**2,323,730**
Derivative financial instruments – interest rate swap	**—**	**62,794**	**—**	**62,794**
As at 31 December 2017				
Available-for-sale financial assets	1,669,094	—	697,738	2,366,832
Derivative financial instruments – interest rate swap	—	61,176	—	61,176

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

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

4 Financial risk management (Continued)

4.2 Fair value estimation (Continued)

Specific valuation techniques used to value financial instruments include:

– Quoted market prices or dealer quotes for similar instruments.

– Other techniques, such as discounted cash flow analysis are used to determine fair value for the remaining financial instruments.

Movements of financial assets classified as level 3 recognised in the Interim Financial Information are as follows:

	Six months ended 30 June 2018 RMB'000	Six months ended 30 June 2017 RMB'000
As at 1 January, as previously reported	**697,738**	1,196,334
Change in accounting policy (note 3)	**64,747**	—
As at 1 January, restated	**762,485**	1,196,334
Gains recognised in other comprehensive income	**11,234**	—
Currency translation differences	**(6)**	—
Reclassified to level 1	**—**	(499,445)
	773,713	696,889

As at 30 June 2018, description of the valuation techniques and the inputs used in the fair value measurement in level 3 include:

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

– The fair value of other unlisted financial assets is determined by reference to valuation report or the valuation performed by management using valuation techniques (including price/earnings multiple method and direct market quote). The inputs are mainly price/earnings multiples. A discount rate of 20% is applied to compute the fair value on top of market price/earnings multiples.

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

5 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 expenses. 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 2017 Annual Financial Statements.

6 Revenues and segment information

Operating segments

The chief operating decision-maker has been identified as the executive directors of the Group. The executive directors 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 operations 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, financial assets at FVOCI (classification from 1 January 2018), available-for-sale financial assets (classification until 31 December 2017) 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 and intangible assets.

6 Revenues and segment information (Continued)

Operating segments (Continued)

	Six months ended 30 June 2018				
	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	42,367,825	3,178,329	–	(505,107)	45,041,047
Comprising:					
– Inter-segment revenues	3,087	502,020	–	(505,107)	–
– Revenues (from external customers)	42,364,738	2,676,309	–	–	45,041,047
Segment profit/(loss)	427,651	824,015	(103,246)	–	1,148,420
Finance income	118,215	6,767	135,333	(73,045)	187,270
Finance costs	(601,704)	(189,574)	(476,666)	73,045	(1,194,899)
Net related exchange loss	(40,571)	(40,925)	–	–	(81,496)
Share of profits less losses of					
– joint ventures	30,597	300,091	–	–	330,688
– associates	(1,810)	673,311	15,297	–	686,798
(Loss)/profit before income tax	(67,622)	1,573,685	(429,282)	–	1,076,781
Income tax expenses	(90,840)	(149,466)	(67,337)	–	(307,643)
(Loss)/profit for the period	(158,462)	1,424,219	(496,619)	–	769,138
Gain on disposals of property plant and equipment, net	20,270	1,481	–	–	21,751
Depreciation and amortisation	867,743	487,270	9,239	–	1,364,252
Provision for impairment of trade and other receivables and contract assets, net	9,463	7,396	–	–	16,859
Amortised amount of transaction costs on long-term borrowings	8,748	7,914	6,000	–	22,662
Amortised amount of discount on issue of notes	7,545	621	5,271	–	13,437
Additions to non-current assets	7,297,847	708,403	4,376	–	8,010,626

6 Revenues and segment information (Continued)

Operating segments (Continued)

	Six months ended 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
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, net	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

6 Revenues and segment information (Continued)

Operating segments (Continued)

	As at 30 June 2018				
	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	78,038,306	27,779,195	24,194,290	(14,426,195)	115,585,596
Joint ventures	405,528	8,159,152	–	–	8,564,680
Associates	366,383	17,394,926	510,616	–	18,271,925
Loans to joint ventures and associates	–	1,280,213	–	–	1,280,213
Financial assets at FVOCI	619,328	1,704,402	–	–	2,323,730
Unallocated assets					1,186,159
Total assets					147,212,303
Segment liabilities	67,433,977	15,620,430	32,135,136	(14,426,195)	100,763,348
Unallocated liabilities					2,231,612
Total liabilities					102,994,960

	As at 31 December 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	70,320,940	27,602,089	18,149,867	(13,317,364)	102,755,532
Joint ventures	350,644	7,819,134	–	–	8,169,778
Associates	343,123	16,853,611	495,524	–	17,692,258
Loans to a joint venture and associates	–	1,046,848	–	–	1,046,848
Available-for-sale financial assets	559,776	1,807,056	–	–	2,366,832
Unallocated assets					1,158,757
Total assets					133,190,005
Segment liabilities	59,816,308	15,638,896	25,155,713	(13,317,364)	87,293,553
Unallocated liabilities					2,185,872
Total liabilities					89,479,425

6 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 2018		
	Total revenues RMB'000	Inter segment revenues RMB'000	External revenues RMB'000
Container shipping and related business			
– America	10,968,497	–	10,968,497
– Europe	8,894,194	–	8,894,194
– Asia Pacific	8,783,484	–	8,783,484
– China domestic	8,624,358	(3,087)	8,621,271
– Other international market	5,097,292	–	5,097,292
Container shipping and related business	42,367,825	(3,087)	42,364,738
Container terminal and related business, corporate and other operations			
– Europe	1,677,021	(219,657)	1,457,364
– China domestic	1,501,308	(282,363)	1,218,945
Container terminal and related business, corporate and other operations	3,178,329	(502,020)	2,676,309
Total	45,546,154	(505,107)	45,041,047

6 Revenues and segment information (Continued)

Geographical information (Continued)

(a) Revenues (Continued)

	Six months ended 30 June 2017		
	Total revenues RMB'000	Inter segment revenues RMB'000	External revenues RMB'000
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

6 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 2018 RMB'000	As at 31 December 2017 RMB'000
China domestic	**43,455,221**	38,547,518
Non-China domestic	**14,844,822**	14,193,260
Unallocated	**38,876,624**	36,469,953
Total	**97,176,667**	89,210,731

7 Tangible and intangible assets

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Property, plant and equipment(#)	**64,537,326**	57,420,313
Investment properties	**191,983**	192,042
Leasehold land and land use rights	**2,120,357**	2,082,427
Intangible assets	**2,997,006**	3,081,821
Total tangible and intangible assets	**69,846,672**	62,776,603

(#) As at 30 June 2018, property, plant and equipment included container vessels, leasehold land and buildings, containers, trucks, chassis and motor vehicles, computer, office and other equipment, assets under construction.

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

	Six months ended 30 June	
	2018 RMB'000	2017 RMB'000
Opening net book value as at 1 January	**62,776,603**	50,449,605
Currency translation differences	**454,039**	(465,650)
Additions	**8,010,626**	5,607,065
Disposals/write-off	**(35,849)**	(6,827)
Depreciation/amortisation	**(1,358,747)**	(1,134,798)
Closing net book value as at 30 June	**69,846,672**	54,449,395

8 Trade and other receivables and contract assets

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Trade receivables (notes a and b)		
– third parties	**6,724,182**	5,912,593
– fellow subsidiaries	**178,310**	125,533
– joint ventures	**34,490**	19,216
– other related companies	**115,253**	138,504
	7,052,235	6,195,846
Bills receivable (note b)	**399,238**	297,932
Contract assets (note b)	**165,344**	–
	7,616,817	6,493,778
Prepayments, deposits and other receivables		
– third parties	**3,272,575**	3,131,728
– fellow subsidiaries (note c)	**483,520**	306,997
– joint ventures (note c)	**428,872**	703,465
– associates (note c)	**259,819**	149,275
– other related companies (note c)	**291,605**	201,627
	4,736,391	4,493,092
Total	**12,353,208**	10,986,870

8 Trade and other receivables and contract assets (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 2018, the aging analysis of trade, bills receivables and contract assets on the basis of the date of relevant invoice or demand note was as follows:

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
1-3 months	**6,964,546**	6,045,919
4-6 months	**471,356**	336,047
7-12 months	**211,593**	147,985
Over 1 year	**78,835**	57,275
Trade, bills receivables and contract assets, gross	**7,726,330**	6,587,226
Provision for impairment	**(109,513)**	(93,448)
	7,616,817	6,493,778

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

9 Share capital and equity linked benefits

(a) Share capital

	As at 30 June 2018		As at 31 December 2017	
	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 options of a subsidiary

The Group's subsidiary, 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 share.

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

	Six months ended 30 June 2018 Number of share options				
Exercise price	**Outstanding as at 1 January 2018**	**Granted during the period**	**Exercised during the period**	**Lapsed during the period**	**Outstanding as at 30 June 2018**
HK$7.27	**—**	**53,483,200**	**—**	**(725,080)**	**52,758,120**

	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)	—

10 Long-term borrowings

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Bank loans		
– secured (note b)	**24,995,221**	20,868,293
– unsecured	**13,632,681**	13,400,361
Loans from COSCO Finance Co., Ltd. ("COSCO Finance")		
– unsecured	**249,000**	249,500
Loans from China Shipping Finance Co., Ltd. ("CS Finance")		
– secured	**72,000**	72,000
Notes/bonds (note c)	**17,500,839**	17,374,249
Loans from non-controlling shareholders of subsidiaries	**388,910**	346,413
Loans from a fellow subsidiary (note d)	**98,448**	132,601
Finance lease obligations	**5,618**	6,528
Total long-term borrowings	**56,942,717**	52,449,945
Current portion of long-term borrowings	**(11,285,616)**	(8,540,731)
	45,657,101	43,909,214

10 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 2018	
As at 1 January 2018	**52,449,945**
Repayments of borrowings	**(3,347,596)**
Drawdown of borrowings	**7,435,524**
Currency translation differences	**368,745**
Amortised amount of transaction costs on long-term borrowings	**22,662**
Amortised amount of discount on issue of notes	**13,437**
As at 30 June 2018	**56,942,717**
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

(b) The secured bank loans as at 30 June 2018 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 RMB30,044,993,000 (31 December 2017: RMB23,905,072,000);

(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 RMB278,784,000 (31 December 2017: RMB275,313,000).

(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.

10 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 RMB6,616,600,000). 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 RMB1,984,980,000) 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 RMB13,498,000). 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 2018, the Group entered finance lease contracts for leasing of terminal equipment with a fellow subsidiary. The balance in respect of such finance lease arrangements of approximately RMB98,448,000 (31 December 2017: RMB132,601,000) was included in loans from a fellow subsidiary for the non-current portion and of approximately RMB68,237,000 (31 December 2017: RMB67,398,000) was included in trade and other payables and contract liabilities due to fellow subsidiaries for the current portion (note 12). The average term of the finance lease contracts is 8 years (31 December 2017: 8 years), and bear interest ranging from 2% above to 11% below the RMB five-year benchmark lending rate, or 5.98%. The cost of assets acquired under the finance lease amounted to RMB345,023,000 (31 December 2017: RMB358,590,000) as at 30 June 2018. The carrying values of the loan were not materially different from their fair values.

11 Provisions and other liabilities

	Retirement benefit obligations RMB'000	Provision for one-off housing subsidy RMB'000	Deferred income and others RMB'000	Total RMB'000
Six months ended 30 June 2018				
As at 1 January 2018	**287,766**	**39,982**	**328,953**	**656,701**
Decrease during the period	**(6,045)**	**—**	**(8,907)**	**(14,952)**
Provisions for the period	**5,350**	**—**	**1,082**	**6,432**
Currency translation differences	**—**	**—**	**116**	**116**
As at 30 June 2018	**287,071**	**39,982**	**321,244**	**648,297**
Less: current portion of provisions and other liabilities	**(1,829)**	**—**	**—**	**(1,829)**
Non-current portion of provisions and other liabilities	**285,242**	**39,982**	**321,244**	**646,468**
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

12 Trade and other payables and contract liabilities

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Trade payables (note a)		
– third parties	7,328,828	6,222,836
– fellow subsidiaries	1,693,520	1,460,610
– joint ventures	80,903	183,544
– associates	49,931	41,704
– other related companies	38,433	40,283
	9,191,615	7,948,977
Bills payables (note a)	–	122,725
	9,191,615	8,071,702
Advance from customers	–	242,557
Other payables and accruals	13,171,367	13,287,480
Contract liabilities	452,120	–
Due to related companies		
– fellow subsidiaries (note 10(d))	290,753	257,795
– joint ventures (note b)	323,824	305,508
– associates (note c)	105,551	102,186
– other related companies (note d)	943,022	918,701
	1,663,150	1,584,190
Total	24,478,252	23,185,929

12 Trade and other payables and contract liabilities (Continued)

Notes:

(a) As at 30 June 2018, the aging 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 2018 RMB'000	As at 31 December 2017 RMB'000
1-6 months	**8,890,537**	7,914,745
7-12 months	**250,326**	95,879
1-2 years	**13,828**	34,258
2-3 years	**22,310**	12,238
Over 3 years	**14,614**	14,582
	9,191,615	8,071,702

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

(b) The balance including loans from a joint venture of approximately RMB278,499,000 (31 December 2017: approximately RMB278,501,000) are unsecured, bear interest at 2.3% (31 December 2017: 2.3%) per annum and repayable within twelve months.

(c) The amounts due to associates including loans from an associate of approximately RMB100,003,000 (31 December 2017: approximately RMB99,999,000) are unsecured, bear interest at 2.3% (31 December 2017: 2.3%) per annum and repayable within twelve months.

(d) The balance including loans from non-controlling shareholders of subsidiaries are unsecured and repayable within twelve months. Balance of approximately RMB32,891,000 (31 December 2017: approximately RMB41,348,000) bears interest at 0.3% above 1-year US dollar London Interbank Offered Rate ("LIBOR") per annum. Balance of approximately RMB328,719,000(31 December 2017: approximately RMB324,626,000) is interest free. Balance of approximately RMB360,003,000 (31 December 2017: approximately RMB299,998,000 and RMB59,997,000) bears interest at 4.4% (31 December 2017:3.8% and 4.4% respectively) per annum.

13 Short-term borrowings

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Bank loans - unsecured	**6,006,798**	6,823,572
COSCO Finance - unsecured	**4,241,660**	2,365,000
Loan from China Ocean Shipping Co., Ltd. ("COSCO") -unsecured	**563,110**	563,110
Loans from China COSCO Shipping Co., Ltd. ("COSCO SHIPPING") -unsecured	**1,188,120**	1,188,120
Loan from COSCO Shipping (Hong Kong) Co., Ltd. ("COSCO SHIPPING (HK)") -unsecured	**6,616,600**	—
Loan from an associate -unsecured	**15,000**	—
	18,631,288	10,939,802

14 Operating profit

Operating profit is stated after crediting/charging the following:

	Six months ended 30 June 2018 RMB'000	2017 RMB'000
Crediting:		
Gain on disposals of property, plant and equipment		
– others	**21,913**	3,548
Reversal of provision for impairment of trade and other receivables and contract assets	**1,474**	1,116
Government subsidies	**188,189**	385,404
Dividend income from listed and unlisted investments	**11,131**	5,985
Gain on disposal of a subsidiary	**—**	4,357
Net exchange gain	**93,930**	168,550
Charging:		
Loss on disposals of property, plant and equipment		
– others	**162**	1,176
Cost of bunkers consumed	**6,542,807**	5,104,652
Operating lease rentals		
– container vessels	**6,224,172**	5,999,765
– land and buildings	**133,208**	119,459
– other property, plant and equipment	**13,834**	11,051
Provision for impairment of trade and other receivables and contract assets	**18,333**	8,754

15 Disposal of a joint venture and further acquisition on available-for-sale financial asset to become an associate

On 20 January 2017, Shanghai China Shipping Terminal Development Co., Ltd. ("SCSTD", a wholly-owned subsidiary of the Group) and Qingdao Port International Co., Ltd. ("QPI") entered into an agreement under which, SCSTD conditionally agreed to subscribe for 1,015,520,000 non-circulating domestic shares in QPI at a total consideration of RMB5,798,619,000 (being RMB5.71 per share), of which RMB3,198,651,000 was settled by the transfer of a 20% equity interest in Qingdao Qianwan Container Terminal Co., Ltd. ("QQCT") to QPI and the remaining RMB2,599,968,000 was settled in cash. The disposal was completed on 19 May 2017 and resulted in a gain of RMB1,886,333,000 recognised in the consolidated income statement for the period ended 30 June 2017. The Group's share of fair value of identifiable net assets amounted to approximately RMB4,293,748,000 and the goodwill included in investment in associates arising from the acquisition amounted to approximately RMB1,504,871,000. The subscription was completed on 22 May 2017. After the subscription of the aforesaid QPI's non-circulating domestic shares, the Group's equity interest in QPI has increased from 1.59% to 18.41% and QPI became an associate of the Group since then. Separately, the gain from the remeasurement of the previously held 1.59% interest in QPI of approximately RMB264,099,000 has been recognised in the consolidated income statement for the period ended 30 June 2017.

16 Finance income and costs

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Finance income		
Interest income from:		
– deposits in COSCO Finance	**41,623**	21,372
– deposits in CS Finance	**43**	69
– loans to joint ventures and associates	**16,558**	24,147
– banks	**129,046**	173,844
	187,270	219,432
Finance costs		
Interest expenses on:		
– bank loans	**(678,761)**	(508,971)
– loans from COSCO SHIPPING (note 13)	**(21,585)**	—
– loans from COSCO (note 13)	**(10,192)**	(10,192)
– loans from COSCO Finance (note 10 and note 13)	**(49,709)**	(23,303)
– loans from CS Finance (note 10)	**(1,596)**	(1,848)
– loans from a joint venture (note 12(b))	**(3,221)**	(3,175)
– loans from an associate (note 12(c))	**(1,156)**	—
– loans from fellow subsidiaries(note 10(d) and note 13)	**(10,365)**	(5,793)
– loans from non-controlling shareholders of subsidiaries (note 10 and note 12(d))	**(15,339)**	(15,262)
– other loans	**(3,316)**	(1,508)
– notes	**(386,175)**	(398,496)
	(1,181,415)	(968,548)
Amortised amount of transaction costs on long-term borrowings	**(22,662)**	(15,283)
Amortised amount of discount on issue of notes	**(13,437)**	(13,701)
Other incidental borrowing costs and charges	**(82,279)**	(84,045)
Less: amount capitalised in construction in progress	**104,894**	67,391
	(1,194,899)	(1,014,186)
Net related exchange loss	**(81,496)**	(318,545)
Net finance costs	**(1,089,125)**	(1,113,299)

17 Income tax expenses

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Current income tax (note a)		
– PRC enterprise income tax	**181,900**	420,458
– Hong Kong profits tax	**4,676**	7,254
– Overseas taxation	**93,795**	95,864
	280,371	523,576
Deferred income tax (note b)	**27,272**	153,535
	307,643	677,111

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 39.83%.

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

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 year.

(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 2018, the unrecognised deferred income tax liabilities were RMB4,538,935,000 (31 December 2017: RMB4,280,768,000) relating to income tax and withholding tax that would be payable for undistributed profits of certain overseas subsidiaries, as the Directors considered that the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these overseas subsidiaries as at 30 June 2018 amounted to RMB19,116,912,000 (31 December 2017: RMB18,651,863,000).

As at 30 June 2018, the Group had tax losses of RMB35,931,067,000 (31 December 2017: RMB34,939,636,000), which were not recognised for deferred tax assets as the Directors considered that the utilisation of these tax losses in the foreseeable future is not probable, of which an amount of RMB35,482,730,000 (31 December 2017: RMB34,491,298,000) will expire within five years.

18 Earnings per share

(a) Basic

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

	Six months ended 30 June	
	2018	2017
Profit attributable to equity holders of the Company (RMB)	**40,796,000**	1,863,467,000
Number of ordinary shares in issue	**10,216,274,357**	10,216,274,357
Basic earnings per share (RMB)	**0.0040**	0.1824

(b) Diluted

As the exercise price of the share options granted by COSCO SHIPPING Ports, outstanding on 30 June 2018 was greater than the average market price of COSCO SHIPPING Ports' share during the period since grant date, there was no dilutive effect on earnings per ordinary share for the six months ended 30 June 2018.

The outstanding share options granted by COSCO SHIPPING Ports did not have any dilutive effect on the earnings per share for the six months ended 30 June 2017.

19 Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: Nil).

20 Acquisiton of subsidiaries

On 31 October 2017, the Group acquired 51% equity interests in Noatum Port Holdings, S.L.U. ("NPH"), a group of companies engaged in terminal operating activities in Spain.

On 30 November 2017, the Group completed a further acquisition of 76% equity interests in CSP Zeebrugge Terminal NV ("CSP Zeebrugge"), a terminal operating company in Belgium. CSP Zeebrugge became a wholly-owned subsidiary of the Group and the results of it is consolidated into the Group's financial statements commencing from the acquisition date.

During the year ended 31 December 2017, the Group also acquired other subsidiaries engaged in terminal operations.

Details of the Group prior year's acquisition in NPH, CSP Zeebrugge and other subsidiaries engaged in terminal operations were disclosed in note 38 of the group's annual financial statements for the year ended 31 December 2017.

21 Contingent liabilities

(a) As at 30 June 2018, 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 Directors are 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 2018 RMB'000	As at 31 December 2017 RMB'000
Bank guarantee to a joint venture at face value	**–**	60,282

A subsidiary of COSCO SHIPPING Ports provided corporate guarantee to a joint venture in respect of banking facilities of the joint venture. The Directors consider that it is not probable for a claim to be made against the Group and the fair value of the guarantee contract is not significant to the Group, and has not been recognised at the balance sheet date.

As at 30 June 2018, the Company provided guarantees for credit facilities and notes granted to its subsidiaries of RMB9,822,054,000 (31 December 2017: RMB11,104,174,000).

The fair value of guarantee contracts is not material and has not been recognised.

22 Commitments

(a) Capital commitments

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Contracted but not provided for		
Containers	**2,240,681**	5,120
Containers vessels	**12,298,261**	18,720,565
Terminal equipment	**3,538,192**	3,766,153
Other property, plant and equipment	**405**	4,104
Investments in terminals and other companies	**2,880,790**	2,893,972
Intangible assets	**18,986**	41,223
	20,977,315	25,431,137

22 Commitments (Continued)

(a) Capital commitments (Continued)

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

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Contracted but not provided for	**122,017**	40,211

(b) Operating lease commitments

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

	As at 30 June 2018 RMB'000	As at 31 December 2017 RMB'000
Container vessels		
– not later than one year	**7,970,375**	10,533,182
– later than one year and not later than five years	**20,499,488**	22,256,083
– later than five years	**9,547,992**	12,358,601
	38,017,855	45,147,866
Port concession rights		
– not later than one year	**352,005**	490,707
– later than one year and not later than five years	**2,406,700**	2,369,434
– later than five years	**17,924,813**	26,246,674
	20,683,518	29,106,815
Containers		
– not later than one year	**1,352,654**	1,435,305
– later than one year and not later than five years	**2,515,967**	3,080,456
– later than five years	**38,707**	289,992
	3,907,328	4,805,753
Leasehold land, buildings and other property, plant and equipment		
– not later than one year	**309,708**	333,051
– later than one year and not later than five years	**750,495**	733,451
– later than five years	**3,207,081**	3,279,365
	4,267,284	4,345,867
	66,875,985	83,406,301

23 Significant related party transactions

The Company's ultimate parent company is 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	
	2018	2017
	RMB'000	RMB'000
Transactions with COSCO SHIPPING		
Expenses		
Sub-charter expenses	**–**	24,639
Transactions with subsidiaries of COSCO SHIPPING and its related entities (including joint ventures and associates of COSCO SHIPPING)		
Revenues		
Container shipping income	**170,713**	162,127
Freight forwarding and shipping agency income	**21,840**	15,837
Vessel services income	**11,196**	12,256
Crew service income	**19,357**	56,205
Expenses		
Vessel costs		
Sub-charter expenses	**85,249**	49,032
Vessel leasing expenses	**1,943,063**	2,860,302
Vessel services expenses	**202,159**	143,047
Crew expenses	**298,581**	1,221
Voyage costs		
Bunker costs	**5,844,459**	5,271,790
Port charges	**908,964**	887,380
Equipment and cargo transportation costs		
Commission and rebates	**24,745**	4,654
Cargo and transhipment and equipment and repositioning expenses	**25,407**	42,397
General services expenses	**14,555**	9,765
Management fee expenses	**895**	972
Rental expenses	**93,520**	94,306
Container leasing expense	**627,932**	791,447
Concession fee expense	**167,262**	117,249
Purchase of container vessels	**–**	1,429,801
Purchase of containers	**585,561**	665,901

23 Significant related party transactions (Continued)

	Six months ended 30 June 2018 RMB'000	2017 RMB'000
Transactions with joint ventures of the Group		
Revenues		
Management fee and service fee income	**11,482**	11,192
Crew service income	**—**	8,701
Expenses		
Port charges	**551,032**	439,322
Transactions with associates of the Group		
Expenses		
Port charges	**160,024**	150,166
Transactions with non-controlling shareholders of subsidiaries		
Revenues		
Terminal handling and storage income	**302,685**	157,563
Expenses		
Container handling and logistics services fee	**22,902**	38,214
Electricity and fuel expenses	**24,649**	21,636
Port construction fee and high-frequency communication fee	**—**	337
Transactions with other related party		
Revenues		
Shipping service income	**89,897**	—
Expenses		
Vessel leasing expenses	**57,429**	—

These transactions were conducted either (i) based on terms as governed by the master agreements and subsisting agreements entered into between the Group and COSCO and its subsidiaries (other than the Group) ("COSCO Group") or between the Group and COSCO SHIPPING and its subsidiaries (other than the Group) ("COSCO SHIPPING Group"); or (ii) based on terms as set out in the underlying agreements, statutory rates or market prices or actual cost incurred, or as mutually agreed between the Group and the parties in concern.

23 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 2018 RMB'000	As at 31 December 2017 RMB'000
Balances placed in COSCO Finance (note a)	**5,880,497**	6,952,878
Balances placed in CS Finance (note a)	**696,767**	702,529
	6,577,264	7,655,407

Notes:

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

(b) As at 30 June 2018 and 31 December 2017, majority of the Group's bank balances and bank borrowings are in state-owned banks.

Key management compensation

	Six months ended 30 June 2018 RMB'000	2017 RMB'000
Salaries, bonuses and other allowances	**10,142**	9,637
Contribution to retirement benefit scheme	**143**	144
	10,285	9,781

24 Significant subsequent event

(a) Faulkner Global Holdings Limited (a wholly-owned subsidiary of the Company, "Faulkner Global"), together with Shanghai Port Group (BVI) Development Co., Limited ("Shanghai Port", together with Faulkner Global as "Joint Offerors") announced on 9 July 2017 that the Joint Offerors intend to make a voluntary general offer to acquire all of the issued shares of Orient Overseas (International) Limited ("OOIL") at HK$78.67 per share in cash (the "Offer"), subject to the satisfaction or waiver of the pre-conditions as described in the announcement made. On 29 June 2018, the Joint Offerors announced the fulfilment of all pre-conditions and on 6 July 2018, the Joint Offerors issued the Composite Document in relation to the Offer. On 13 July 2018, Fortune Crest Inc. and Gala Way Company Inc., who were the then existing controlling shareholder of OOIL ("Controlling Shareholder") accepted the Offer made by the Joint Offerors, resulting in the Offer becoming unconditional. With the acceptance of the Offer by the existing Controlling Shareholder, the Group obtained control and became the controlling shareholder of OOIL.

On the Offer closing date of 27 July 2018, the Joint Offerors had acquired 98.43% of all issued shares of OOIL with the Group acquiring approximately 88.53%. In order to restore the public float of OOIL, the Group has completed the disposal of 13.53% of OOIL shares to Crest Apex Limited, Rongshi International Holding Co., Ltd. and PSD Investco Inc. on 17 August 2018. Subsequent to these shares disposals, the Group held approximately 75% interests in OOIL. Based on the unaudited interim results of OOIL as at 30 June 2018, net assets of OOIL was approximately USD4.64 billion (approximately HK$36.41 billion and RMB30.70 billion).

The Group is currently in the process of performing the valuation and purchase price allocation on the acquisition of OOIL.

(b) On 9 August 2018, China Shipping Ports Development Co., Limited ("CSPD", a wholly-owned subsidiary of the Company), completed disposals of 5% and 10% equity interests in CSP Zeebrugge Terminal, a wholly-owned subsidiary of CSPD, to Zeebrugge Investeringsmaatschappij NV and CMA Terminals SAS for considerations of EUR2,500,000 and EUR5,000,000 (equivalent to approximately RMB19,263,000 and RMB38,525,000) respectively.

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF COSCO SHIPPING HOLDINGS COMPANY LIMITED
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 32 to 75, which comprises the condensed consolidated interim balance sheet of COSCO SHIPPING Holdings Co., Ltd. (the "Company") and its subsidiaries (together the "Group") as at 30 June 2018 and the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim 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 of the Group is not prepared, in all material respects, in accordance with HKAS 34.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 August 2018

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