中遠海運控股股份有限公司
COSCO SHIPPING Holdings Co., Ltd.

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1919)

ANNUAL REPORT

2018

Important notice

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

All Directors attended the Board meeting held on 29 March 2019.

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

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

Proposals for profit distribution and reserves capitalization during the year ended 31 December 2018 (the "**Reporting Period**") as considered by the Board:

Pursuant to the audited financial statements of the Company for the year 2018, which were prepared in accordance with Hong Kong Financial Reporting Standards, the profit attributable to equity holders of the Company for 2018 was RMB1.230 billion. Since total net profit attributable to owners of the parent company of COSCO SHIPPING Holdings for the year was used to recover previous years' losses, the aggregate undistributed profit was negative. According to the relevant requirements under the Company Law (the "**Company Law**") of the People's Republic of China (the "**PRC**") , no profit shall be distributed provided that the aggregate undistributed profit of a company is negative. After due consideration, the Board recommended that no profit should be distributed for 2018.

The proposal will be submitted to the 2018 annual general meeting for consideration.

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

No.

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

No.

Forward-looking statements

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

Material risk warning

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

Miscellaneous

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

Contents

Company's Basic Information

I. Company's Information

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

II. Contact Persons and Methods

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

III. Basic Profile

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

IV. Information Disclosure and Inspection

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

V. Information on the Company's Shares

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

VI. Other Information

Domestic auditor engaged by the Company	ShineWing Certified Public Accountants 8/F, Block A, Fu Hua Mansion, No. 8 Chao Yang Men Bei Da Jie, Dongcheng District, Beijing, the PRC Dong Qinchuan, Luo Yan
International auditor engaged by the Company	PricewaterhouseCoopers 22nd Floor, Prince's Building, Central, Hong Kong Meng Jiangfeng
Other information	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, the PRC Domestic A share registrar and transfer office China Securities Depository and Clearing Corporation Limited, Shanghai Branch Address: 36th Floor, China Insurance Building, 166 Lujiazui Road East, Pudong New District, Shanghai, the PRC Hong Kong H share registrar and transfer office Computershare Hong Kong Investor Services Limited Address: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Chairman's Statement

Dear shareholders,

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

Achieving a historic leap-forward development through the acquisition of OOIL

The year of 2018 marked a milestone in the development history of COSCO SHIPPING Holdings. In July, the Company successfully acquired Orient Overseas (International) Limited ("**OOIL**"), a company listed on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") (stock code: 316), and achieved a leap-forward development in terms of the size of its fleet. The Group ranked third in the industry in terms of shipping capacity and has become one of the first-tier container shipping companies in the world. As at the end of 2018, the Group operated a fleet comprising 477 container vessels with total shipping capacity of 2.76 million TEU and had orders of nearly 180,000 TEU in terms of shipping capacity.

The global network advantages of COSCO SHIPPING Lines Co., Ltd. ("**COSCO SHIPPING Lines**", a subsidiary of COSCO SHIPPING Holdings) and Orient Overseas Container Line Limited ("**OOCL**", a wholly-owned subsidiary of OOIL) have been integrated by this acquisition, which is beneficial for them to achieve synergies, to provide customers with more diversified product choices and to provide customers with better service experience.

OOIL has an outstanding management team, a brand trusted by customers and an efficient management system. For the better development of these valuable intangible assets, COSCO SHIPPING Holdings formulated a "dual-brand" strategy, which will facilitate synergistic development of the "dual-brand" of the container shipping business.

Chairman's Statement

Under the leadership of the new senior management team of COSCO SHIPPING Holdings, COSCO SHIPPING Lines and OOCL cooperated closely to explore and gradually achieve synergies in the areas such as shipping capacity and shipping route network planning, procurement, container management, IT, commercial coordination and shipping operation. In the second half of 2018, both of these companies achieved good operating results, which has improved the overall competitiveness of the container shipping business of COSCO SHIPPING Holdings.

Completing the non-public issuance of A Shares to optimize the Company's capital structure

In 2018, COSCO SHIPPING Holdings proactively proceeded with the non-public issuance of A shares of the Company ("**A Shares**"). A number of strategic investors have highly appreciated and supported the Company for the significant improvement of its international competitiveness and its clear development strategy since restructuring in 2016. The issuance was successfully completed in January 2019 and proceeds of RMB7.7 billion were raised, which further optimized the Company's capital structure and enhanced the ability of sustainable development of core businesses of the Company.

Proposing the Share Option Incentive Scheme and improving incentive system

In order to establish a long-term and more comprehensive incentive system of the Company and fully incentivize the middle and senior management and key technical personnel of the Company, COSCO SHIPPING Holdings proposed a share option incentive scheme (the "**Share Option Incentive Scheme**") in 2018 and proposed to grant the share options to no more than 475 participants. The implementation of the Share Option Incentive Scheme is expected to deeply bind the personal interests to the Company's long-term development strategy, further stimulate the initiative and creativity of the employees of the Company and help maximize the value of the Company and the shareholders' returns.

Pragmatism and entrepreneurship to improve efficiency and achieve profitability

Looking back to 2018, the global economy continued to recover, but the growth momentum slowed down. The negative factors, such as the concentrated vessel delivery in the first half of the year, significant rising of oil prices and escalating trade frictions, resulted in significant decrease in overall financial performance of the container liner industry as compared to 2017.

During the Reporting Period, taking advantage of the acquisition of OOIL, COSCO SHIPPING Holdings took a pragmatic and entrepreneurial approach to overcome the impact of adverse market factors, achieved a net profit attributable to the shareholders of the Company (the "**Shareholders**") of RMB1.23 billion and the overall results remained at relatively good level in the industry. In the container shipping segment, both of our two liner companies were profitable and achieved significant improvement in the second half of the year as compared to the first half of the year. The results of the terminal segment excluding revenue from one-off exceptional items in 2017, increased at a higher rate.

In view of major operating data, the principal businesses of the Company continued to maintain sound development momentum. In 2018, the container shipping business of the Company handled shipping volume (based on the container volume as per bill of lading) of 21,792,000 TEU, representing a year-on-year increase of 29%, of which COSCO SHIPPING Lines handled the shipping volume of 18,366,000 TEU, representing a year-on-year increase of 8.7% and OOIL handled the shipping volume of 3,426,000 TEU from July to December. The container terminals business of the Company achieved a total throughput of 120 million TEU, representing a year-on-year increase of 21%.

Chairman's Statement

Promoting the global layout of shipping routes and terminals and improving the capability of end-to-end one-stop transportation services

Since March 2016, COSCO SHIPPING Lines, a subsidiary of the Company, has made great efforts to explore emerging markets and intra-regional markets. The percentage of shipping capacity deployed by the Company in emerging markets increased from 12% to 18% and that in intra-regional markets increased from 30% to 37%, making the layout of its shipping route network more balanced and globalized. Since the second half year of 2018, OOCL, a subsidiary of the Company, began to utilize the vessel slots of COSCO SHIPPING Lines in the shipping routes of Africa and South America services to explore emerging markets. COSCO SHIPPING Lines and OOCL cooperated closely, exerted synergies, explored market opportunities and fully committed to and actively implemented the Belt and Road Initiative.

Meanwhile, in light of its shipping route layout, COSCO SHIPPING Lines proactively developed the sea-rail transportation business to facilitate end-to-end one-stop transportation service capabilities. In 2018, the Company operated several new self-operating China-European trains in cooperation with China Railway Corporation* (中國鐵路總公司). The Company provided services in a total of 112 foreign trade railway lines departing from China and 152 domestic trade lines, covering over 20,000 to-door-service points, which enabled its customers to have diversified choices and end-to-end transportation solutions. The Company continued to promote the construction of the China-European Sea-rail Express based in Piraeus Port in Greece. In 2018, the China-European Sea-rail Express recorded a freight volume of 50,000 TEU, representing a year-on-year increase of 27%.

In respect of the the terminal business, COSCO SHIPPING Ports Limited ("**COSCO SHIPPING Ports**"), a subsidiary of the Company listed on the Stock Exchange (stock code: 1199), continued to improve the global terminal layout. Currently, COSCO SHIPPING Ports has 283 berths in operation, including 192 container berths with an annual handling capacity of 105.87 million TEU. In November 2018, COSCO SHIPPING Ports operated the additional two new berths at the COSCO-PSA Terminal in Singapore to strengthen its presence in Southeast Asia. In December 2018, Abu Dhabi Terminal, a terminal invested and developed by COSCO SHIPPING Ports, was formally inaugurated and is planned to become a major container gateway port and important hub in the Middle East. In January, 2019, COSCO SHIPPING Ports entered into an agreement to acquire 60% equity interest in Chancay Terminal in Peru, which is the first terminal project in South America controlled by the Company.

Promoting the development of digitalized shipping to improve service standards and customer experience

In November 2018, COSCO SHIPPING Lines, OOCL and several other world leading ocean carriers and terminal operators entered into a letter of intent for the establishment of the Global Shipping Business Network (GSBN), an open digital platform in the shipping industry based on blockchain technology, with the aim to jointly promote the establishment and information sharing of digital standards and improve the operational efficiency and the quality of customer service of the industry. The software solutions of the shipping blockchain consortium which is the core technology application will be developed and provided by Cargo Smart, a subsidiary of OOIL.

Adhering to the customer-oriented philosophy, COSCO SHIPPING Lines promoted the application of digital technology. In the first half of 2018, the Company, together with JD.COM (京東) and Good-farmer (佳農), jointly initiated the project of tracing the origin of Ecuador's bananas, enabling consumers to trace the origin of foods by scanning two-dimensional codes. It was the first commercial application of blockchain technology in the shipping industry, which enabled the Company to provide B2B2C services.

Chairman's Statement

Improving brand image by upholding the philosophy of sustainable development and proactively fulfilling social responsibilities

COSCO SHIPPING Holdings has been upholding the philosophy of sustainable development for a long term, thereby improved its corporate awareness and intrinsic value through sustainable development and management. The Company has strived to enhance its operation, fulfill its social responsibilities, pursue the goal of green shipping and build low-carbon ports in order to promote continuous improvement of its internal management and strive to become a respected and trustworthy multinational shipping enterprise.

In 2018, the Company continued to promote and use various advanced energy conservation and emission reduction technologies, and effectively reduced fuel oil consumption through management measures such as optimizing structure of its fleet and design of its shipping routes and improving operation efficiency of vessels at port, thereby reduced the environmental impact and carbon emission from the business operation. In response to the new regulation on limiting sulphur emission to be implemented worldwide by International Maritime Organization (IMO) in 2020, the Company proactively studied and compared various solutions, followed up the development trend of global low-sulphur fuel supply and strengthened communication with fuel suppliers to secure supply in order to make good preparations to meet the requirement of IMO in time.

Through continuous efforts of the Company in serving the development of global economy and trade and fulfilling social responsibilities, the brand image and market recognition of the Company have been further enhanced. In May 2018, both of the A Shares and H shares of the Company were included in the MSCI China Index; in September, the H shares of the Company were selected as a constituent stock of the Hang Seng Corporate Sustainability Index Series; in October, the Company was included in the World's Best Employers List 2018 by Forbes; in November, the Company was awarded "The Golden Bauhina-The Best Listed Company for Practicing the Belt and Road Initiative" (金紫荊"一帶一路"最佳實踐上市公司) by Ta Kung Pao; in January 2019, the Company was included in the Top 50 Companies List in the first "New Fortune Best Listed Companies (新財富最佳上市公司) Award".

Looking forward to 2019, the Company is cautiously optimistic about the global economy and the shipping environment as both challenges and opportunities are lying ahead. The challenges include a slowdown in the global economic growth, as reflected by the adjustment of the global economic growth forecast for 2019 from 3.7% downwards to 3.5% by the International Monetary Fund (IMF) in January; the uncertainties that may negatively affect shipping, including trade frictions, high oil price, etc.; the industry's supply-demand imbalance, especially the surplus shipping capacity in the markets of some regions. The favorable conditions and positive factors include: first, the growth drivers of the economy of China remain stable and strong; second, China continues to open up and provides new driving forces for the development of the global free trade; third, the Belt and Road Initiative creates significant opportunities for the development of the world economy, and with the building of the Belt and Road being further deepened worldwide, emerging markets represented by Southeast Asia, Middle East, Central and South America and West Africa could be further developed, thereby driving the global economic growth; and fourth, the capacity growth of container shipping tends to slow down, thus may help alleviate the pressure on supply side.

Currently, we believe that the development of the shipping industry has the following characteristics: firstly, the macro economy has been changing while the "trade position" of the shipping industry remains unchanged; secondly, the factor market of the industry has been changing while the "service essence" of the shipping industry remains unchanged; and thirdly, the competitive landscape of enterprises has been changing while the "value concept" of the shipping industry remains unchanged. The way to adapt to various kinds of changes is to focus on their essence. The shipping industry can adapt to market changes and achieve sustainable development only by adhering to the principle of customer orientation, persisting on the service essence and sticking to the philosophy of mutual benefits and win-win.

As a global leading container liner company and terminal operator, COSCO SHIPPING Holdings should focus on the essence of such changes and unchanged factors. Facing opportunities and challenges, the Company will follow the established strategies to achieve higher quality and more sustainable development with a sense of urgency, determination, confidence and belief of "outperforming in the market, outperforming in the reform and outperforming in the era".

Chairman's Statement

In respect of the container shipping business, 2019 is a crucial year for the Company to transform from "scale development" to "operating in a more precisely way, returning to the essence of the shipping industry and improving service". The Company will fully implement its core "OCEAN & PLUS" strategy, namely "globalization, dual-brand, digitalization and end-to-end". In respect of shipping services, the Company will further promote globalization, improve the quality of shipping services and continuously reduce costs through the dual-brand strategy to generate higher revenue. Moreover, the Company will continue to improve customer experience through digitalization and end-to-end services.

In respect of the implementation of the globalization strategy, the Company will further optimize the layout of its shipping routes, continue to make greater efforts to explore emerging markets, intra-regional markets and markets outside China, in order to achieve a more balanced allocation of fleet resources and take active measures to adapt to global trade frictions. In the traditionally advantageous routes, the Company will further reduce the cost per TEU through allocation of large vessels with the aim to improve the competitiveness. Meanwhile, the Company will continue to proactively promote the cooperation among OCEAN Alliance members. In January 2019, OCEAN Alliance members entered into agreements to extend the duration of cooperation to 10 years until 2027, and formally launched the DAY3 product in 2019 in the market with the total shipping capacity of 3.86 million TEU in 40 shipping routes, which make the product structure further optimized, the coverage more extensive and the service frequency higher, and therefore, further improve the service quality.

In respect of the implementation of the dual-brand strategy, the Company will accelerate the integration of the backstage work such as container management, procurement, IT and network planning with the aim to achieve synergies and improve service quality. The synergy management teams of COSCO SHIPPING Holdings and its two liner subsidiaries will work together to strive to achieve the established annual target of synergies.

In respect of the implementation of the digitalization strategy, the Company will use digital technology to not only meet but also guide and create customer demands, bring new experience to customers and create values for customers. The Company will proactively establish digital operation supporting systems and innovative business model and service products through a combined application of new technologies such as big data, artificial intelligence, E-commerce platform and blockchain, so as to constantly improve the operational efficiency and service quality of supply chain.

In respect of the implementation of the end-to-end strategy, the Company will design and launch more end-to-end services and products, accelerate the development of extended services and endeavor to enhance the capacity in the one-stop transportation services. In respect of railway transportation, the Company will include more countries in Central and Eastern Europe into the service scope of the China-Europe Sea-rail Express, focus on integrated logistics solutions, develop more end-to-end customers and take the complimentary advantages of OOIL Logistics (a subsidiary of the Company), accomplish the design, construction and management of end-to-end service channels and solve the "last one kilometer" issues.

In respect of the port business, COSCO SHIPPING Ports will continue to improve the global terminal network layout and devote to create a meaningful holding network for users around the world and create a win-win and shared platform for the upstream and downstream industries of the shipping business. The Company will continue to stick to its five-year strategic plan to strengthen its global terminal network, take advantage of the synergies between the fleet of its parent company and OCEAN Alliance, enhance the management and efficiency of the port and terminal operation and become a world class port operator.

"All rivers eventually flow into the sea despite of different sources". In the new year, as the most significant component of core businesses, listed platform of the container shipping service supply chain and listed flagship of China COSCO Shipping Corporation Limited ("**China COSCO Shipping**", the controlling shareholder of the Company), COSCO SHIPPING Holdings, together with elites from various fields, will continue to work proactively and diligently, constantly improve development quality, endeavor to build the Company as a world class integrated container shipping service provider, to provide customers with better services and create greater value for shareholders.

XU Lirong

29 March 2019

Summary of Accounting Data

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

	For the year ended 31 December 2018 ***RMB'000***	For the year ended 31 December 2017 *RMB'000*	Change in Amount *RMB'000*
Revenue from continuing operations	**120,342,284**	90,399,078	29,943,206
Profit before income tax from continuing operations	**3,649,367**	5,703,036	(2,053,669)
Profit for the year from discontinued operations	**195,955**	–	195,955
Profit attributable to equity holders of the Company	**1,230,026**	2,661,936	(1,431,910)
Basic and diluted earnings per share (RMB)	**0.12**	0.26	(0.14)
Final dividend per share (RMB)	**–**	–	–
Final dividend payout ratio	**–**	–	–
Total assets	**228,143,805**	133,190,005	94,953,800
Total liabilities	**171,790,916**	89,479,425	82,311,491
Non-controlling interests	**33,466,676**	23,041,293	10,425,383
Equity attributable to equity holders of the Company	**22,886,213**	20,669,287	2,216,926
Net debt to equity ratio	**185.2%**	86.1%	99.1%
Gross profit/(loss) margin	**8.0%**	8.4%	-0.40%

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

	Period from 1 January to 31 December 2018 *RMB'000*	Period from 1 January to 31 December 2017 *RMB'000*	Difference *RMB'000*	Percentage of Change *(%)*
Revenue	**120,342,284**	90,399,078	29,943,206	33.12
Operating profit	**4,998,797**	5,663,723	(664,926)	(11.74)
Profit before income tax from continuing operations	**3,649,367**	5,703,036	(2,053,669)	(36.01)
Profit after income tax from continuing operations	**2,830,406**	4,830,685	(2,000,279)	(41.41)
Profit after tax from discontinued operations	**195,955**	—	195,955	—
Profit for the period	**3,026,361**	4,830,685	(1,804,324)	(37.35)
Profit attributable to equity holders of the Company	**1,230,026**	2,661,936	(1,431,910)	(53.79)
Basic earnings per share (RMB)	**0.12**	0.26	(0.14)	(53.85)

Management Discussion and Analysis

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

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

In 2018, the Group generated revenue of RMB120,342,284,000, representing an increase of RMB29,943,206,000 or 33.12% as compared to last year. In 2018, profit attributable to equity holders of the Company was RMB1,230,026,000, representing a decrease of RMB1,431,910,000 as compared to last year.

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

	For the year ended 31 December 2018 *RMB'000*	For the year ended 31 December 2017 *RMB'000*	Difference *RMB'000*	Percentage of Change *(%)*
Revenues	**120,342,284**	90,399,078	29,943,206	33.12
Cost of services and inventories sold	**(110,725,942)**	(82,761,870)	(27,964,072)	33.79
Other income, net	**2,199,387**	1,108,134	1,091,253	98.48
Selling, administrative and general expenses	**(6,816,932)**	(5,232,051)	(1,584,881)	30.29
Finance income	**571,051**	484,725	86,326	17.81
Finance costs	**(3,998,008)**	(2,147,368)	(1,850,640)	86.18
Net cash flows generated from operating activities	**8,130,776**	7,092,039	1,038,737	14.65
Net cash flows used in investing activities	**(39,343,548)**	(15,233,054)	(24,110,494)	–
Net cash flows generated from financing activities	**37,566,702**	2,796,966	34,769,736	–

2. Revenues

The amounts set out in the following financial analysis and descriptions in the Management Discussion and Analysis are in RMB unless otherwise specified.

Overview

In 2018, the revenues of the Group amounted to RMB120,342,284,000, representing an increase of RMB29,943,206,000 or 33.12% as compared to last year. Excluding the effect of acquisition of OOIL, the revenue increased by RMB 6,545,285,000 or 7.24% as compared to last year.

Revenue from container shipping and related business

In 2018, revenue from container shipping and related business amounted to RMB114,759,218,000, representing an increase of RMB28,008,012,000 or 32.29% as compared to last year, of which COSCO SHIPPING Lines generated revenues of RMB91,366,286,000 from container shipping and related business, representing an increase of RMB4,615,080,000 or 5.32% as compared to last year. The average revenue per TEU generated from international routes amounted to US$871.64 per TEU, representing an increase of 0.18% as compared to last year. The average revenue per TEU generated from domestic trade routes amounted to RMB2,060.25 per TEU, representing an increase of 2.34% as compared to last year.

Revenue from terminal and related business

In 2018, revenue generated from the terminal and related business amounted to RMB6,634,745,000, representing an increase of RMB2,341,818,000 or 54.55% as compared to last year, which was mainly due to the growth of terminal business. For more details, please refer to the sub-section headed "(IV) Industry Operation Information Analysis - Terminal business" in this section.

Major customers

Total sales to the top five customers of the Group in 2018 amounted to RMB4,954,988,000, accounting for 4.10% of the total sales for the year.

3. Costs

Cost analysis

Business segment	Components of cost	**From 1 January to 31 December 2018** ***RMB'000***	From 1 January to 31 December 2017 *RMB'000*	Difference *RMB'000*	Percentage of change *%*
Container shipping and related business	Equipment and cargo transportation costs	**52,972,808**	39,837,978	13,134,830	32.97
	Voyage costs	**26,015,232**	16,863,203	9,152,029	54.27
	Vessel costs	**20,952,083**	16,037,001	4,915,082	30.65
	Other related business costs	**6,988,231**	7,621,592	(633,361)	(8.31)
	Subtotal	**106,928,354**	80,359,774	26,568,580	33.06
Container terminal and related business	Container terminal and related business costs	**4,669,129**	2,867,542	1,801,587	62.83
Other business	Other business costs	**61,579**	–	61,579	–
	Elimination between different businesses	**(1,130,516)**	(631,043)	(499,473)	79.15
	Tax and surcharges	**197,396**	165,597	31,799	19.20
	Total operating costs	**110,725,942**	82,761,870	27,964,072	33.79

Overview

In 2018, the operating cost of the Group amounted to RMB110,725,942,000, representing a year-on-year increase of RMB27,964,072,000 or 33.79%. Excluding the effect of acquisition of OOIL, the operating cost increased by RMB7,490,799,000 or 9.05% as compared to last year.

Container shipping and related business cost

In 2018, the container shipping and related business cost amounted to RMB106,928,354,000, representing an increase of RMB26,568,580,000 or 33.06% as compared to last year, of which, the container shipping and related business cost incurred by COSCO SHIPPING Lines in 2018 amounted to RMB86,467,185,000, representing an increase of RMB6,107,412,000 or 7.60% as compared to last year. The shipping cost per TEU increased by 2.33% as compared to last year and the shipping cost per TEU excluding the fuel cost decreased by 2.3% as compared to last year.

Terminal and related business cost

In 2018, the terminal and related business cost amounted to RMB4,669,129,000, representing an increase of RMB1,801,587,000 or 62.83% as compared to last year, which was mainly due to the growth of terminal business. For more details, please refer to the sub-section headed "(IV) Industry Operation Information Analysis - Terminal business" in this section.

4. Other profit or loss items

Other income, net

The net other income of the Group in 2018 was RMB2,199,387,000, representing an increase of RMB1,091,253,000 as compared to last year, of which subsidies for the demolition of vessels amounted to RMB809,175,000, representing an increase of RMB299,511,000 as compared to last year. In 2018, since no vessel was demolished during the year, no gain or loss arose from demolition of vessels. A net loss of RMB90,668,000 was incurred during last year for the demolition of one vessel by COSCO SHIPPING Lines, a subsidiary of the Group. Net foreign exchange gains amounted to RMB480,556,000 in 2018 and net foreign exchange losses amounted to RMB55,117,000 in 2017.

Disposal of a joint venture and further acquisition of available-for-sale financial asset to become an associated company

Last year, due to the reorganization project of Qingdao Port, the Group sold 20% equity interest in Qingdao Qianwan Container Terminal Co., Ltd. ("**Qingdao Qianwan Terminal**"), a joint venture company, and acquired additional available-for-sale financial assets, being the shares of Qingdao Port International Co., Ltd. ("**Qingdao Port International**"), which therefore became an associated company of the Group. A one-off gain in the total amount of RMB2,150,432,000 was generated.

Selling, administrative and general expenses

In 2018, the selling, administrative and general expenses of the Group amounted to RMB6,816,932,000, representing an increase of RMB1,584,881,000 or 30.29% as compared to last year. As compared to last year, the administrative expenses of the Group for 2018 included the administrative expenses incurred by OOIL during the second half of 2018 as a result of the successful acquisition of OOIL.

Finance income

In 2018, the finance income of the Group amounted to RMB571,051,000, representing an increase of RMB86,326,000 or 17.81% as compared to last year. As compared to last year, the finance income of the Group for 2018 included the finance income generated by OOIL during the second half of 2018 as a result of the successful acquisition of OOIL.

Finance costs

In 2018, the finance costs of the Group amounted to RMB3,998,008,000, representing an increase of RMB1,850,640,000 as compared to last year. As compared to last year, the interest rate of USD-denominated loans and the interest-bearing liabilities of the Group increased, and the interest expenses of borrowings and bank processing fees related to borrowings increased accordingly.

Share of profits of joint ventures and associated companies

The Group's share of profits of joint ventures and associated companies in aggregate amounted to RMB2,077,527,000 in 2018, representing an increase of RMB375,571,000 as compared to last year.

Income tax expenses

Income tax expenses of the Group in 2018 amounted to RMB818,961,000, representing a decrease of RMB53,390,000 as compared to last year.

Major suppliers

Total purchases from the top five suppliers of the Group in 2018 amounted to RMB17,443,994,000, accounting for 15.77% of the total purchases for the year.

Analysis of discontinued operation during the Reporting Period

OOIL was consolidated into the financial statements of COSCO SHIPPING Holdings from 1 July 2018. On 6 July 2018, OOIL, Faulkner Global Holdings Limited ("**Faulkner Global**"), a subsidiary of the Company) and the U.S. Departments of Homeland Security and Justice entered into the national security agreement pursuant to which OOIL and Faulkner Global committed to divest their entities which directly or indirectly operate the Long Beach Container Terminal, Inc. (the terminal business in the U.S.). According to the relevant standards of Hong Kong Financial Reporting Standards, the US terminal business of OOIL should be presented as the discontinued operation of the Group. In 2018, the Group recorded an after-tax profit of RMB195,955,000 from discontinued operation, which was the after-tax profit generated from the US terminal business of OOIL in the second half of 2018. In 2017, the Group did not have any discontinued operation.

5. Cash flow

As at the end of 2018, the cash and cash equivalents amounted to RMB32,837,729,000, representing an increase of RMB7,099,203,000 or 27.58% from the beginning of the year. The cash and cash equivalents of the Group were principally denominated in RMB and US dollar, and the rest were denominated in Euro, Hong Kong dollar and other currencies.

(1) Net cash flow from operating activities

In 2018, the cash inflow from operating activities amounted to RMB8,130,776,000, representing an increase of RMB1,038,737,000 or 14.65% as compared to last year.

(2) Net cash flow from investing activities

In 2018, the net cash outflow from investing activities amounted to RMB39,343,548,000, representing an increase of RMB24,110,494,000 as compared to the net cash outflow of last year, which included the net cash outflows for the acquisition of OOIL, the construction of container vessels, the purchase of containers and the terminal construction projects, etc.

(3) Net cash flow from financing activities

In 2018, the net cash inflow from financing activities amounted to RMB37,566,702,000, representing an increase in a net inflow of RMB34,769,736,000 as compared to that of the last year, which included the net cash inflow from borrowings of US$4,443,958,000 for the acquisition of OOIL.

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

As at the end of 2018, the balance of cash and cash equivalents increased by RMB745,273,000, primarily due to an appreciation in the USD to RMB exchange rate at the end of 2018 as compared to the end of last year.

(II) Working Capital, Financial Resources and Capital Structure

Overview

The assets and liabilities of the Group increased significantly as compared to the end of last year, mainly due to increase in borrowings as a result of acquisition of OOIL and the statement of OOIL was consolidated since 1 July 2018. As at 31 December 2018, the total assets of the Group amounted to RMB228,143,805,000, representing an increase of RMB94,953,800,000 or 71.29% from the end of last year. The total liabilities amounted to RMB171,790,916,000, representing an increase of RMB82,311,491,000 or 91.99% from the end of last year.

As at 31 December 2018, the total outstanding borrowings of the Group were RMB137,195,640,000. After deducting the cash and cash equivalents, the net amount was RMB104,357,911,000, representing an increase of RMB66,706,690,000 or 177.17% as compared to that at the end of last year. As at 31 December 2018, the net current liabilities of the Group were RMB28,837,957,000, which was RMB4,154,725,000 at the end of last year. As at 31 December 2018, the net debt to equity ratio was 185.19%, representing an increase of 99.05 percentage points as compared to that at the end of last year.

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

Debt analysis (excluding discontinued operation)

Categories	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Short-term borrowings	**48,220,619**	10,939,802
Long-term borrowings	**88,975,021**	52,449,945
Among which: Less than 1 year	**8,730,823**	8,540,731
one to two years	**14,102,082**	8,476,861
three to five years	**41,809,934**	17,580,968
Over five years	**24,332,182**	17,851,385
Total of long-term and short-term borrowings	**137,195,640**	63,389,747

Borrowings by categories

As at 31 December 2018, the Group had bank borrowings of RMB89,341,850,000, notes and bonds payable of RMB17,828,855,000 and other borrowings of RMB30,024,935,000, representing 65.12%, 13.00% and 21.88% of the total borrowings, respectively. Of the bank borrowings, secured borrowings amounted to RMB37,679,000,000 and unsecured borrowings amounted to RMB51,662,850,000, representing 27.46% and 37.66% of the total borrowings, respectively. Most of the borrowings of the Group bear interest at floating rate.

Borrowings by currency

The borrowings of the Group denominated in US dollar amounted to RMB94,012,492,000, borrowings denominated in RMB amounted to RMB34,955,857,000, borrowings denominated in Euro amounted to RMB5,861,560,000, and borrowings denominated in Hong Kong dollar amounted to RMB2,365,731,000, representing 68.52%, 25.48%, 4.27% and 1.73% of the total borrowings, respectively.

Secured borrowings

Certain properties, plant and equipment of the Group with net book value of RMB53,203,080,000 (as at 31 December 2017: RMB23,905,072,000) were mortgaged to banks and financial institutions as collaterals for borrowings in the total amount of RMB37,751,000,000 (as at 31 December 2017: RMB20,940,293,000), representing 46.11% of the total value of the property, plant and equipment (as at 31 December 2017: 41.63%).

Guarantees (excluding discontinued operation)

As at 31 December 2018, the Group had provided guarantees in the amount of RMB44,975,697,000 to subsidiaries.

Management Discussion and Analysis

Contingent liabilities

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

As at 31 December 2018, the Group was unable to ascertain the likelihood and amounts of the above-mentioned claims. However, based on advice of legal counsel and/or information available to the Group, the Directors were of the opinion that the relevant claims amounts should not have material effect on the Group's consolidated financial statements for the year ended 31 December 2018.

Foreign exchange risk

The Group operates internationally and is exposed to various foreign exchange risks arising from non-functional currencies. Foreign exchange risks are derived from future business transactions and recognized assets and liabilities. The actual foreign exchange risks faced by the Group are therefore primarily with respect to bank balances, receivable and payable balances and bank borrowings denominated in non-functional currencies. The management monitors the exposure to foreign exchange risks and will consider hedging certain foreign currency risks with derivative financial instruments should the need arise.

Capital commitments (excluding discontinued operation)

As at 31 December 2018, the Group had a total of 10 container vessels under construction. The capital commitments for future construction of container vessels amounted to RMB6,506,863,000.

As at 31 December 2018, the Group's containers under construction amounted to 70,778 TEU in aggregate. The capital commitments for future construction of containers amounted to RMB886,476,000.

As at 31 December 2018, the Group's capital commitments for investment in terminals amounted to RMB5,360,974,000 in aggregate, of which the commitments for purchasing fixed assets amounted to RMB2,712,750,000 and the equity investment commitment of terminals amounted to RMB2,648,224,000.

Facilities and financing plans

Facilities

As at 31 December 2018, the unutilized bank loan facilities of the Group were RMB29,802,926,000. 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 equity 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.

(III) Investment analysis

1. Analysis of external equity investments

As at the end of 2018, the total balance of the Group's equity investments in associated companies and joint ventures amounted to RMB28,877,466,000, representing an increase of RMB3,015,430,000 from the end of last year and an increase of RMB2,011,913,000 from the end of last year (excluding the effect of acquisition of OOIL). In 2018, the Group has seven new associated companies and joint ventures, resulting in an additional investment cost of RMB601,651,000.

Significant equity investments

Increase in significant equity investments during the year:

Invested Companies	**Shareholding as at the end of 2018 *(%)***	Increase in investment costs during the year *RMB'000*
COSCO SHIPPING Lines (Ghana) Co., Ltd. (中遠海運集運 (加納) 有限公司)	**60.00**	2,177
COSCO-PSA Terminal Private Limited (中遠-新港碼頭有限公司)	**49.00**	524,820
China-European Sea-Rail Express Co., Ltd. (中歐陸海快線有限公司) (EUR)	**30.00**	23,432
Shanghai COSCO SHIPPING Micro-finance Co. Ltd. (上海中遠海運小額貸款有限公司)	**25.00**	50,000

2. Financial assets at fair value

Short name of securities	Shareholding at the end of period (%)	Opening carrying amount RMB'000	Increase for the year RMB'000	Investment profit or loss for the reporting period RMB'000	Change in carrying amount during the reporting period RMB'000	Closing carrying amount RMB'000
Investment portfolio including shares, bonds and funds	—	0.00	2,558,640.31	61,152.01	37,414.46	2,596,054.77
Beibu Gulf Port Co., Ltd.	4.34	0.00	471,064.54	0.00	28,377.38	499,441.92
Guangzhou Port Co., Ltd.	3.98	1,506,616.56	0.00	8,383.79	-530,151.49	976,465.07
Shanghai Tianhongli Asset Management Co., Ltd.	19.00	450,216.17	0.00	1,663.77	12,231.82	462,447.99
Ocean Hotel Shanghai Co., Ltd.	10.00	85,254.80	0.00	0.00	26,396.17	111,650.97
Yantai Port Co., Ltd.	3.90	198,836.66	0.00	0.00	0.00	198,836.66
Hui Xian Holdings Ltd	7.90	0.00	151,125.00	0.00	7,416.85	158,541.85
Qinhuangdao Port Co., Ltd.	0.88	97,753.63	0.00	2,840.50	-23,621.57	74,132.06
Other financial assets at fair value	—	92,900.71	7,781.92	4,065.78	880.68	101,563.31
Total	—	2,431,578.53	3,188,611.77	78,105.85	-441,055.70	5,179,134.60

Notes:

After completion of the acquisition of OOIL, the consolidated financial statements of the Group at the end of 2018 included the relevant financial assets measured at fair value held by OOIL at the end of 2018.

(IV) Industry Operation Information Analysis

Container shipping business

In 2018, in light of the moderate growth of the demand for the container shipping globally, the shipping capacity of the container fleet grew rapidly due to the concentrated delivery, and there was no substantial improvement in the supply-demand relationship in the container shipping market. The annual average value of the China Containerized Freight Index (CCFI) was 818 points, which was basically at the same level as that of the last year. The overall international oil price remained at a high level, and the average annual unit price of Singapore 380CST fuel oil increased by 31.5% as compared to last year.

During the Reporting Period, the Company strived to overcome the adverse impact from higher oil prices and trade friction escalation, adhered to the four strategies of "globalization, dual-brand, digitization, end-to-end service", fully utilized the scale advantages and continuously increased development efforts in the emerging markets, regional markets and markets outside of China, the globalization became more balanced. After COSCO SHIPPING Holdings successfully acquired OOCL, it achieved a leap-forward development of the fleet size of our container fleet again. According to statistics from Alphaliner, the Company ranked third in the industry in terms of shipping capacity. The Company proactively implemented the dual-brand strategy, and promoted the complementary advantages between COSCO SHIPPING Lines and OOIL, to maximize their synergies.

The Company adhered to its customer-centric policy by boosting standardized service and innovating and accelerating the development of digital shipping. During the Reporting Period, the Company cooperated with JD.COM (京東) and Good-farmer (佳農) to launch the function to trace the origin of Ecuador's bananas commercially using the blockchain technology in shipping industry for the first time, and provide B2B2C services. In November, the Company reach a cooperative intention with several world-renowned port and shipping enterprises in respect of jointly establishing the first blockchain alliance — Global Shipping Business Network in shipping industry, to promote digital standard formulation and information sharing in the industry and enhance operation efficiency and quality of customer service in the industry.

Taking into account the layout of shipping routes, the Company accelerated the construction of sea-to-rail intermodal network and extensively participated in the operation in the China-Europe train market. The Company deeply explored potential customer demands and enhanced its ability to develop the end to end business, accelerate the development of new southbound channels and China-Europe sea-rail Express, and operated a number of self-operated China-Europe trains during the year, to provide customers with more diversified product selection, continuously improve the ability to provide customers with full-service logistics solutions, and strive to improve service levels and customer experience.

During 2018, there were 18 new container vessels with total 319,059 TEU delivered by COSCO SHIPPING Holdings for operation. There was no new order for container vessels during the year. As at 31 December 2018, COSCO SHIPPING Lines operated a fleet of 376 container vessels with a shipping capacity of 2,057,350 TEU. Its total shipping capacity increased by 13% as compared to the end of 2017, and it had orders for 10 container vessels with 178,694 TEU in total.

During the second half of 2018, OOCL had no newly delivered container vessels or any new order for container vessels. As at 31 December 2018, the fleet of OOCL had 101 container vessels with a shipping capacity of 701,463 TEU.

As at 31 December 2018, the container fleet operated by COSCO SHIPPING Holdings had a fleet of a total number of 477 vessels with a shipping capacity of 2,758,813 TEU. The size of its total shipping capacity increased by 51.7% as compared to 1,819,091 TEU at the end of 2017.

Containers shipped (TEU)

	2018	2017	Year-on-year increase (%)
Routes			
Trans-Pacific	**3,876,190**	2,832,598	36.84
Asia and Europe (including the Mediterranean)	**3,837,750**	2,982,750	28.66
Asia Region (including Australia)	**6,279,399**	4,245,489	47.91
Other international region (including the Atlantic)	**2,049,362**	1,278,684	60.27
Mainland China	**5,749,210**	5,556,476	3.47
Total	**21,791,911**	16,895,997	28.98

Of which containers shipped by COSCO SHIPPING Lines (a subsidiary of the Company) (TEU)

	2018	2017	Year-on-year increase (%)
Routes			
Trans-Pacific	2,865,479	2,832,598	1.16
Asia and Europe (including the Mediterranean)	3,173,218	2,982,750	6.39
Asia Region (including Australia)	4,746,125	4,245,489	11.79
Other international region (including the Atlantic)	1,832,076	1,278,684	43.28
Mainland China	5,749,210	5,556,476	3.47
Total	18,366,108	16,895,997	8.70

Revenue from routes (RMB'000)

	2018	2017	Year-on-year increase (%)
Routes			
Trans-Pacific	32,631,650	22,298,165	46.34
Asia and Europe (including the Mediterranean)	22,475,742	18,632,357	20.63
Asia Region (including Australia)	24,899,781	16,333,999	52.44
Other international region (including the Atlantic)	14,227,550	9,401,763	51.33
Mainland China	11,844,798	11,186,245	5.89
Total	106,079,521	77,852,529	36.26

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

	2018	2017	Year-on-year increase/ decrease (%)
Routes			
Trans-Pacific	**23,592,255**	22,298,165	5.80
Asia and Europe (including the Mediterranean)	**18,351,718**	18,632,357	(1.51)
Asia Region (including Australia)	**18,538,991**	16,333,999	13.50
Other international region (including the Atlantic)	**12,386,755**	9,401,763	31.75
Mainland China	**11,844,798**	11,186,245	5.89
Total	**84,714,517**	77,852,529	8.81

Terminal business

Although there are various uncertainties in global trade, 2018 is a year full of achievements for COSCO SHIPPING Ports. Benefitting from the increased berthing by the OCEAN Alliance and parent company and the amount of containers from its newly acquired terminals, the total throughput increased by 17.1% from last year to 117,365,360 TEU (2017: 100,202,185 TEU), the growth rate of which exceeds that of the industry. Throughput of Qingdao Port International has been included since May 2017; the throughput (excluding Qingdao Port International) increased by 11.5% from last year to 98,045,360 TEU on a comparable Qingdao Port International basis. Throughput from the Group's controlled terminals increased by 29.7% to 22,507,686 TEU (2017: 17,353,422 TEU), accounting for 19.2% of the Group's total throughput. Throughput from the Group's non-controlled terminals increased by 14.5% from last year to 94,857,674 TEU (2017: 82,848,763 TEU).

Total equity throughput of COSCO SHIPPING Ports increased by 15.8% from last year to 37,062,172 TEU (2017: 31,999,491 TEU) in 2018. Excluding Qingdao Port International, equity throughput increased by 12.7% from last year to 33,505,360 TEU. Equity throughput from the Group's controlled terminals of COSCO SHIPPING Ports increased by 28.7% from last year to 14,230,256 TEU (2017: 11,053,112 TEU), accounting for 38.4% of its total equity throughput. Equity throughput from the Group non-controlled terminals of COSCO SHIPPING Ports increased by 9.0% from last year to 22,831,916 TEU (2017: 20,946,379 TEU). Driven by the increased container shipping volume from controlled terminals, excluding newly acquired terminals, throughput from COSCO SHIPPING Ports increased by 7.8% from 2017 to 94,158,905 TEU, which exceeded the industry's average growth rate of 4.2%.

Throughput of terminals by region (TEU)

Unit: TEU

Location of terminal	**Year ended 31 December 2018**	Year ended 31 December 2017	Difference	Percentage of increase (%)
Bohai Rim Region	**40,722,435**	28,244,975	12,477,460	44.2
Yangtze River Delta Region	**19,808,646**	19,630,693	177,953	0.9
Southeast Coast and others	**6,343,335**	5,079,660	1,263,675	24.9
Pearl River Delta Region	**27,388,896**	27,049,188	339,708	1.3
Southwest Coast	**1,371,051**	1,357,005	14,046	1.0
Overseas	**25,562,041**	18,840,664	6,721,377	35.7
Total	**121,196,404**	100,202,185	20,994,219	21.0
Of which: Controlled terminals	**23,945,110**	17,353,422	6,591,688	38.0
Participating terminals	**97,251,294**	82,848,763	14,402,531	17.4

Significant acquisitions and disposals of assets and equity interests

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 (the "**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.

   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.

Events after the balance sheet date:

On 21 January 2019, Qingdao Port International (an associate of the Company listed on the Stock Exchange), completed an A share offering and was listed on the Shanghai Stock Exchange at RMB4.61 per share (stock code: 601298). Without further subscription of A shares of Qingdao port International, the Group's interests in Qingdao Port International was diluted from 18.41% to 17.12%. The deemed disposal resulted in an estimated loss of approximately US$23.00 million (equivalent to approximately RMB151 million).

On 23 January 2019, COSCO SHIPPING Ports, COSCO Shipping Ports (Chancay) Limited ("CSP (**Chancay**)"), Volcan Compañia Minera S.A.A. ("**Volcan**") and Terminales Portuarios Chancay S.A. ("**TPCH**") entered into the subscription and investment agreement pursuant to which TPCH has conditionally agreed to issue, and CSP (Chancay) has conditionally agreed to subscribe for the shares representing 60% of the shares in TPCH at a subscription price of US$225 million (equivalent to approximately RMB1.5 billion). As at the date of this report, the subscription has not been completed pending the fulfilment of certain precedent conditions. For more details, please refer to the announcement of the Company dated 23 January 2019.

The Company issued 2,043,254,870 A shares by way of non-public issuance of A shares to specific investors at the issue price of RMB3.78 per A share and raised proceeds of RMB7,723,503,000. On 24 January 2019, the Company has completed the procedures for registration of the new A Shares issued under the Proposed Non-public Issuance of A Shares with China Securities Depository and Clearing Company Limited (Shanghai Branch). For more details, please refer to the announcement of the Company dated 25 January 2019.

II. Discussion and Analysis of the Board Concerning the Future Development of the Company

(I) Competition in the industry and development trend

Container shipping market

Competition landscape

After industry restructuring and integration for nearly three years, the mainstream liner companies have basically expanded to large scale. As the pace of technological innovation and development accelerate continuously, global environmental protection standards are becoming more stringent, and the threshold for entry and competition in the container transportation market is rising. The allied operation has been enhanced. As the scope of cooperation alliance is gradually expanded to the shipping sub-routes such as the Far East from or to the Red Sea in the Middle East, the allied operation will be continuously expanded in the future. Currently, the services of the shipping segment are highly standardized and homogenized, the transportation service will be extended to both ends of the shipping segment to provide customers with customized and differentiated full-service logistics services, which will become a new competitive field for the industry.

Market outlook

In term of the demand, the global economic recovery began in the second half of 2016 is currently at a critical cyclical node. In recent years, the globalization process has been challenged, the global economic growth has been weakened, and the growth rate of container transportation demand tends to slow down. In term of the supply, with the vessel orders being gradually delivered, the new round of orders has not yet been fully delivered. In the future, the fleet capacity of the container market will maintain a low-speed growth, which is conducive to the improvement of the relationship between supply and demand of the industry. At the same time, as the industry concentration increases, market competition will become more rational. Under the trend of container transportation services gradually turning to full-scale logistics services, the future development of the industry will be more resilient.

Development trend

In line with change in global economic and trading environment, emerging the continuous markets and regional markets will continue to lead the industry growth. In the future, competition in the market may show a trend of globalization coexisting with regionalization, and fleets in the market will also differentiated to huge and small sizes in line with the trend. With the continuous industry consolidation and in-depth development of alliance cooperation, the operational strategies of liner companies will gradually shift from the single and standard shipping services to more diversified and customized full logistics services. The mainstream of future industry integration will also shift from horizontal integration of the same industry to the vertical integration of upstream and downstream industries. Digitalization will become a new drive for the development of the industry. The extensive application of blockchain, cloud computing, big data, artificial intelligence and other technologies in all aspects of container transportation will accelerate the improvement of customer experience, enhance internal efficiency and accelerate the development of the industry.

Terminal market

The cooperation among global terminal operators is constantly expanded and deepened. On one hand, it will help improve the competitiveness of the terminal industry to better cope with the pressure of the alliance; on the other hand, it will also help terminal operators to reduce operating costs and operational risks. The in-depth cooperation among the global terminal operators will create a win-win situation that will help the terminal industry to achieve steady, sound and sustainable development.

In 2018, terminal operators have participated in the whole supply chain business, to diversify their sources of income and link transportation with shippers more closely, which has become the main focus for enhancing port bargaining power and competitiveness of terminal operators. In order to effectively cope with the increasing bargaining power of the shipping alliance and effectively improve the terminal operation capability and service quality, the integration speed of global port enterprises is accelerating, cooperation is becoming closer, and the concept of competition and cooperation is deeply rooted.

The horizontal cooperation between port enterprises and shipping companies is also increasing. The synergies are not only reflected between the parent company and subsidiary, but also between the port and shipping companies. The benefit, effect and efficiency of synergies are constantly improved, and the potential of the win-win situation is constantly deepened and expanded. Terminal operators with the background of vessel company will be more committed to utilize the synergies and are expected to take the lead in the competition of supply.

The focus of terminal investment will still be on emerging markets and will be transferred from the key nodes of the traditional east-west routes to the key nodes of the north-south routes. In the future, the growth rate of the north-south routes is expected to exceed that of the east-west routes. In such view, the existing major terminal operators focus on investment in emerging markets, and they also transfer to investment region of key nodes such as Africa, South Asia and the America to grasp development opportunities. In 2019, the super-large container vessels were put into operation successively, and the global main route network is undergoing a new round of adjustment and optimization. At the same time, digitalization, automation, blockchain technology, smart ports, and green low-carbon ports become the trends of the port industry. Using artificial intelligence to automate truck scheduling processes, integrates the synergies of shipping and road services to create synergies, to provide a full range of services for shippers, which will become a catalyst for the transformation and upgrading of enterprises to cope with the development of the new era.

(II) Development strategy

The Group will continue to focus on building itself into a world-class integrated container shipping service provider, fully promote the strategic and business synergies between the two sectors of container shipping and terminal operation management, and continuously enhance its comprehensive competitiveness and promoting high quality development. In respect of the container shipping sector, after the successful acquisition of OOIL, the Group s container fleet achieved a leap-forward development in scale. The Group will fully implement its core “OCEAN & PLUS” strategy, namely “globalization, dual-brand, digitalization and end-to-end”, to return to the essence of shipping from scale development, improve service transformation, and continuously build a world-class liner company with international competitiveness. In respect of the terminal operation management sector, the Group will continue to promote the three strategies of “globalized terminal layout, synergies with the fleet of parent company and OCEAN Alliance, and strengthening the management of port and terminal business and improving efficiency”, the Group will continue to strengthen its global terminal network, and dedicated to building a controlled network that benefits users and platform that offers mutual benefits to upstream and downstream industries in the shipping sector, and becoming a world-class port operator.

The Group will continue to strengthen and develop container shipping, terminal operation management and related businesses, and improve the value chain of shipping. Through synergies and lean management, the Company will continuously improve the comprehensive competitiveness of container shipping and port services, and further promote the healthy, stable and sustainable development of the main business, provide better service for customers, and maximize corporate benefits, corporate value and shareholders' returns.

(III) Operation plan

Container shipping business

The Company will adhere to the original intention of shipping services, implement OCEAN & PLUS strategy, and achieve high quality development, to create higher value for customers, shareholders and employees, and continuously build a world-class liner company with international competitiveness.

The Company will further accelerate its development in emerging markets and regional markets, continue to expand route services in relevant markets, accelerate the pace of globalization in various regions, and create competitive route network products. In January 2019, the Ocean Alliance officially signed a cooperation extension agreement, to extend the cooperation agreement period to 10 years, and the alliance cooperation entered a new stage of development. The focus of Ocean Alliance s 2019 route products will continue to be improving and optimizing route layout to provide customers with a wider, better, faster and more stable route products.

The Company will continue to deepen the dual-brand strategy, coordinate synergies between COSCO SHIPPING Lines and OOCL, accelerate the integration of the backstage work such as container management, procurement, IT and network planning to maximize synergies. The Company will re-focus on the essence of shipping services, from the perspective of customers, continue to strengthen the construction of marketing teams, optimize the customer service system and upgrade the operating system and continuously improve the standardized service level. The Company will to continue improve the punctuality rate of vessels and the efficiency of vessel operation of vessels at ports, and improve the level of transit services. The Company will continue to leverage on its competitive advantages of both domestic and foreign trade services to enhance customer cooperation. The Company will focus on cutting-edge technology, further utilize digital technology, promote artificial intelligence applications, improve marketing service levels, respond more quickly to customer needs, improve operational efficiency of the Company, and improve the overall customer service experience. The Company will strengthen end-to-end service product development to accelerate the development of extended services. The Company continued to promote the construction of the sea-rail transportation business, to further increase the effort of promoting and expanding business and gradually enhance the ability of the end-to-end full-service logistics solutions, and continuously explore the potential needs of customers, to create greater value for customers, and continuously improve the value of the supply chain.

Terminal business

The Company will continue to improve its global container hub port network, leverage on the synergies with the OCEAN Alliance and the huge market share of the OCEAN Alliance and reinforcing its capability to serve the OCEAN Alliance. Meanwhile, the Company will continue to establish close partnerships and good relationships with port groups, terminal operators and international liner companies.

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

It is one of the strategic plans of the Company to carry out the extending services of the downstream and upstream of the terminal industrial chain. COSCO SHIPPING Ports will accelerate the development of its terminal extending business in 2019 to further improve its profitability. The Group plans to develop terminal extending services first in Pearl River Delta, effectively utilize the Group s existing resources in the region, and also plan to gradually expand its terminal extending business to other domestic regions in the future.

As a world leading terminal operator, COSCO SHIPPING Ports continues to enhance the efficiency of terminal operation. Since the entering into of an agreement with Navis (a terminal operating system supplier) in early 2018, COSCO SHIPPING Ports plans to gradually apply the Navis N4 system to its controlled terminal companies. In 2018, the Group proactively trained internal employees to apply the Navis N4 operating system. At present, three terminals of the Group have started the application of the Navis N4 system, including Zeebrugge Terminal, Valencia Port of the NPH Group of Spain and Lianyungang New Oriental International Co., Ltd (連雲港新東方國際有限公司). It is expected that the application of the system will be extended to additional one or two controlled terminal companies in 2019, to further improve the operational efficiency of the terminals.

The Company will follow its five-year strategic plan, seek opportunities and continue to implement the concept of “the Ports for All” to build up a win-win and shared platform that can create maximum value for all parties. Meanwhile, the Company will further enhance the brand recognition and influence of the Group, put more efforts in implementation, optimize its terminal assets and operation efficiency and improve the overall profitability of the Company.

(IV) Potential risks

1. Market demand risk

Risk description

Lack of market demand, changes in market mode, the contraction of traditional transactions and lack of new business and new customers may lead to insufficient supply or shrinking market supply.

Risk causes and impact analysis

The global economy is facing structural adjustment and growing at a low rate. With the surplus of global container capacity, lack of awareness of operation strategies of competitors and lack of new orders, companies which wait in vain without timely developing new customers, new sources and new routes will miss their opportunities of development.

Lack of supply may affect the Company's revenue, which makes operation targets hard to achieve and the fixed asset investments such as vessels unable to recover on time.

Risk response strategies and recommendations

(1) Upon actively expanding business and consolidating business relationship with existing customers, the Company shall develop new customers, reinforce the comprehensive deployment into emerging markets and develop new routes and new sources, understand the operating strategies of competitors through various channels, take certain measures and seek development and enhance competitiveness through various channels under the situation of insufficient market demand.

(2) The Company shall put proactive efforts in gathering information about the market, competitors and customers and report such information to headquarters on a regular basis to enrich the channels for headquarters to make judgement on the market.

2. **Investment decision risk**

Risk description

There may be a mismatch between the investment plan and strategy of the Company. Insufficient pre-argument, lack of support from objective data and theories and over-reliance on subjective judgments and personal experience may lead to mistakes in investment decision-making, causing blind expansion or loss of development opportunities.

Risk causes and impact analysis

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

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

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

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

Risk response strategies and recommendations

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

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

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

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

(5) To develop the investment economic indicators and unified assessment criteria of the projects. The Company shall formulate the investment economic indicators, including the core business, the shareholding percentage, the internal rate of return, the annual profit contribution, the net present value and so on, and set the unified

evaluation criteria for the investment such that the investment can improve the overall competitiveness of the Company and achieve the ultimate goal of maximizing the value of the Company, the benefits of the Company and the return of shareholders.

(6) To ensure the standardization of investment decision-making process. In strict compliance with the Company Law of the PRC, the listing rules and other laws and regulations where the Company is listed and the relevant provisions of the Articles of Association of COSCO Shipping Holdings Co., Ltd. (the "**Articles of Association**"), the Group shall implement the approval procedures.

3. Bunker price risk

Risk description

This risk is the market risk, mainly refering to the impact of a number of factors such as the international economic situation, geopolitics of major oil regions, the development of alternative energy technology, production restriction and war, as well as the significant impact on the Company's operating cost from the international oil price fluctuations.

Risk causes and Impact

Since the container shipping business contributes more than 90% of the operating income of the holding company, and the fuel cost is the key variable cost of the container shipping business, if the fuel price fluctuations and cost continue to rise resulting from the continuous rising of oil price and the Company cannot take effective measures to resolve or transfer the impact of rising price, there may be significant impact on the profitability of listed companies.

Risk response strategies and recommendations

In response to the risk of oil price fluctuations, the Company mainly adopts risk control and risk transfer strategies. The Company uses a variety of procurement methods to optimize the purchase price at the fuel procurement end, and strives to reduce the energy consumption of the ship's fuel unit and control the fuel expenses. In addition, the Company shall track and measure the impact of fuel prices on cost in a timely manner and select risk transfer strategies in due course, introduce new fuel charges, impose surcharges and adjust freight rates, to properly reflect new fuel cost.

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

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

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

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

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

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

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

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

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

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

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

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

The Group recorded profit attributable to equity holders of the Company of RMB1,230,000,000 in 2018. Since total net profit attributable to owners of the parent company of COSCO SHIPPING Holdings for the year was used to recover previous years' losses, the aggregate undistributed profit was negative. According to the relevant requirements of the Company Law, no profit can be distributed provided that the aggregate undistributed profit of a company is negative. The Board does not recommend distributing any cash dividends.

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

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

Unit: RMB

Year of Distribution	Number of bonus shares for every 10 shares (share)	Dividend for every 10 shares (RMB) (tax inclusive)	Number of scrip shares for every 10 shares (share)	Cash dividend (tax inclusive)	Net profit/(net loss) attributable to shareholders of the listed company in consolidated financial statements of the bonus distribution year	Ratio to net profit attributable to shareholders of the listed company in consolidated financial statements (%)
2018	0.00	0.00	0.00	0.00	1,230,026,418.28	0.00
2017	0.00	0.00	0.00	0.00	2,661,935,871.40	0.00
2016	0.00	0.00	0.00	0.00	-9,906,003,612.80	0.00

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

Not applicable

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

Not applicable

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

Not applicable

II. Material litigation and arbitration

Material litigation and arbitration which had not been disclosed in announcements or had subsequent change

Not applicable

III. MATERIAL CONTRACTS AND PERFORMANCE THEREOF

(I) Trust, contracting and leasing

Not applicable

(II) Guarantees

Unit: Yuan Currency: RMB

External guarantees provided by the Company (excluding guarantees provided for its subsidiaries)												
Guarantor	Relationship of the Guarantor with the Company	Beneficiary	Amount of the guarantee	Date of guarantee (Date of agreement)	Commencement Date of guarantee	End date of Guarantee	Type of guarantee	Whtether the guarantee is discharged	Whether the guarantee is overdue	Amount of overdue guarantee	Whether there is any counter guarantee	Whether it is a connected party guarantee	Connected relationship
Nil													
Total amount of guarantees provided during the Reporting Period (excluding guarantees provided for subsidiaries)													-60,282,000
Total outstanding guarantee amount as at the end of the Reporting Period (A) (excluding guarantees provided for subsidiaries)													0.00
Guarantees provided by the Company and its subsidiaries for its subsidiaries													
Total amount of the guarantees provided to subsidiaries during the Reporting Period													34,485,571,247.95
Total outstanding guarantee amount of the guarantees provided to subsidiaries as at the end of the Reporting Period (B)													45,589,745,247.95
Total amount of the guarantees provided by the Company (including guarantees for subsidiaries)													
Total amount of guarantees (A+B)													45,589,745,247.95
Total amount of guarantees as a percentage to the net assets of the Company (%)													80.90
Of which:													
Amount of guarantees provided to shareholders, ultimate controller and its connected parties (C)													
Amount of guarantees directly or indirectly provided for liability of parties with a gearing ratio exceeding 70% (D)													42,135,575,796.91
The portion of total amount of guarantee in excess of 50% of the net assets (E)													17,413,300,572.29
Total amount of the above three categories of guarantees (C+D+E)													59,548,876,369.20
Explanation on outstanding guarantees which may cause several and joint liability													Nil
Explanation on guarantees													Nil

Note: The relatively higher "amount of the guarantees provided to subsidiaries during the Reporting Period" of the Group was primarily due to the successful acquisition of OOIL during the Reporting Period. As at the end of the Reporting Period, the outstanding guarantee amount of the guarantees provided by OOIL to subsidiaries became an integral part of the outstanding guarantee amount of guarantees provided to subsidiaries of the Group and was reflected in "guarantees provided to subsidiaries during the Reporting Period" and "outstanding guarantee amount of the guarantees provided to subsidiaries as at the end of the Reporting Period" in the table above.

(III) Other material contracts

Nil

IV. OTHER SIGNIFICANT EVENTS

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

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

   As at 24 January 2019, a total of 2,043,254,870 A Shares were issued to specific investors through non-public issuance under the Proposed Non-public Issuance of A Shares at the issue price of RMB3.78 per A Share, gross proceeds in the amount of RMB7,723,503,408.60 (after deduction of issuing costs of RMB 20,929,325.49 (including value-added tax)) and net proceeds in the amount of RMB7,702,574,083.11 were received, and the registration procedure for the new A Shares issued under the Proposed Non-public Issuance of A Shares was completed at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited (CSDC). Upon the completion of the Proposed Non-public Issuance, China COSCO Shipping directly held 1,021,627,435 A Shares of COSCO SHIPPING Holdings, and held 4,645,229,644 Shares of the Company through China Ocean Shipping Company Limited ("**COSCO**") and its subsidiaries, held 5,666,857,079 Shares of the Company in aggregate, representing approximately 46.22% of the enlarged total issued share capital of the Company upon the completion of this issuing.

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

Significant Events

2. 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, the Company proposed to apply to the National Association of Financial Market Institutional Investors for the registration of medium-term notes in the amount of RMB5 billion and short-term commercial papers in the amount of RMB10 billion for issuance at an opportune timing, and to grant the relevant authorization to any one of the Directors of the Company. The proceeds would be used primarily for the repayment of the 7-year medium-term notes in the amount of RMB4 billion upon maturity on 29 November 2018. The Company issued the first tranche of medium-term notes from 20 November 2018 to 21 November 2018, the actual total amount issued was RMB4 billion.

   For details, please refer to the announcements of the Company dated 13 July 2018 and 30 August 2018, and the overseas regulatory announcement of the Company dated 21 November 2018.

3. 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 and the Rules of Procedures for Shareholders General Meeting according to relevant provisions of relevant PRC laws and regulations. The amended Articles of Association had completed the filing procedure at the Market and Quality Regulatory Administration in the Tianjin Free Trade Area. 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.

   After consideration and approval by the 15th meeting of the fifth session of the Board and the second extraordinary general meeting of 2018 of the Company, adjustments to the business scope of COSCO SHIPPING Holdings and the corresponding amendments to the Articles of Association were made. For details, please refer to the announcements of the Company dated 27 July 2018 and 30 August 2018.

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

V. FULFILLMENT OF SOCIAL RESPONSIBILITIES

(I) Poverty alleviation work of the Company

1. Targeted poverty alleviation plan

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

2. Summary of targeted poverty alleviation work for the year

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

3. Results in targeted poverty alleviation

Unit: 10,000 Currency: RMB

Indicators	Amount and Progress
1. Cash funds	880.964
2. Cash equivalent of materials and supplies	5.6

4. Subsequent targeted poverty alleviation work

The Company further fulfilled the responsibilities of poverty alleviation by specifying the allocation and use of poverty alleviation funds and clarifying the responsibilities, rights and obligations involved in the implementation and supervision of poverty alleviation projects to help the local people in poverty practically to benefit from the poverty alleviation projects effectively; targets of poverty alleviation were specified to ensure that the registered poverty-stricken households were able to realize sustainable elimination of poverty; and poverty alleviation projects were implemented by allocating funds according to the progress of the projects to ensure project implementation, poverty alleviation in designated areas were promoted constantly to facilitate sustainable and effective implementation.

Significant Events

(II) Social responsibilities

In 2018, COSCO SHIPPING Holdings continued performing the obligations of the United Nations Global Compact comprehensively by fulfilling various undertakings provided in the Global Compact, especially the principles in various areas, including environmental protection, labor, human rights and anti-corruption. Green, low-carbon and sustainability concepts were developed internally in the enterprise, striving to achieve coordinated harmony between socio-economic development and the population, resources and environment within the enterprise by increasing the utilization level of resources continuously and strongly enhancing the awareness of conservation, environmental protection and ecology within the enterprise. Continuous improvements were made to governance measures to support the sustainable development of the enterprise to ensure suitable regulatory and management procedures for business were implemented to perform the social responsibility of COSCO SHIPPING Holdings. Since COSCO SHIPPING Holdings had outstanding performance in the aspect of sustainable development, the Company was admitted as a component stock of the Hang Seng Corporate Sustainability Benchmark Index Series on 4 September 2018.

The environmental, social and governance report of the Company for 2018 in accordance with Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") will be published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.chinacosco.com) no later than three months after the publication of this annual report.

(III) Environmental protection

Companies which are not key pollutant discharge units

COSCO SHIPPING Holdings emphasized on green operation and environmental protection, strictly complied with international convention, local and international laws, regulations and various provisions and requirements relating to environmental protection, and actively fulfilled various applicable international and local proposed standards, regulations and relevant requirements relating to environmental protection. Technological improvements were actively adopted to protect limited resources, and effective measures were taken to reduce negative impact on the environment. Its subsidiaries, COSCO SHIPPING Lines and COSCO SHIPPING Ports, had dedicated personnel to monitor the latest changes in the domestic and international environmental protection trends, new requirements and new standards were assimilated continuously into the responsive policies and administrative measures for environmental protection. Meanwhile, ISO140001 and ISO50001 were followed as guidelines to establish and operate an environment and energy management system, through audits conducted on the internal and external environment and energy management system, sustainable and continuous improvements were made to the environment and energy management mechanism. In 2018, COSCO SHIPPING Holdings had not violated against any environmental laws and regulations.

Changes in Equity and Shareholders Information

I. Changes in Equity

(i) Changes in shares

During the Reporting Period, there was no change in total number of shares and structure of equity of the Company.

II. Shareholder and actual controller

(I) Total number of Shareholders:

Total number of ordinary Shareholders as at the end of the Reporting Period	293,110
Total number of ordinary Shareholders as at the end of February 2019	286,101

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

Unit: Share

Shareholdings of the top 10 Shareholders							
Name of Shareholder (In full)	Increase/ decrease during the Reporting Period	Number of shares held at the end of the period	Type	Percentage (%)	Number of shares subject to selling restrictions	Pledge or freezing Shares	Nature of shareholders
China Ocean Shipping Company Limited	0	4,557,594,644	A shares	44.61	0	Nil	State-owned legal person
HKSCC Nominees Limited	0	2,580,600,000	H shares	25.26	0	Unknown	Other
Beijing Chengtong Financial Investment Co., Ltd.	0	306,488,200	A shares	3.00	0	Nil	Other
China Securities Finance Corporation Limited	153,082,111	305,990,519	A shares	3.00	0	Nil	Other
Wuhan Iron and Steel Corporation	0	250,000,000	A shares	2.45	0	Nil	Other
China State Shipbuilding Corporation	0	204,000,000	A shares	2.00	0	Nil	Other
China National Nuclear Corporation	0	72,000,000	A shares	0.70	0	Nil	Other
Central Huijin Asset Management Ltd.	0	54,466,500	A shares	0.53	0	Nil	Other
Hong Kong Securities Clearing Company Limited	39,402,185	49,952,601	H shares	0.49	0	Nil	Other
China Merchants Bank Co., Ltd. – Bosera China Securities Central Enterprises Structural Adjustment Traded Open-end Index Securities Investment Fund	23,144,104	23,144,104	A shares	0.23	0	Nil	Other

Changes in Equity and Shareholders Information

The top ten shareholders holding shares not subject to trading moratorium

Name of shareholder	Number of circulating shares not subject to trading moratorium held	Type and number of shares: Type	Type and number of shares: Number
China Ocean Shipping Company Limited	4,557,594,644	RMB-denominated ordinary shares	4,557,594,644
HKSCC NOMINEES LIMITED	2,580,600,000	Overseas listed foreign shares	2,580,600,000
Beijing Chengtong Financial Investment Co., Ltd.	306,488,200	RMB-denominated ordinary shares	306,488,200
China Securities Finance Corporation Limited	305,990,519	RMB-denominated ordinary shares	305,990,519
Wuhan Iron and Steel Group Corporation	250,000,000	RMB-denominated ordinary shares	250,000,000
China State Shipbuilding Corporation	204,000,000	RMB-denominated ordinary shares	204,000,000
China National Nuclear Corporation	72,000,000	RMB-denominated ordinary shares	72,000,000
Central Huijin Asset Management Ltd.	54,466,500	RMB-denominated ordinary shares	54,466,500
Hong Kong Securities Clearing Company Limited	49,952,601	RMB-denominated ordinary shares	49,952,601
China Merchants Bank Co., Ltd. – Bosera China Securities Central Enterprises Structural Adjustment Traded Open-end Index Securities Investment Fund	23,144,104	RMB-denominated ordinary shares	23,144,104
The explanations to the connected relationship or parties acting in concert among the aforesaid shareholders:	Unknown		
Description of preferential shareholders with restoration of voting rights and their shareholdings	Not applicable		

Note: As at the end of the Reporting Period, COSCO held 87,635,000 H shares through its affiliated companies, representing 3.40% of the issued H shares of the Company. The number of H shares was included in the total number of HKSCC Nominees Limited's holding. COSCO and its subsidiaries held 45.47% of the shares of the Company in total.

Changes in Equity and Shareholders Information

III. Controlling shareholder and actual controller

(i) Specific description of controlling shareholder

1 Legal person

Details of direct controlling shareholder:

Name	China Ocean Shipping Company Limited
Person in charge or legal representative	Xu Lirong
Date of establishment	22 October 1983
Principal business	International freight; supporting international freight; procurement of ships, containers and maintenance and spare parts manufacturing business; ship escrowing business; domestic and foreign shipping business-related ship materials, spare parts, communications services; business operators, cargo agency business and seafarers assigned to the management of enterprises (the enterprise shall select operating items and operate autonomously according to law; international freight, supporting International freight and items that shall be approved according to law can be operated upon approval by relevant departments; the enterprise shall not engage in business activities prohibited by the industrial policies and restricted items of this city (note: Beijing).)
Control and shareholdings in other domestic or overseas listed companies during the Reporting Period	Controlling shareholdings: COSCO SHIPPING Specialized Carriers Co., Ltd. (600428) 50.94%; COSCO SHIPPING Ports (1199HK) 47.61%; COSCO SHIPPING International (0517HK) 66.12%; COSCO Investment (COS SP) 53.35%; Piraeus Port Authority S.A (PPA GA) 51%; OOIL (0316.HK) 75%; Major shareholdings: China Merchants Bank (600036, 3968HK) 6.46%; Merchants Securities (600999, 6099HK) 6.25% etc.
Others	Not applicable

Changes in Equity and Shareholders Information

Details of indirect controlling shareholder:

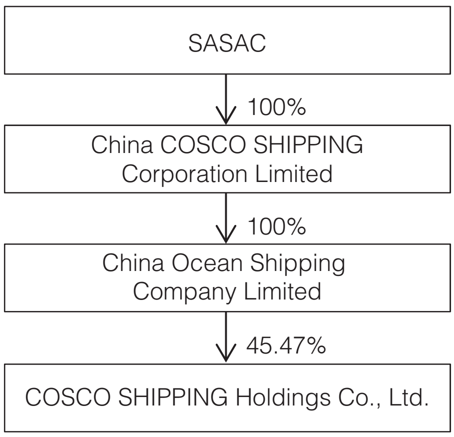
Name	China COSCO SHIPPING Corporation Limited
Person in charge or legal representative	Xu Lirong
Date of establishment	5 February 2016
Principal business	International freight, supporting International freight; import and export of goods and technology; agent of international freight by sea, road, and air; rental of self-owned ship; ship, container, steel sales; marine engineering equipment design; terminal and port investment; communications equipment sales, information and technical services; warehousing (except dangerous chemicals); technology development related to shipping, spare parts, technology transfer, technical advice, technical services, equity investment funds. (Business activities can only operate after being approved by the relevant departments in accordance with the law.)
Control and shareholdings in other domestic or overseas listed companies during the Reporting Period	Controlling shareholdings: COSCO SHIPPING Specialized Carriers Co., Ltd. (600428) 50.94%; COSCO SHIPPING Development (2866HK) 39.02%; COSCO SHIPPING Energy Transportation (1138HK) 38.56%; COSCO SHIPPING Ports (1199HK) 47.61%; COSCO SHIPPING Technology (002401) 50.01%; COSCO SHIPPING International (Hong Kong) (0517HK) 66.12%; COSCO SHIPPING International (Singapore) (COS SP) 53.35%; Piraeus Port Authority S.A (PPA GA) 51%; OOIL (0316.HK) 75%. Major shareholdings: China International Marine Containers (Group) Ltd. (CIMC) (000039, 2039HK) 22.71%; China Merchants Bank (600036, 3968HK) 9.97%; China Merchants Securities (600999, 6099HK) 9.99%; Lanhai Medical Investment (600896) 9.11%; Shanghai International Port (Group) (600018) 15%; Guangzhou Port (601228) 7.92%.
Others	Not applicable

Changes in Equity and Shareholders Information

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

(ii) Actual controller

1 The structure of equity and control between the Company and actual controller



Corporate Bonds

I. Overview of corporate bonds

Unit: 100 million Currency: US Dollar

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

II. The corporate bonds trustees and credit rating agency

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

Other information:

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

Bond trustee: The Hongkong and Shanghai Banking Corporation Limited

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

COSCO Pacific Finance Guaranteed Notes:

Bond trustee: Deutsche Bank AG, Hong Kong Branch

Credit rating agency: Nil

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

COSCO Finance Credit Enhanced Bonds:

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

COSCO Pacific Finance Guaranteed Notes:

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

IV. Credit rating agencies of the Company's bonds

COSCO Finance Credit Enhanced Bonds:

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

COSCO FINANCE (2011) LIMITED US$1 Billion Bond (ISN:XS0858461758). Rating result: A1. For the latest rating result of the bonds, please see www.moodys.com

COSCO Pacific Finance Guaranteed Notes:

No rating result.

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

COSCO Finance Credit Enhanced Bonds:

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

COSCO Pacific Finance Guaranteed Notes:

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

VI. Performance of trustees of corporate bonds

COSCO Finance Credit Enhanced Bonds:

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

COSCO Pacific Finance Guaranteed Notes:

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

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

Unit: Yuan Currency: RMB

Key indicator	2018	2017	Year-on-year increase or decrease (%)
EBITDA	11,625,515,239.18	10,033,416,400.51	15.87
Liquidity ratio	0.68	0.91	-25.11
Quick ratio	0.61	0.81	-25.68
Gearing ratio (%)	75.30	67.18	8.12
All debt ratio of EBITDA	0.0966	0.1595	-6.29
Interest coverage ratio	1.97	3.56	-44.64
Cash interest coverage ratio	3.67	5.28	-30.56
Interest coverage ratio of EBITDA	3.10	4.65	-33.37
Loan repayment rate (%)	100.00	100.00	—
Interest coverage (%)	100.00	100.00	—

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

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

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

IX. Bank facilities of the Company during the Reporting Period

As at 31 December 2018, the loan facilities of the Group were approximately RMB123.779 billion, of which RMB93.976 billion was utilized and RMB29.803 billion was not utilized. The Group has highly emphasized on the potential financial risks of the loan facilities, strengthened the monitoring of liabilities and gearing ratio of its subsidiaries and repaid bank loans in full as scheduled.

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

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

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

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

Directors, Supervisors and Senior Management

Mr. XU Lirong[1] (許立榮)

Mr. Xu, aged 61, has been the chairman of the board and the party secretary of China COSCO SHIPPING (an indirect controlling shareholder of the Company) since January 2016. Since August 2018, Mr. Xu has been an executive Director and the chairman of the fifth session of the Board, an executive director, the chairman of the board of directors and the chairman of the executive committee of OOIL, and a director, the chairman of the board of directors and the chairman of the executive committee of OOCL. Mr. Xu started his career in March 1975. Mr. Xu was previously the deputy head of ship management department, assistant to the general manager, the deputy general manager and the general manager of COSCO Shanghai; the deputy manager, the manager and the party secretary of COSCO Shanghai Freight Forwarding Company; the president and the party secretary of the Shanghai Shipping Exchange; the general manager, a member of the party committee and the deputy party secretary of COSCO SHIPPING Lines; the deputy general manager, a member of the party committee and the deputy secretary of the Company; the vice president, the chairman of the labor union and a member of the party committee of China Ocean Shipping (Group) Company (currently known as China Ocean Shipping Company Limited, the direct controlling Shareholder); a director, the general manager, a member of the party committee, the chairman of the board and the party secretary of China Shipping (Group) Company (currently known as China Shipping Group Company Limited, a subsidiary of China COSCO SHIPPING). Mr. Xu obtained an MBA degree from Shanghai Maritime University. He is a senior engineer.

Mr. WAN Min[2] (萬敏)

Mr. Wan, aged 50, was the chairman of the Board and a non-executive Director. Mr. Wan Min was a director, general manager and deputy party secretary of China COSCO SHIPPING. Mr. Wan was also a director and the chairman of the board of directors of COSCO SHIPPING Ports and the chairman of the board of directors of COSCO SHIPPING Specialized Carriers Co., Ltd. (中遠海運特種運輸股份有限公司) (formerly known as COSCO SHIPPING Co., Ltd. (中遠航運股份有限公司) ("**COSCOL**") (a company listed on the Shanghai Stock Exchange (stock code: 600428)). Mr. Wan previously held various positions including the assistant to the general manager of COSCO Shanghai International Freight Co., Ltd. (上海中遠國際貨運有限公司), the deputy general manager of COSCO SHIPPING Lines, the president of COSCO Americas Inc. (中遠美洲公司), the managing director of COSCO SHIPPING Lines, the deputy general manager and a member of the party group of COSCO and a director and the general manager of China COSCO Shipping. Mr. Wan has over 20 years of experience in the shipping industry and has extensive experience in corporate management and container shipping. Mr. Wan graduated from Shanghai Jiao Tong University with a master's degree in business administration and is an engineer.

Mr. HUANG Xiaowen (黃小文)

Mr. Huang, aged 56, is currently the vice chairman of the Board and an executive director of the Company. Mr. Huang is also a deputy general manager and member of the party group of COSCO SHIPPING, the chairman of the board of directors and a non-executive director of COSCO SHIPPING Ports, the chairman of the board of directors of COSCO SHIPPING Lines, the executive director and CEO of OOIL, the chairman of the board of directors of COSCO SHIPPING Energy Transportation Co., Ltd., (中遠海能源運輸股份有限公司) ("**COSCO SHIPPING Energy**") (a company listed on the Shanghai Stock Exchange (code: 600026) and the Stock Exchange (stock code: 1138)), the chairman of the board of directors of COSCO SHIPPING Bulk Co., Ltd., and serves as director of certain subsidiaries of COSCO SHIPPING Group. Mr. Huang started his career in 1981 and had served as the section chief of the container shipping section of Guangzhou Ocean Shipping Company Limited (廣州遠洋運輸公司), general manager of container transportation department of China Ocean Shipping Company (formerly known as "China Ocean Shipping (Group) Company"), container business advisor of Shanghai Haixing Shipping Co., Ltd. (上海海興輪船股份有限公司), the vice chairman, executive director, executive deputy general manager, managing director and deputy party secretary of COSCO SHIPPING Development Co., Ltd. (中遠海運發展股份有限公司) ("**COSCO SHIPPING Development**") (a company listed on the Stock Exchange (stock code: 2866) and the Shanghai Stock Exchange (stock code: 601866)), and the chairman of China Shipping Haisheng

Co., Ltd. (中海(海南)海盛船務股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600896)). Mr. Huang had been the deputy general manager and a member of the party group of China Shipping. Mr. Huang has more than 30 years of experience in the shipping industry. Mr. Huang graduated from China Europe International Business School with an EMBA degree and is a senior engineer.

Mr. WANG Haimin[3] (王海民)

Mr. Wang, aged 46, is currently an executive Director and general manager of the Company. Mr. Wang is also the deputy general manager and a party member of China COSCO SHIPPING, the general manager, the deputy party secretary and a director of COSCO SHIPPING Lines, a non-executive director of COSCO SHIPPING Ports and the chairman of the board of directors of Shanghai Pan Asia, a subsidiary of the Company. He previously held various positions including the head of planning and cooperation department of the strategic planning division, the deputy general manager of the corporation planning division and the general manager of the strategy and development division of COSCO SHIPPING Lines. Mr. Wang was also the general manager of the transportation division of China COSCO SHIPPING, the deputy general manager and deputy general manager (person in charge) of COSCO Pacific Limited, the deputy general manager of COSCO SHIPPING Ports (person in charge), the deputy general manager (person in charge) and general manager of COSCO SHIPPING Lines, the deputy general manager of the Company, an executive director of OOIL, the joint CEO and a member of executive committee of OOCL. Mr. Wang has over 20 years of experience in corporate operation and management in the shipping industry. He has extensive experience in container shipping, operation of terminal and enterprise management. Mr. Wang graduated from Shanghai Maritime University with major in transport economics, and graduated from Fudan University with a master degree in business administration and is an engineer.

Mr. XU Zunwu[3] (許遵武)

Mr. Xu, aged 61, was an executive Director, the general manager and deputy party secretary of the Company. Mr. Xu previously held various positions including the deputy general manager of Guangzhou Ocean Shipping Co., Ltd. (廣州遠洋運輸有限公司), the deputy general manager of COSCO Bulk Carrier Co., Ltd. (中遠散貨運輸有限公司), the deputy general manager and managing director of COSCO (H.K.) Shipping Co., Limited (中遠 (香港) 航運有限公司), the vice president of COSCO SHIPPING (Hong Kong) Co., Limited (中遠 (香港) 集團有限公司), the general manager of Shenzhen Ocean Shipping Co., Ltd. (深圳遠洋運輸有限公司), the managing director of COSCO Bulk Carrier Co., Ltd. (中遠散貨運輸有限公司) and the vice chairman and managing director of COSCO SHIPPING Bulk Co., Ltd. (中遠海運散貨運輸有限公司) (formerly known as China COSCO Bulk Shipping (Group) Co., Ltd. (中遠散貨運輸集團有限公司) ("**COSCO SHIPPING Bulk**"), the deputy general manager and acting general manager of the Company, a director of COSCO SHIPPING Lines and a director of COSCO SHIPPING Ports. Mr. Xu has over 30 years of experience in the maritime industry and has extensive experience in corporate operation management. Mr. Xu graduated from Shanghai Maritime University majoring in ocean shipping. Mr. Xu is a senior economist.

Mr. ZHANG Wei (張為)

Mr. Zhang, aged 45, is currently an executive Director, the deputy general manager and party secretary of the Company, the vice chairman of the board of directors, an executive director and the general manager of COSCO SHIPPING Ports and a director of certain subsidiaries, an executive director of OOIL, a non-executive director of Qingdao Port International. He previously served as the executive deputy general manager of the American trade division of COSCO SHIPPING Lines, the deputy general manager of the American Branch of COSCO SHIPPING Lines, the general manager of the strategy and development division of COSCO SHIPPING Lines, the general manager of the transportation division, the general manager of the operating management division and the executive deputy director of the integration management office of COSCO/the Company. Mr. Zhang has over 20 years of work experience in the shipping industry. He has extensive work experience in container shipping, strategic planning and enterprise management. Mr. Zhang graduated from Fudan University with a master degree in management and is an engineer.

Mr. MA Jianhua[4,9] (馬建華)

Mr. Ma, aged 56, was a non-executive director, the party secretary and deputy general manager of the Company. He was the deputy head of the human resources and labor department and the research officer of the Ministry of Transport of the PRC, and was also the deputy party secretary and the leader of the discipline inspection team of Shenzhen Maritime Safety Administration. Mr. Ma also assumed various positions such as the deputy director of the general office and the deputy secretary of Chongqing municipality of the PRC, a supervisor of the Company, the party secretary and the deputy general manager of COSCO Logistics, and the party secretary and the deputy general manager of COSCO Shipbuilding Industry Company Limited* (中遠造船工業公司) (a subsidiary of COSCO). Mr. Ma has extensive experience in transportation and logistics management, human resources management and modern corporate governance, etc. Mr. Ma graduated from Central Party School of the Communist Party of China ("**CPC**") majoring in economics and management and is a senior engineer.

Mr. FENG Boming (馮波鳴)

Mr. Feng, aged 49, is currently a non-executive Director. He is also the general manager of the strategic and corporate management department of China COSCO SHIPPING and a director of each of COSCO SHIPPING Development, COSCO SHIPPING Energy, COSCO SHIPPING Ports, COSCO SHIPPING Bulk, COSCO SHIPPING (Hong Kong) Co., Ltd. (中遠海運 (香港) 有限公司), COSCO SHIPPING Financial Holding Co., Ltd. (中遠海運金融控股有限公司), and Piraeus Port Authority S.A. (比雷埃夫斯港務局有限公司), all of which are subsidiaries of China COSCO SHIPPING, and a director of certain subsidiaries. Mr. Feng previously held various positions including the manager of the commercial section of the ministry of trade protection of COSCO SHIPPING Lines, the general manager of COSCO (Cayman) Mercury Co., Ltd., the general manager of the management and administration department of COSCO Holdings (Hong Kong) Co., Ltd. (中遠控股香港), the general manager of COSCO International Freight (Wuhan) Co., Ltd. (武漢中遠國際貨運有限公司)/COSCO Logistics (Wuhan) Co., Ltd. (武漢中遠物流有限公司) and the supervisor of the strategic management implementation office of COSCO/the Company. Mr. Feng has over 20 years of work experience in the shipping industry. He has extensive experience in enterprise strategy management, business management, container shipping and management. Mr. Feng graduated from University of Hong Kong with a master of business administration degree and is an economist.

Mr. ZHANG Wei (張煒)

Mr. Zhang, aged 52, is currently a non-executive director of the Company. He is also the general manager of operation and management department of China COSCO SHIPPING, a non-executive director of COSCO SHIPPING Energy, a non-executive director of COSCO SHIPPING Ports, and a director of each of COSCOL, COSCO SHIPPING Bulk, COSCO SHIPPING Lines and COSCO SHIPPING Captive Insurance Co., Ltd. Mr. Zhang previously served as a deputy general manager of Asia-Pacific trade area and manager of Australia-New Zealand operation department of COSCO SHIPPING Lines. He was also a deputy general manager of European trade area of COSCO SHIPPING Lines, a deputy general manager of the enterprise information development department of COSCO SHIPPING Lines, a deputy general manager of Florens Container Holdings Limited (佛羅倫貨箱控股有限公司) (previously a subsidiary of the Company), and executive vice-president of Piraeus Container Terminal S.A. (比雷埃夫斯集裝箱碼頭有限公司) (a subsidiary of the

Company) and held various other positions. Mr. Zhang has nearly 30 years of work experience in shipping enterprises. He has extensive experience in container transportation marketing management and terminal operation management. Mr. Zhang graduated from Shanghai Maritime University with a master degree in business administration and is an engineer.

Mr. CHEN Dong (陳冬)

Mr. Chen, aged 44, is currently a non-executive Director of the Company. He is also the general manager of financial management department of China COSCO SHIPPING and a non-executive director of each of COSCO SHIPPING Development and COSCO SHIPPING Ports, a director of each of COSCOL, COSCO SHIPPING Bulk and COSCO SHIPPING International (Hong Kong) Co., Ltd. and a director of several subsidiaries of China COSCO SHIPPING. Mr. Chen previously served as the deputy head of risk control section under the planning and finance department of China Shipping, the deputy head of the finance section under planning and finance department of China Shipping, the senior manager of finance and taxation management office of China Shipping, the assistant to the general manager of the finance department of China Shipping, and the deputy general manager of the finance department of China Shipping and held various other positions. Mr. Chen has nearly 20 years of work experience in shipping enterprises. He has extensive experience in risks control, taxation management and finance. Mr. Chen graduated from Shanghai University of Finance and Economics with a master degree in economics and is a senior accountant.

Mr. YANG, Liang Yee Philip (楊良宜)

Mr. Yang, aged 70, is an independent non-executive Director of the Company and an independent non-executive director of OOIL. Mr. Yang is an arbitrator in international commercial and maritime arbitration. He is the honorary chairman of Hong Kong International Arbitration Centre, a member of Expert Committee of China International Commercial Court. Mr. Yang previously served as the chairman of Hong Kong International Arbitration Centre, the vice chairman of the documentary committee of the Baltic and International Maritime Council, the chairman of Asia-Pacific Regional Arbitration Group and the Hong Kong representative of the International Chamber of Commerce. He was also the guest professor of more than ten universities in the PRC such as Dalian Maritime University and Shanghai Maritime University. Mr. Yang has extensive experience in cases related to international commercial maritime law. He has also devoted himself to the educational research activities in respect of commercial maritime law in various law schools in the PRC and has made invaluable contribution to maintaining close connection between legal education in the PRC and the development of international commercial law as well as the training of legal practitioners specialized in English commercial maritime law.

Mr. WU Dawei (吳大衛)

Mr. Wu, aged 65, is an independent non-executive Director of the Company. Mr. Wu previously served as the deputy head of Huaneng Shanghai Shidongkou No. 2 power plant (華能上海石洞口第二電廠), the deputy general manager of Huaneng International Power Development Company (Shanghai Branch) (華能國際電力開發公司上海分公司) (person in charge), the head of Huaneng Shanghai Shidongkou No. 2 power plant (華能上海石洞口第二電廠), the deputy general manager, a party member and director of Huaneng Power International Co., Ltd. (華能國際電力股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600011)), and the chairman of Huaneng Weihai power plant (威海電廠), Xindian power plant (辛店電廠), Rizhao power plant (日照電廠) and Xinhua power plant (新華電廠). He was also the party secretary and a director of Shanghai Times Shipping Company Limited (上海時代航運有限公司), the deputy chief engineer of China Huaneng Group and the general manager and party secretary of China Huaneng Group (East China Branch), the general manager and deputy party secretary (responsible for leading the work of party group) of Huaneng International Power Development Company, the chief economist of China Huaneng Group, the chairman of Huangneng Shanghai Gas Turbine Power Generation Co., Ltd. and a director of Huaneng International Power Development Company. Mr. Wu has more than 20 years' experience in corporate management and extensive experience in corporate governance of listed companies. Mr. Wu previously studied at China Europe International Business School and Cheung Kong Graduate School of Business and has received EMBA degree. He is also a researcher-level senior engineer. Mr. Wu currently serves as an independent director of Zhejiang Jinlihua Electric Co., Ltd. (浙江金利華電氣股份有限公司) (a company listed on the ChiNext of the Shenzhen Stock Exchange (stock code: 300069)) and has obtained an independent director qualification certificate issued by the Shanghai Stock Exchange in February 2013.

Mr. ZHOU Zhonghui (周忠惠)

Mr. Zhou, aged 71, is an independent non-executive Director of the Company. Mr. Zhou is a member of the chief financial officer professional committee of the China Association for Public Companies and a member of the consultative committee of the China Appraisal Society, he is a post-graduate and has a doctorate degree, and he is a certified public accountant. He previously worked at Shanghai University of Finance and Economics, School of Accountancy as a lecturer, associate professor and professor. He also served as the chief financial officer of Hongkong Xinlong Co., Limited (香港鑫隆有限公司), the general manager and chief accountant of PricewaterhouseCoopers Zhong Tian CPAs Limited Company (普華永道中天會計師事務所) and a senior partner of PricewaterhouseCoopers (普華永道會計師事務所), the chief accountant of the CSRC, a member of the International Advisory Committee of the CSRC, a member of the Auditing Standards Committee of the Chinese Institute of Certified Public Accountants and an executive member of the China Association of Chief Financial Officers. Mr. Zhou previously served as an independent director of Juneyao Airlines Co., Ltd. (上海吉祥航空股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 603885)) and an independent non-executive director of BesTV New Media Co.,Ltd. (百視通新媒體股份有限公司) (stock code: 600637). Mr. Zhou concurrently serves as an independent non-executive director of China Pacific Insurance (Group) Co., Ltd. (中國太平洋保險 (集團) 股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 601601) and the Stock Exchange (stock code: 02601)), an independent non-executive director of Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd. (上海復旦張江生物醫藥股份有限公司) (a company listed on the Stock Exchange (stock code: 01349)) and an independent non-executive director of S.F. Holding Co., Ltd. (順豐控股股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002352)). Mr. Zhou has served as an external supervisor of Shanghai Oriental Pearl Group Co., Ltd. (上海東方明珠新媒體股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600637)) since June 2015.

Mr. TEO Siong Seng (張松聲)

Mr. Teo, aged 64, is an independent non-executive Director. Mr. Teo currently serves as the executive chairman of the Pacific International Lines Pte Ltd ("**Pacific International Lines**"), and the chairman and chief executive officer of Singamas Container Holdings Limited (勝獅貨櫃企業有限公司) (a company listed on the Stock Exchange (stock code: 716)). Mr. Teo currently serves as chairman of Singapore Business Federation, honorary president of Singapore Chinese Chamber of Commerce & Industry, committee member of Committee on the Future Economy, co-chair of Subcommittee on Future Corporate Capabilities and Innovation, the Pro-Chancellor of National University of Singapore and an industry consultant of the China-Singapore (Chongqing) Demonstration Initiative on Strategic Connectivity. Mr. Teo also served as the president of Maritime and Port Authority of Singapore (MPA) and a director of The Standard Steamship Owners' Protection and Indemnity Association Ltd. Mr. Teo previously served as an independent non-executive director of the Company and COSCO SHIPPING Development. He is also currently an independent non-executive director of COSCO SHIPPING Energy and the chairman of china-Singapore Nanning International Logistics Park. Mr. Teo has extensive experience in corporate governance in terms of shipping companies and listed companies. Mr. Teo graduated from Glasgow University with a First Class Honours Degree in Naval Architecture & Ocean Engineering.

Directors, Supervisors and Senior Management

Mr. KOO, Chee Kong Kenneth[5] (顧建綱)

Mr. Koo, aged 58, was an independent non-executive Director. Mr. Koo currently serves as the chairman and chief executive officer of TCC Group (泰昌祥集團). Throughout his 30-plus years' career in the shipping industry, Mr. Koo has focused much of his efforts in establishing a strong and reputable fleet management for TCC Group. Mr. Koo is a member of the Zhejiang Provincial Committee of the Chinese People's Political Consultative Conference, and also the chairman of Asian Panel of International Association of Independent Tanker Owners (Intertanko), executive committee member of The Britannia Steam Ship Insurance Association Limited, technical committee member of American Bureau of Shipping and Bureau Veritas, honorary chairman of Hong Kong Maritime Industry Council, and holds various other positions in the community. Mr. Koo was a council member of International Shipping Federation, chairman of the resources sub-committee of Hong Kong Shipowners Association, executive member of American Bureau of Shipping and chairman of Hong Kong Shipowners Association, and held various other positions in the community. Mr. Koo has extensive experience in corporate governance, fleet management and technological innovation and crew management. Mr. Koo graduated from the University of San Diego in 1983.

Mr. FU Xiangyang (傅向陽)

Mr. Fu, aged 51, is currently a Supervisor and the chairman of the supervisory committee of the Company. He has been the secretary of the board of directors of COSCO SHIPPING since 2016. Mr. Fu assumed various positions such as the deputy head of officer department of Shanghai Ocean Shipping Co., Ltd. (上海遠洋運輸有限公司), the deputy general manager of the human resources department of COSCO SHIPPING Lines and the deputy general manager of Shanghai Ocean Industrial Company (上海遠洋實業總公司) (in charge of operation). He was also the deputy head of the organization department, the deputy general manager of the human resources department, the head of the operation division of the party members' group, the deputy party secretary and the secretary of the league committee of COSCO, and the head of corporate culture department of the Company. Mr. Fu has served as a director of COSCO and the chairman of its labour union and held other positions since October 2011. Mr. Fu has more than 20 years of experience in the shipping industry and has extensive experience in corporate management. Mr. Fu graduated from Fudan University majoring in business administration and Missouri State University in the United States of America majoring in the same. Mr. Fu has obtained a master degree and is an economist.

Mr. HAO Wenyi (郝文義)

Mr. Hao, aged 56, is currently a Supervisor. He is also a supervisor, the deputy chief of the disciplinary team of the communist party committee and head of the disciples inspection department of China COSCO SHIPPING, a supervisor of COSCO SHIPPING Development, a supervisor of COSCOL, a supervisor of COSCO SHIPPING Heavy Industry Company Limited (中遠海運重工有限公司), a supervisor of COSCO SHIPPING Technology Co., Ltd. and supervisors of certain subsidiaries. Mr. Hao previously served as the deputy department head of the general department of the general office, head of the office and head of the ministerial office of the supervision department under the CPC Central Commission for Discipline Inspection, deputy chief of the disciplinary team of the communist party committee, the head of the supervision and audit department and secretary to discipline inspection work committee for overseas enterprises of China Shipping. Mr. Hao has more than 20 years of work experience in the discipline inspection and has been awarded personal second-class merit by the Ministry of Personnel and collective second-class merit by the supervision department under the CPC Central Commission for Discipline Inspection. Mr. Hao graduated from the economics postgraduate course of Beijing Administrative College (北京市委黨校) and is a senior political scientist.

Mr. QIAN Weizhong[6] (錢衛忠)

Mr. Qian, aged 52, he was previously an employee Supervisor. He is currently the party secretary, the deputy general manager and a director of COSCO SHIPPING Lines. Mr. Qian previously served as the general manager and a member of the party committee of China Shipping Agency Co., Ltd., the vice president of China Shipping (North America) Holdings Company Limited, the general manager of the Los Angeles branch of China Shipping (North America) Agency Co. Inc. and party secretary and deputy general manager of CSCL, all of which are subsidiaries of China Shipping. Mr. Qian has nearly 30 years of experience in shipping industry, and has extensive experience in corporate management. Mr. Qian graduated from Shanghai Maritime University majoring in transportation planning and management. He holds a master's degree and is an economist.

Mr. FANG Meng (方萌)

Mr. Fang, aged 60, is currently an employee Supervisor and the party secretary, an executive Director and a deputy managing director of COSCO SHIPPING Ports. He previously served as a deputy general manager of the enterprise managing division of China Shipping Group, the general manager and a member of the Party committee of China Shipping International Trading Co., Ltd., the general manager, a member of the Party committee of China Shipping Terminal Development Co., Ltd., and the general manager, a member of the Party committee and others positions of China Shipping Ports Development Co. Ltd. Mr. Fang has over 30 years of experience in shipping industry, and has extensive experience in ship management, terminal operation and corporate management. Mr. Fang graduated from Shanghai Jiao Tong University majoring in ship engineering in February 1982 and graduated from the "Senior Manager (EMBA) Master Research programme" jointly organised by Shanghai University/San Francisco USA in April 1995. He is a senior engineer.

Mr. DENG Huangjun[7,8] (鄧黃君)

Mr. Deng, aged 57, is currently an employee Supervisor, the executive director and deputy general manager of COSCO SHIPPING Ports and the director of several subsidiaries. Mr. Deng joined China Ocean Shipping Company Limited (a direct controlling shareholder) in 1983, he had previously been the section manager of the cost section of finance department of Shanghai Ocean Shipping Company, the deputy manager of finance department and head of settlement department of COSCO SHIPPING Lines, the deputy general manager and the general manager of the finance department and chief financial officer of COSCO SHIPPING Lines, and the chief financial officer of the Company. Mr. Deng graduated from Shanghai Maritime Transportation Institute, majoring in shipping accounting. He is a senior accountant.

Mr. MENG Yan (孟焰)

Mr. Meng, aged 63, is currently an independent Supervisor. Mr. Meng has been working at the Central University of Finance and Economics since 1982 and was the deputy director and the director of its Accounting Department and the dean of its Faculty of Accounting. He is currently a professor and a tutor of doctorate students of the Faculty of Accounting of Central University of Finance and Economics, the executive member of the Accounting Society of China and the China Society for Finance and Accounting. Mr. Meng is also an independent director of Beijing Bashi Media Co., Ltd., Sinotrans Limited, Jolimark Holdings Limited and Beijing Capital Co., Ltd. Mr. Meng graduated from the Research Institute for Fiscal Science of the Ministry of Finance and obtained a doctorate degree in economics (accounting). He has been entitled to the governmental special allowance from the State Council of the PRC since 1997. He was named the National Outstanding Teacher in 1993 and was given the Higher Education National Level Teaching Award of by Ministry of Education of the PRC in 2011.

Mr. ZHANG Jianping (張建平)

Mr. Zhang, aged 53, is currently an independent Supervisor. He is a professor of the International Business School and the director of the Capital Market and Investment and Financing Research Center of the University of International Business and Economics. Mr. Zhang assumed various positions such as the director of the Department of Teaching and Research, the dean and the vice president of the International Business School of the University of International Business and Economics. He is currently an independent director of Hunan Valin Steel Co., Ltd. (湖南華菱鋼鐵股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 000932)) and Beijing SPC Environment Protection Tech Co., Ltd. (北京清新環境技術股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002573)), respectively. Mr. Zhang graduated from the University of International Business and Economics with a doctorate degree of transnational business management.

Ms. CHEN Xiang[9] (陳翔)

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

Mr. YAO Erxin[9] (姚爾欣)

Mr. Yao, aged 62, is currently the deputy general manager of the Company, he was appointed as a director and a member of executive committee of OOCL since January 2010, and was appointed as the head of corporate planning and corporate administration department since January 2013. Mr. Yao joined OOIL in 1993 and served in various capacities of OOIL for 25 years, he was the executive vice president of OOCL Logistics and head of corporate services department, the managing director of Orient Overseas Container Line (China) Co., Ltd. and OOCL Logistics (China) Limited, and the president of OOCL (USA) Inc. Mr. Yao was awarded the Bachelor of Arts degree from Toronto/Fudan University joint program and a Master of International Affairs degree from Columbia University.

Mr. ZHU Jiandong[9] (朱建東)

Mr. Zhu, aged 54, is currently the deputy general manager of the Company, the deputy general manager of COSCO SHIPPING Lines, and a director and a member of the executive committee of OOCL. Mr. Zhu joined the Group in August 1984, he had been the second officer and the deputy head of the shipping section of Shanghai Ocean Shipping Co., Ltd., deputy manager of container shipping division I and deputy manager of container shipping division II at the container shipping head office of China COSCO Shipping Corporation Limited, manager of container shipping division I, general manager of marketing department and general manager of America trade region of COSCO Container Lines Co., Ltd., vice president of European branch of COSCO Container Lines Co., Ltd., executive vice president of American branch of COSCO Container Lines Co., Ltd., executive vice president of COSCO Americas Inc., and deputy general manager of COSCO Container Lines Co., Ltd. Mr. Zhu graduated from the University of Hong Kong with major in management and was a postgraduate of master program.

Mr. Stephen NG[9, 10] (伍紹裘)

Mr. Ng, aged 60, was the deputy general manager of the Company. He has been appointed as a director and a member of the executive committee of OOCL since August 2010, and has been appointed as the head of the shipping routes department since July 2012. Mr. Ng is also the official spokesperson for OOCL. He joined OOIL in 1987, and worked in various capacities including the head of corporate planning, and head of pacific shipping routes. Mr. Stephen Ng holds a Bachelor of Social Sciences degree from the University of Hong Kong and a Master of Business Administration degree from the Chinese University of Hong Kong.

Mr. ZHANG Mingwen[6] (張銘文)

Mr. Zhang, aged 40, is the chief financial officer (總會計師) of the Company (the "**Chief Financial Officer**"), the chief financial officer of OOIL, and a director, the chief financial officer and the member of the executive committee of OOCL. Mr. Zhang previously served as the deputy section chief and vice director of the capital centre of the planning and finance department of China Shipping (Group) Company (currently known as China Shipping Group Company Limited), the assistant to the general manager of the planning and finance department of China Shipping (Group) Company and the assistant to the general manager of the financial capital department of China Shipping (Group) Company, and the deputy chief financial officer (副總會計師) and the chief financial officer (總會計師) of COSCO SHIPPING Development. Mr. Zhang has nearly 20 years of working experience in the shipping industry and has extensive experience in areas including finance and capital management, shipping finance and capital operation. Mr. Zhang graduated from the Faculty of Finance of Shanghai University of Finance and Economics majoring in investment economics and from the Antai College of Economics & Management of Shanghai Jiao Tong University majoring in business administration, and obtained a bachelor's degree in economics and a master's degree in business administration. Mr. Zhang is a Chartered Financial Analyst (CFA) and a senior accountant.

Mr. Steve SIU[9] (蕭啟豪)

Mr. Siu, aged 60, is currently the deputy general manager of the Company and the deputy general manager of COSCO SHIPPING Lines. He has been appointed as the chief information officer and a director of OOCL since November 2006 and the chief executive officer of CargoSmart since January 2002. Mr. Siu joined OOIL in 1987 and served in various capacities of OOIL for 30 years. Mr. Steve Siu holds a Bachelor of Science degree and a Master of Science degree from University of Essex, UK, and a Master of Business Administration degree jointly awarded by Northwestern University and the Hong Kong University of Science and Technology.

Mr. CHEN Shuai[9] (陳帥)

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

Mr. QIU Jinguang[9] (邱晉廣)

Mr. Qiu, aged 56, was the deputy general manager of the Company. Mr. Qiu had been the general manager of corporate planning department and general manager of terminal companies of COSCO Americas Inc., the deputy director (in charge of operation) of logistics office of the transportation department and manager of the logistics business management office of COSCO Group. He also served as the general manager of strategic development division of COSCO SHIPPING Ports, the assistant to general manger, deputy general manager, vice chairman of the board of directors and managing director of COSCO SHIPPING Ports. Mr. Qiu has over 30 years' experience in shipping industry and has extensive working experience in enterprise management, operation of terminal and strategic research. Mr. Qiu graduated from University of California Los Angeles with a degree of business administration and is an economist.

Mr. GUO Huawei (郭華偉)

Mr. Guo, aged 53, is currently the secretary to the Board and company secretary of the Company, and the chairman of the labour union of the Company. Mr. Guo was the deputy department head (in charge of the work) of the enterprises restructure department of the management division, the deputy general manager and the deputy general manager (in charge of the work) of the capital operation division of COSCO, the general manager of the investor relationship department and the strategic development department of COSCO Corporation (Singapore) Limited. Mr. Guo has extensive experience in the shipping industry and in capital operation and is currently a member of The Hong Kong Institute of Chartered Secretaries. Mr. Guo graduated from Northern Jiaotong University, majoring in transportation economics. He holds a doctorate degree and is a senior economist.

Notes:

1 On 30 August 2018, Mr. Xu Lirong was appointed as an executive Director and the chairman of the fifth session of the Board. For details, please refer to the announcement of the Company dated 30 August 2018.

2 With effect from 8 January 2018, Mr. Wan Min resigned as the Chairman, a non-executive Director, the chairman and a member of the executive committee of the Board. For details, please refer to the announcement of the Company dated 8 January 2018.

3 With effect from 2 March 2018: (i) Mr. Xu Zunwu resigned as an executive Director, the general manager, a member and the chairman of the risk management committee, a member of the strategic development committee and a member of the nomination committee of the Company; and (ii) Mr. Wang Haimin was appointed as the new general manager of the Company. For details, please refer to the announcement of the Company dated 2 March 2018.

4. On 13 July 2018, Mr. Ma Jianhua resigned as a non-executive Director. For details, please refer to the announcement of the Company dated 13 July 2018.

5. With effect from 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 Company. For details, please refer to the announcement of the Company dated 28 February 2018.

6. On 25 October 2018, Mr. Qian Weizhong resigned as a Supervisor. For details, please refer to the announcement of the Company dated 25 October 2018.

7. On 27 July 2018, the Company convened the fifteenth meeting of the fifth session of the Board, and considered and approved the appointment of Mr. Zhang Mingwen as the Chief Financial Officer, and Mr. Deng Huangjun resigned as the Chief Financial Officer. For details, please refer to the announcement of the Company dated 27 July 2018.

8. On 30 January 2019, at the employee representatives' conference held by the Company, Mr. Deng Huangjun was elected an an employee representative Supervisor. For details, please refer to the announcement of the Company dated 30 January 2019.

9. On 27 July 2018, the Company convened the fifteenth meeting of the fifth session of the Board, and considered and approved the appointment of Ms. Chen Xiang, Mr. Yao Erxin, Mr. Zhu Jiandong, Mr. Stephen Ng, Mr. Steve Siu and Mr. Chen Shuai as deputy general managers of the Company; and the resignation of Mr. Ma Jianhua and Mr. Qiu Jinguang as deputy general managers of the Company.

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

Note: This section was prepared based on the information available on 16 April 2019, being the latest practicable date before printing of this annual report for ascertaining certain information herein.

Corporate Governance Report

I. Corporate Governance

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

During the Reporting Period, the Company attempted to meet the best standards of governance, internal governance, improve the efficiency of the Company through sound corporate governance structure, promote the construction of long-term mechanism of compliance management, standardize "the operation of the three sessions"; established a communication platform mechanism with an aim to set up a collaborated working process and operation mechanism to enhance the planning efficiency and foresight of various works; put efforts to establish an internal control system, strengthen the internal control system and risk management process, and clear the main responsibility and management responsibilities to distinguish the responsibility; and effectively promoted the performance of directors, supervisors and senior management of their duties via strengthened on-the-job training, update on regulatory regulations, management of equity information, regular report of information, on-site research and inspection, and making full use of independent directors and intermediary institutions. At the 14th Golden Round Table Awards for Listed Companies in China presentation organized by the "Board of Directors" Magazine as lead organizer and co-organized by Beijing Association for Listed Companies, Shenzhen Association for Listed Companies and the Associations for Listed Companies of more than 20 provinces including Shanghai and Guangdong, our Company emerged from numerous listed companies to be the winner of the "Golden Round Table Award – Board of Directors Value Creation Prize" that highlighted the legal and compliant operation of the Company, and our steady improvement in governance level was generally recognized by the industry.

II. Model Code for Securities Transactions by Directors

Since the listing of the Company on the Main Board of the Hong Kong Stock Exchange in 2005, the Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code for the dealings in securities transactions by the Directors. Having made specific enquiries with all Directors and Supervisors, they have confirmed that they complied with the required standards set out in the Model Code throughout the year ended 31 December 2018.

Corporate Governance Report

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

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

To the knowledge of the Directors, there is no information that would reasonably indicate that the Company had not complied with the Corporate Governance Code at any time during the year ended 31 December 2018.

A. Directors

A1. The Board

Principle of the Code

- *The board should assume responsibility for its leadership and control of the issuer and be collectively responsible for directing and supervising the issuer's affairs. Directors should take decisions objectively in the best interests of the issuer.*
- *The board should regularly review the contribution required from a director to perform his responsibilities to the issuer, and whether he is spending sufficient time performing them.*

The corporate governance situation of the Company

- The Board fully represents the Shareholders' interests and has set up development strategies of the Company within the scope of powers as provided under the Articles of Association. The Board monitors and implements the Company's operation management, so as to achieve a steady return of long term results.
- Directors attend Board meetings as scheduled and carefully review materials of the meetings and actively fulfill their responsibilities. Independent non-executive Directors regularly inspect the management of connected transactions of the Company.

Compliance procedures of the Corporate Governance Code – Code provisions

<table>
<tr><th>Code provisions</th><th>Compliance</th><th>Procedures of Corporate Governance</th></tr>
<tr><td>

- The board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. It is expected regular board meetings will normally involve the active participation, either in person or through electronic means of communication, of a majority of directors entitled to be present. So, a regular meeting does not include obtaining board consent through circulating written resolutions
- To disclose the attendance of each director, by name, at the board and general meetings pursuant to the mandatory disclosure requirements under the Corporate Governance Report

</td><td>Yes</td><td>

In 2018, the Company convened 13 Board meetings. Attendance of members of the Board at Board meetings in 2018 was 100% and details of the attendance of Board meetings and general meetings are listed as follows:

<table>
<tr><th></th><th colspan="4">(Number of meetings attended/ Number of meetings to be attended)</th></tr>
<tr><th></th><th>Board meetings</th><th>Attendance</th><th>General meetings</th><th>Attendance</th></tr>
<tr><td>XU Lirong</td><td>4/4</td><td>100%</td><td>2/2</td><td>100%</td></tr>
<tr><td>WAN Min</td><td>0/0</td><td>N/A</td><td>0/0</td><td>N/A</td></tr>
<tr><td>HUANG Xiaowen</td><td>13/13</td><td>100%</td><td>4/5</td><td>80%</td></tr>
<tr><td>XU Zunwu</td><td>0/0</td><td>N/A</td><td>0/0</td><td>N/A</td></tr>
<tr><td>MA Jianhua</td><td>7/7</td><td>100%</td><td>2/2</td><td>100%</td></tr>
<tr><td>WANG Haimin</td><td>13/13</td><td>100%</td><td>4/5</td><td>80%</td></tr>
<tr><td>ZHANG Wei (張為)</td><td>13/13</td><td>100%</td><td>5/5</td><td>100%</td></tr>
<tr><td>FENG Boming</td><td>13/13</td><td>100%</td><td>1/5</td><td>20%</td></tr>
<tr><td>ZHANG Wei (張煒)</td><td>13/13</td><td>100%</td><td>3/5</td><td>60%</td></tr>
<tr><td>CHEN Dong</td><td>13/13</td><td>100%</td><td>2/5</td><td>40%</td></tr>
<tr><td>YANG Liang Yee Philip</td><td>13/13</td><td>100%</td><td>5/5</td><td>100%</td></tr>
<tr><td>WU Dawei</td><td>13/13</td><td>100%</td><td>5/5</td><td>100%</td></tr>
<tr><td>ZHOU Zhonghui</td><td>13/13</td><td>100%</td><td>3/5</td><td>60%</td></tr>
<tr><td>TEO Siong Seng</td><td>13/13</td><td>100%</td><td>4/5</td><td>80%</td></tr>
<tr><td>KOO, Chee Kong Kenneth</td><td>0/0</td><td>N/A</td><td>0/0</td><td>N/A</td></tr>
</table>

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

- All directors are given an opportunity to include matters in the agenda for regular board meetings

</td><td>Yes</td><td>Relevant notice will be given to the Directors and sufficient time will be given for them to suggest proposals to be included in the agenda of Board meetings. All Directors have opportunities for the inclusion of their proposals in the agenda of regular Board meetings.</td></tr>
<tr><td>

- Notice of at least 14 days should be given of a regular board meeting

</td><td>Yes</td><td>Notices of regular Board meetings have been given at least 14 days before the convening of the meetings, and notices and agenda of extraordinary Board meetings were given within reasonable time pursuant to the Articles of Association.</td></tr>
</table>

Corporate Governance Report

Code provisions	Compliance	Procedures of Corporate Governance
• Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting, and should be open for inspection at any reasonable time by any director	Yes	The Board secretary has been responsible for organizing and keeping the minutes of Board meetings. The minutes of Board meetings and the records and related information of the special committees have been properly and perpetually kept in the Company's domicile as important files of the Company, and available for the inspection by Directors at any time.
• Minutes of the board meetings and meetings of board committees should record in sufficient detail the matters considered and decisions reached	Yes	Minutes of Board meetings have made objective and detailed records on the matters considered, voting and opinions issued by the Directors in the meetings, and confirmed by the Directors.
• Directors should be entitled to seek independent professional advice in accordance with the agreed procedures at the issuer's expense	Yes	In respect of matters requiring opinions from professional institutions, the Company has appointed professional institutions upon Director's request to provide independent opinions at the expense of the Company.
• If a substantial shareholder or a director has conflict of interest in a material matter, the matter should be dealt with by a physical board meeting rather than a written resolution	Yes	The Company has adopted provisions in respect of abstaining from voting of connected Directors in the Articles of Association and the Rules of Procedures of the Board. The matters in which a substantial shareholder or a director had conflict of interests were dealt with by a physical board meeting, details of which: In 2018, the Company considered the resolutions, including the resolution in relation to entering into the Master Vessel Time Charter Services Agreement with Pacific International Lines and the proposal for the annual cap for the transactions of 2019; the resolution in relation to entering into the shipping services and terminal services master agreement with China COSCO SHIPPING Group and the proposal for the annual cap for the transactions of 2019; the resolution in relation to the extension of the validity period regarding the Non-public Issuance of A Shares approved at the general meeting. The connected Directors abstained from voting on such resolutions.

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

A2. Chairman and Chief Executive

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

Compliance procedures of the Corporate Governance Code – Code provisions

Code provisions	Compliance	Procedures of Corporate Governance
• The roles of the chairman and chief executive should be separate, and the division of responsibilities between them should be clearly established and set out in writing	Yes	Mr. Xu Lirong has served as the chairman of the Company since 30 August 2018 and no chief executive officer has been appointed by the Company.
• The chairman should ensure that all directors are properly briefed on issues arising at board meetings	Yes	In respect of matters to be considered by the Board, adequate information has been provided to the Directors with sufficient communication before the meeting, and special meetings have been convened upon the request of the Directors to report on the matters concerned. Detailed explanations would be made at the meeting by the chairman of the Board or management of the Company on the motions where necessary.
• The chairman should ensure that the directors receive adequate information in a timely manner which must be accurate, clear, complete and reliable	Yes	The chairman of the Board has arranged the Board secretary to provide information regarding the progress of the various matters of the Company to all the Directors each month and the management of the Company has presented the key data of performance to members of the Board each month, so that the Directors may obtain timely and adequate information.

Corporate Governance Report

Code provisions	Compliance	Procedures of Corporate Governance
• The chairman should be primarily responsible for drawing up and approving the agenda of the board meetings	Yes	Agenda of Board meetings are discussed by the chairman of the Board with the executive Directors and the Board secretary and are decided after taking into consideration of all the matters proposed by each Director.
• The chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established	Yes	The chairman of the Board assumes an important role in the promotion of the development of the Company's corporate governance, delegates the Board secretary to set up a good corporate governance system and procedure, supervises management to loyally implement the various systems, and ensures the regularized operation of the Company.
• The chairman should encourage all directors to make full and active contribution to the board's affairs, ensure the board will act in the best interests of the issuer. The chairman should encourage directors with different views to voice their concerns, allow sufficient time for discussion of issues, and ensure the board decisions fairly reflect board consensus	Yes	The chairman of the Board has encouraged all Directors to be involved in the affairs of the Board and make effective contribution to the Board and requested the Board to act in the best interests of the Company.
• The chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors	Yes	The chairman of the Board has communicated fully with independent non-executive Directors face-to-face appropriately before the start and after the end of physical Board meetings. In 2018, the chairman of the Board had a face-to-face communication with independent non-executive Directors at the Board meeting, on which relevant issues the independent non-executive Directors cared about were communicated and discussed in furtherance.

Code provisions	Compliance	Procedures of Corporate Governance
• The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the board as a whole	Yes	The chairman of the Board has placed great emphasis on the effective communication between the Company and the Shareholders, attended and presided over Shareholders' general meetings and continued to promote and improve investor relationship, and has dedicated himself to realizing maximum returns of Shareholders.
• The chairman should promote a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular, and ensuring constructive relations between executive and non-executive directors	Yes	The chairman of the Board has placed great emphasis on the contributions of Directors to the Board, and made efforts to ensure the executive Directors and non-executive Directors maintain constructive relations with each other.

A3. Board composition

Principle of the Code

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

The corporate governance situation of the Company

- As at 31 December 2018, the Board comprised eleven members, including four executive Directors, three non-executive Directors and four independent non-executive Directors.
- The independent non-executive Directors have expertise and experience in areas such as shipping, corporate management, finance and laws and are able to make independent judgments, which ensures the decisions of the Board are made prudently and comprehensively.
- There is no relationship (including financial, business, family or other material relationship) among the members of the Board.

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

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

A4. Appointments, re-election and removal

Principle of the Code

- *There should be a formal, considered and transparent procedure for the appointment of new directors. There should be plans in place for orderly succession for appointments to the board. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director.*

The corporate governance situation of the Company

- The Company has set up a nomination committee under the Board. The nomination committee shall make proposals on the appointment, re-election, removal and relevant procedures of the candidates of Directors, present the proposals for the Board's consideration, which will finally be determined by the Shareholders' meeting. The resignation of a Director and the reason for such resignation shall be disclosed in a timely manner.

Compliance procedures of the Corporate Governance Code – Code provisions

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

A5. Nomination Committee

<table>
<tr><th>Code provisions</th><th>Compliance</th><th>Procedures of Corporate Governance</th></tr>
<tr><td>• The issuer should establish a nomination committee which is chaired by the chairman of the Board or an independent non-executive director and comprises a majority of independent non-executive directors</td><td>Yes</td><td>The Board has set up a nomination committee, of which the chairman is an independent non-executive Director and the members include one executive Director and one independent non-executive Director.</td></tr>
<tr><td>• The issuer should set out specific written terms of reference of the nomination committee</td><td rowspan="2">Yes</td><td rowspan="2">The Company has adopted the Operation Rules of the Nomination Committee, specifying the powers and duties of the nomination committee, and published its terms of reference on the websites of the Company and the Hong Kong Stock Exchange.</td></tr>
<tr><td>• The nomination committee should make available its terms of reference explaining its roles and the authority delegated to it by the board</td></tr>
<tr><td>• The issuer should provide the nomination committee with sufficient resources to perform its duties. Where necessary, the nomination committee should seek independent professional advice at the expense of the issuer</td><td>Yes</td><td>The Company has actively assisted the nomination committee in performing their work, so as to ensure they are adequately resourced to discharge their duties. For matters that require advice from professional institutions, the Company has engaged the professional institutions for independent advice at its own expense.</td></tr>
<tr><td>• Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, the circular accompanying the notice of the relevant general meeting should specify the reason for such election and other information required by the Listing Rules</td><td>Yes</td><td>During the Reporting Period, no independent non-executive directors was appointed by the Company.</td></tr>
</table>

A6. Responsibilities of directors

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

Compliance procedures of the Corporate Governance Code – Code provisions

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

Code provisions	Compliance	Procedures of Corporate Governance
• Every director should ensure that he can give sufficient time and attention to the issuer's affairs	Yes	All Directors have diligently discharged their duties and taken their responsibilities seriously. The attendance of Directors at the meetings of the Board and various special committees in 2018 was relatively high, indicating that the Directors have spent sufficient time on the Company's business.
• The board should establish written guidelines no less exacting than the Model Code for relevant employees in respect of their dealings in issuer's securities	Yes	According to the relevant requirements of the Model Code, the Company shall give notice of blackout period to Directors, Supervisors and senior management within the specified period prior to the issue of annual, interim and quarterly reports to restrict them from dealing in the Shares within the specified period.
• All directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The issuer should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director *Note: Directors should provide a record of the training they received to the issuer.*	Yes	All Directors have the opportunities to attend professional training programmes arranged by the Company during their terms of appointment at the expense of the Company. The Company has provided assistance to Directors to participate in the relevant training programmes organized by the Stock Exchange, the Shanghai Stock Exchange and other regulatory authorities. The Company has also engaged legal consultants and staff from regulatory authorities at home and abroad to provide training programmes.
• The directors should at the time of their appointments (and thereafter) disclose their positions and other significant commitments in other entities	Yes	Each of the Directors has upon the acceptance of appointment provided the Company with his or her positions and other major commitments in other companies and updated the Company if any changes arise.

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

A7. Supply of and access to information

Principle of the Code

- *Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make informed decisions and perform their duties and responsibilities.*

The corporate governance situation of the Company

- The Board secretary is responsible for the provision of all information to the Directors, including documents for the meetings of the Board and the special committees, regular provision of the reports of the Company's business progress, financial targets, development plans and strategic plans, as well as latest information on other statutory requirements relating to the Listing Rules, and for the continued enhancements of the quality and timely release of information.

Compliance procedures of the Corporate Governance Code - Code provisions

Code Provisions	Compliance	Procedures of Corporate Governance
• For regular board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers should be sent, in full, to all directors. These should be sent in a timely manner and at least 3 days before the intended date of a board or board committee meeting (or other agreed period)	Yes	All documents of the past meetings of the Board and special committees were sent to each of the Directors at least three days before the meetings.
• Management has an obligation to supply the board and its committees with adequate information, in a timely manner, to enable it to make informed decisions. To fulfil his duties properly, a director may not, in all circumstances, be able to rely purely on information provided voluntarily by management and he may need to make further enquiries. Where any director requires more information than is volunteered by management, he should make further enquiries where necessary. So, the board and individual directors should have separate and independent access to the issuer's senior management	Yes	Management of the Company has been able to provide sufficient information to the Board and its subordinate committees in a timely manner. The Directors have been able to communicate with management of the Company by themselves to obtain further information required.
• All directors are entitled to have access to the board papers and related materials. The papers and related materials should be in a form and quality sufficient to enable the board to make informed decisions on matters placed before it. Queries raised by directors, should receive a prompt and full response if possible	Yes	The documents of the Board and the special committees are being kept by the Board secretary, and are available for the inspection by all Directors at any time. The Company has arranged related personnel to give timely response in respect of the questions raised by the Directors.

B. Remuneration of Directors and senior management and Board evaluation

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

Principle of the Code

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

The corporate governance situation of the Company

- The Company has set up a remuneration committee. The terms of reference of the Remuneration Committee includes determination and review of the remuneration policies and plans of the directors and managers of the Company.
- In 2018, the remuneration committee convened three meetings to review matters such as the performance appraisal of the senior management of COSCO SHIPPING Holdings in 2017, make recommendation to the Board of remuneration of directors, and review the remuneration packages of the Company's senior management staff in 2018 based on the performance appraisal results and the Company's remuneration management system, and the remuneration committee was of the view that the remuneration of the Company's senior management staff was in accordance with corporate performance appraisal and management regulation on remuneration, and the relevant process of decision-making was lawful and valid.

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

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

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

C. Accountability and Audit

C1. Financing reporting

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

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

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

Code provisions	Compliance	Procedures of Corporate Governance
• The directors should acknowledge in the Corporate Governance Report their responsibilities for preparing the accounts. There should be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements	Yes	The Directors have acknowledged their responsibilities in preparing financial statements which truly and fairly reflect the Company's situation in the financial year. The auditors' reports have specified the reporting responsibilities of the auditors.
• The directors should include in the separate statement containing a discussion and analysis of the group's performance in the annual report, an explanation of the basis on which the issuer generates or preserves value over the longer term (the business model) and the strategy for delivering the issuer's objectives	Yes	The Company has disclosed the foundation for creating or retaining value in the long run and the strategies to achieve targets of the Company.
• The board should present a balanced, clear and understandable assessment in annual and interim reports, and other financial disclosures required by the Listing Rules	Yes	In its regular reports and external announcements, the Board has made objective, fair and clear descriptions on the situation and prospects of the Company and its subsidiaries.

Code provisions	Compliance	Procedures of Corporate Governance
Recommended Best Practices		
• An issuer should announce and publish its quarterly financial results within 45 days after the end of the relevant quarter	Yes	In addition to the reports on annual and interim results, the Company has also prepared and issued first quarterly and third quarterly results reports. The Company announced and issued quarterly financial results within one month after the end of the first and third quarter, and the information disclosed are sufficient for the Shareholders to assess the Company's performance, financial position and prospects.
• Once an issuer announces quarterly financial results, it shall continue to do so for each of the first 3 and 9 months periods of subsequent financial years		

C2. Risk management and Internal controls

Principle of the Code

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

The corporate governance situation of the Company

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

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

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

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

Code provisions	Compliance	Procedures of Corporate Governance
• The board should oversee the issuer's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the issuer's and its subsidiaries' risk management and internal control systems has been conducted at least annually and report to shareholders that it has done so in its Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls.	Yes	The Board has overall responsibility for assessing and determining the nature and extent of the risks the Group is willing to take in achieving its strategic objectives, maintaining sound and effective risk management and internal control systems and reviewing their effectiveness for the purpose of ensuring the Shareholder's investment and Group assets. To this end, management continues to allocate resources to internal control and risk management systems to manage (rather than eliminate) the risk of failing to meet business objectives, and to provide reasonable, though not absolute, assurance against material misstatement or loss. The Board had conducted an annual review of the Group's risk management and internal control systems for the year ended 31 December 2018 and considered them effective and adequate. The Company has placed strong emphasis on its internal control, and has established an internal control system and set up an internal audit department in its organization structure to perform supervision and control on the Company's finance, business, compliance and risk management. The Company's chief financial officer has reported to the audit committee and the Board on the internal control each year for the appraisals by all Directors.

Code provisions	Compliance	Procedures of Corporate Governance
• The board's annual review should, in particular, ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit and financial reporting functions	Yes	The Company has placed strong emphasis on the professional management and training of finance personnel to improve their professional skills and comprehensive quality. The Company organized annual continuing education for finance personnel on-the-job to attend on time according to the requirements of the Accounting Law (《會計法》) and planned and arranged finance personnel to receive relevant professional training on accounting standards depending on the changes in the state's finance and tax policies and work requirements, with sufficient training expenses budget as a guaranty.
• Issuers should disclose, in the Corporate Governance Report, a narrative statement on how they have complied with the risk management and on internal control code provisions during the Reporting Period	Yes	The Company has disclosed how it complied with the code provisions on internal control during the Reporting Period in accordance with the relevant requirements of the Corporate Governance Report.
• The issuer should have an internal audit function. Issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report	Yes	The Company has an internal audit function which the supervision and audit department of the Company is responsible for. The Board has authorized the Audit Committee to review the effectiveness of internal audit function of the Company, to monitor the establishment and implementation of the Company's internal audit function and to urge the internal audit function is adequately resourced and has appropriate standing in the Company. The Audit Committee has reviewed the effectiveness of the Company's internal audit function during the Reporting Period.

C3. Audit Committee

<table>
<tr><td>

Principle of the Code

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

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

The corporate governance situation of the Company

- The Board has set up an audit committee, chaired by Mr. Zhou Zhonghui, an independent non-executive Director. Other members include Mr. Chen Dong (a non-executive Director) and Mr. Yang, Liang Yee Philip (an independent non-executive Director), all of whom have professional skills and experience on financial management or legal issuers and are non-executive Directors (including two independent non-executive Directors). One independent Director with professional qualification and professional experience in financial management has also been appointed.
- The audit committee is mainly responsible for the supervision of the internal system set up by the Company and its subsidiaries and its implementation, audit on the financial information and disclosures of the Company and its subsidiaries, review on the internal control system (including financial control and risk management) of the Company and its subsidiaries, planning of material connected transactions and communications, supervisions and verifications on the Company's internal and external audits.
- In 2018, the audit committee convened 5 meetings at which the management and the chief financial officer of the Company reported the Company's financial situation and material issues relating to risk management and internal control.

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

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

Code provisions	Compliance	Procedures of Corporate Governance
• Full minutes of the audit committee meetings should be kept by a duly appointed secretary of the meeting (who should normally be the company secretary). Draft and final versions of minutes of the meetings should be sent to all committee members for their comments and records within a reasonable time after the meeting	Yes	The minutes and related information of meetings of the Audit Committee are properly kept by the Board secretary. The Audit Committee secretary shall be responsible for making detailed records in the minutes of meetings of the Audit Committee on the matters considered in the meetings and submitting such records to the relevant management, departments and intermediary agencies present in the meetings for amendment and confirmation. After being confirmed by all the members of the audit committee present in the meetings, such records shall be signed by the chairman.

Code provisions	Compliance	Procedures of Corporate Governance
• A former partner of the issuer's existing auditing firm should be prohibited from acting as a member of its audit committee for a period of two years from the date of the person ceasing: (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.	Yes	On the date which is two years prior to the appointment of each of Mr. Zhou Zhonghui as the chairman of the audit committee; and Mr. Chen Dong and Mr. Yang, Liang Yee Philip as members of the audit committee, each of them was not a partner of the Company's existing auditing firm nor had any financial interest in the firm.
• The terms of reference of the audit committee	Yes	The Company has formulated the Terms of Reference of the Audit Committee which specifies the scope of duties and authorities of the committee in various aspects, including relationship with the Company's auditors, review on the financial information of the Company, supervision and control of the financial reporting system of the Company, internal control procedures and the rules of procedures for meetings.
• The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on the Exchange's website and the issure's website	Yes	The Terms of Reference of the Audit Committee has been published on the website of the Company and the Hong Kong Stock Exchange.
• Where the board disagrees with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors, the issuer should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reason(s) why the board has taken a different view	Yes	The Board has no disagreements with the audit committee's view on the selection, appointment, resignation or dismissal of the external auditors.

Corporate Governance Report

Code provisions	Compliance	Procedures of Corporate Governance
• The audit committee should be provided with sufficient resources to perform its duties	Yes	The Company actively assisted the audit committee to perform its work. The members are entitled to consult independent professional opinions based on agreed procedures, at the expense of the Company.
• Employees of the issuer can raise concerns about possible improprieties in financial reporting, internal control or other matters in confidence. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action	Yes	The Company has formulated the Rules of Procedures of the Audit Committee, which facilitates the setting up of channels for reporting possible improprieties in financial reporting, internal control or other matters so that the Company can carry out fair and independent investigation of these matters and take appropriate follow-up actions.
• The audit committee should act as the key representative body for overseeing the issuer's relationship with the external auditor	Yes	The whole audit committee should act as the principal representative between the Company and external auditors, and is responsible for the monitoring and coordination of their relationship.
Recommended Best Practices		
• The audit committee should establish a whistleblowing policy and system for employees and other parties who deal with the issuer (e.g. customers and suppliers) to raise concerns, in confidence, with the audit committee, about possible improprieties in any mater related to the issuer	Yes	The Company has set up a system of reporting of the fraudulent cases to the Directors and formulated the "Rules of Procedures of internal reporting of Information Regarding Material Breach" of the Company which was approved by the Board and the audit committee. The rules require that any violation shall be promptly and separately disclosed to provide details known to the Company.

D. Delegation by the Board

D1. Management Functions

Principle of the Code • *An issuer should have a formal schedule of matters specifically reserved for board approval. The board should give clear directions to management on matters that must be approved by it before decisions are made on the issuer's behalf.*
The corporate governance situation of the Company • The main powers of the Board include to convene Shareholders' general meetings, to decide the Company's operation plans and investment plans and the allocation of the Company's internal management bodies, to prepare the Company's annual financial budgets, final accounts and profit distribution plans, to propose plans for the Company's merger, division and dissolution and material acquisition or disposal plans, and to implement resolutions of the general meetings. • The Board may delegate part of its powers to the special committees and management, and specify matters that must be approved by the Board.

Compliance procedures of the Corporate Governance Code - Code provisions

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

D2. Board committees

Principle of the Code

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

The corporate governance situation of the Company

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

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

	Strategic Development Committee	Risk Management Committee	Audit Committee	Remuneration Committee	Nomination Committee	Executive Committee
XU Lirong[(1)]	–	–	–	–	–	–
WAN Min[(2)]	–	–	–	–	–	–
HUANG Xiaowen	–	–	–	–	–	–
XU Zunwu[(3)]	0/0	0/0	–	–	1/1	–
MA Jianhua	–	–	–	–	–	–
WANG Haimin	1/1	1/1	–	–	1/1	–
ZHANG Wei (張為)	–	–	–	–	–	–
FENG Boming	–	–	–	3/3	–	–
ZHANG Wei (張煒)	–	1/1	–	–	–	–
CHEN Dong	–	–	5/5	–	–	–
YANG, Liang Yee Philip	1/1	–	5/5	–	2/2	–
WU Dawei	–	1/1	–	3/3	2/2	–
ZHOU Zhonghui	–	–	5/5	3/3	–	–
TEO Siong Seng	1/1	–	–	–	–	–
KOO, Chee Kong Kenneth[(4)]	–	0/0	–	–	–	–

(1) With effect from 30 August, Mr. Xu Lirong was appointed as the chairman of the Board and an executive Director.

(2) With effect from 8 January 2018, Mr. Wan Min resigned as the chairman of the Board, a non-executive Director and the chairman and a member of the executive committee of the Board.

(3) With effect from 2 March 2018: (i) Mr. Xu Zunwu resigned as an executive Director, the general manager of the Company, a member and the chairman of the risk management committee, a member of the strategic development committee and a member of the nomination committee of the Board.

(4) With effect from 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.

Compliance procedures of the Corporate Governance Code - Code provisions

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

D3. Corporate Governance Functions

Compliance procedures of the Corporate Governance Code - Code provisions

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

Code provisions	Compliance	Procedures of Corporate Governance
• The board should be responsible for performing corporate governance duties set out in the above terms of reference	Yes	The Board has made corporate decisions and instructed the management to conduct daily management and operation in strict compliance with the Listing Rules, the Corporate Governance Code and the Articles of Association.

E. Communication with Shareholders

E1. Effective communication

Principle of the Code

- *The board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.*

The corporate governance situation of the Company

- The Board endeavours to maintain continued communications with the Shareholders, and has taken annual general meetings and extraordinary general meeting as major opportunities to have contact with the Shareholders, and all holders of the shares of the Company are entitled to attend the meetings.
- The Company issued notices and circulars of general meetings according to the Articles of Association and the Listing Rules, setting out details of resolutions to be considered at the meetings and the voting procedures.

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

Code provisions	Compliance	Procedures of Corporate Governance
• For each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. Issuers should avoid "bundling" resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are "bundled", issuers should explain the reasons and material implications in the notice of meeting	Yes	Each actual independent matter submitted for consideration at the general meeting has been raised as an individual resolution. The Company has not included different issues in one resolution in any of the past general meetings.
• The chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. An issuer's management should ensure the external auditors attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence	Yes	The chairman of the Board has attended the annual general meetings and extraordinary general meetings in person and presided over the meetings, and has arranged the members of the committees and management to reply to the enquiries of the Shareholders in the meetings. The external auditors of the Company have attended all past annual general meetings and extraordinary general meetings of the Company, and were well-prepared to answer the enquiries from the Shareholders.

Code provisions	Compliance	Procedures of Corporate Governance
• The issuer should arrange for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings	Yes	The Company has strictly complied with the requirements of the Articles of Association and dispatched the written notices at least 45 days before the annual general meetings or extraordinary general meetings, informing the details of business to be considered at the meetings and the date, time and venue of the meetings to the Shareholders whose names appeared on the register.
• The board should establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness	Yes	The Company has added relevant articles in the Articles of Association, further defining the specific procedures for the Shareholders to express their opinions.
• The issuer should have a policy on payment of dividends and should disclose it in the annual report	Yes	The Company formulated the policy on payment of dividends, for the details, please refer to the sub-section headed "III. Profit Distribution of Ordinary Shares or Capitalization of Surplus Reserves Proposals" in the section headed "Management Discussion and Analysis" in this annual report.

Nomination Policy for Directors and Board Diversity Policy

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

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

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

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

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

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

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

Rights of the Shareholders

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

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

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

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

E2. Voting by Poll

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

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

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

F. Company Secretary

Principle of the Code

- *The company secretary plays an important role in supporting the board by ensuring good information flow within the board and that board policy and procedures are followed. The company secretary is responsible for advising the board through the chairman and/or the chief executive on governance matters and should also facilitate induction and professional development of directors.*

The best situation in the governance of the Company

- Currently the Company has appointed a company secretary who is responsible for enhancing the corporate governance of the Company and providing assistance to the Directors for duty performance and organizing information disclosure of the Company.

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

Code provisions	Compliance	Procedures of Corporate Governance
• The company secretary should be an employee of the issuer and have day-to-day knowledge the issuer's affairs	Yes	The company secretary is an employee of the Company and has acquired understanding of the daily operation of the Company.
• The board should approve the selection, appointment or dismissal of the company secretary	Yes	The appointment of the current company secretary was approved at the 5th meeting of the 3rd session of the Board.
• The company secretary should report to the board chairman and/or the chief executive	Yes	The company secretary reports to the Chairman and/or the president.
• All directors should have access to the advice and services of the company secretary to ensure that board procedures, procedures and all applicable law, rules and regulations, are followed	Yes	The company secretary has established an effective communication channel with all Directors, so as to assist the Board and the president to be in compliance with domestic and foreign laws and regulations, the Articles of Association and other relevant requirements when performing his duties.

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

	2018
HK$500,001 to HK$1,000,000 (equivalent to approximately RMB420,000 to RMB 850,000)	1
HK$1,000,001 to HK$1,500,000 (equivalent to approximately RMB850,000 to RMB 1,270,000)	4
HK$1,500,001 to HK$2,000,000 (equivalent to approximately RMB1,270,000 to RMB 1,690,000)	3
HK$2,000,001 to HK$2,500,000 (equivalent to approximately RMB1,690,000 to RMB 2,110,000)	2

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

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

The audit committee under the 5th session of the Board has comprised Mr. Zhou Zhonghui (the chairman of the audit committee of the Company), Mr. Chen Dong (non-executive Director) and Mr. Yang, Liang Yee Philip (independent non-executive Director).

During the Reporting Period, the audit committee held 5 meetings, at which it reviewed the annual reports, interim reports, quarterly reports, the effectiveness and adequacy of risk management and internal control systems, internal audit, effectiveness of internal audit functions, appointment of accountancy firms and considered 27 issues including changes in accounting policies. The audit committee fully affirmed the work efficiency of COSCO SHIPPING Holdings, while at the same time provided opinions and recommendations in respect of the rationality of the existing arrangement on shipping capacity, arrangement and plan for asset operation, corporate development plan and cash flow management, fuel cost management and control, and the amount and management of connected transactions, respectively.

The audit committee arrived at the opinion that the financial reports of COSCO SHIPPING Holdings for various periods in 2018 which had been reviewed were prepared in compliance with the accounting standards of China and Hong Kong, the content of disclosure therein also satisfied the requirements of the listing system and regulations of both places.

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

The remuneration committee under the 5th session of the Board has comprised Mr. Wu Dawei (the chairman of the remuneration committee of the Company), Mr. Feng Boming (non-executive Director) and Mr. Zhou Zhonghui (independent non-executive Director).

During the Reporting Period, the remuneration committee held three meetings, at which it reviewed matters such as the performance appraisal of the senior management of COSCO SHIPPING Holdings in 2018, made recommendation to the Board on the remuneration of directors, reviewed the remuneration packages of the Company's senior management staff in 2018 determined based on the results of performance appraisal and remuneration management system of the Company, and held the view that the remuneration of the Company's senior management was in compliance with the requirements of performance appraisal and remuneration management system of the Company and the relevant decision-making procedures were lawful and valid.

Corporate Governance Report

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

The chairman of the 5th session of the nomination committee under the Board is Mr. Yang, Liang Yee Philip (independent non-executive Director), and other members are Mr. Xu Zunwu (executive Director) and Mr. Wu Dawei (independent non-executive Director). On 2 March 2018, Mr. Xu Zunwu resigned as executive Director of the Company, and ceased to be a member of the nomination committee of the Company. From 29 March 2018, the nomination committee under the 5th session of the Board comprised Mr. Yang, Liang Yee Philip (chairman of nomination committee of the Company), and other members are Mr. Wang Haimin (executive Director) and Mr. Wu Dawei (independent non-executive Director).

During the Reporting Period, the nomination committee held two meetings, whereby the nomination of candidates for the fifth session of the Board of Directors of the Company was considered.

Auditors and their remuneration

The Company has appointed PricewaterhouseCoopers as the international auditor of the Company and ShineWing Certified Public Accountants, as the domestic auditor of the Company for 2018. Fees in respect of audit services, audit related services and non-audit services provided by the above auditors to the Group during the year amounted to RMB42,977,000, RMB8,596,000 and RMB15,401,000, respectively.

Nature of services

	2018 (RMB'000)	2017 (RMB'000)
Audit services	**42,977**	33,343
Audit related services	**8,596**	9,388
Non-audit services		
Tax related services	**5,181**	284
Circular related services	**1,820**	6,370
Other advisory services	**8,400**	4,580

Amendments to Articles of Association

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

The Board is pleased to present the Directors' Report of the year 2018 together with the audited financial statements of the Group for the year ended 31 December 2018.

Principal Business

During the Reporting Period, the Group was principally engaged in providing container shipping, managing and operating container terminals and other terminal related businesses. The Company is an investment holding company and details of the principal activities of the Company's principal subsidiaries as at 31 December 2018 are set out in note 46 to the consolidated financial statements.

Business Review

A review of the business of the Group during the Reporting Period and a discussion on the Group's future business development are set out in the sections headed "Chairman's Statement" and "Discussion and Analysis of the Board Concerning the Future Development of the Company" on pages 5 to 9 and pages 26 to 34 respectively. The particulars of important events affecting the Group that have occurred since the end of the financial year 2018 and the description of possible risks and uncertainties that the Group may be facing are set out in the sections headed "Events after the balance sheet date" and "(IV) Potential risks" on page 26 and pages 31 to 34. An analysis of the Group's performance during the year using financial key performance indicators is set out in the section headed "Management Discussion and Analysis" on pages 11 to 36 of this report. For details of the discussion on the Company's environmental policies and performance, please refer to the section headed "(II) Social responsibilities" and "(III) Environment protection" on page 42.

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

During the Reporting Period, the Company further optimized corporate governance and operation efficiency strictly in compliance with applicable laws and regulations, including the Company Law, the Code of Corporate Governance for Listed Companies (《上市公司治理準則》), the Guiding Opinions for the Establishment of Independent Directorship by Listed Companies (《關於在上市公司建立獨立董事制度的指導意見》), the Rules for the General Meetings of Shareholders of Listed Companies (《上市公司股東大會規則》), and the Guidelines on Articles of Association of Listed Companies (《上市公司章程指引》). During the Reporting Period, in compliance with the requirements of regulatory authorities in a timely manner and fully following the requirements of the Guidelines on Comprehensive Risk Management of State-owned Enterprises (《中央企業全面風險管理指引》) issued by the SASAC, the Guidelines on Internal Control of Enterprises (《企業內部控制基本規範》) and supplemental guidelines issued by five ministries, the Company further refined its internal control system and risk management procedures. The budget management for the whole system was also strengthened and the organization structure and accountability system of the assets supervision were further improved. Moreover, the Company actively participated in training programs for directors, supervisors and senior management of listed companies organized by regulatory authorities, and raised the awareness of all employees on compliance through effective trainings. In addition, the Listing Rules, the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and the Codes on Takeovers and Mergers and Share Buy-backs are also applicable to the Company and the Group is committed to ensuring the compliance with such requirements through various measures such as internal control and approval procedures, trainings and supervision on different business segments.

Relationships with major stakeholders

The Company continues to engage with its employees, suppliers and customers through different channels to develop mutually beneficial relationships and promote sustainability. An account of the Company's key relationship with its employees is set out in the section headed "Employees and Remuneration Policies" on page 122. An account of the Company's relationship key relationship with its customers and suppliers are set out in the sections headed "(III) Operation plan" and "Major Suppliers and Customers" on pages 29 to 30 and 100, respectively. The Company also recognises its obligations as a responsible member of the communities in which the Company operates. For details of the Company's engagement in and contributions to these communities, please refer to the section headed "V Fulfillment of social responsibilities" on pages 41 to 42.

Results of the Group

The Group's results for the year ended 31 December 2018 are set out on pages 146 to 148 of this report.

Financial Summary

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

Major Suppliers and Customers

For the year ended 31 December 2018, the Group's purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases, and the aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total sales.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 24 to the consolidated financial statements. There were no distributable reserves of the Company as at 31 December 2018.

Statutory Reserve Funds

Details of the statutory reserve funds are set out in note 24 to the consolidated financial statements.

Property, Plant and Equipment and Investment Properties

Details of movements in property, plant and equipment and investment properties of the Group and the Company during the Reporting Period are set out in notes 6 and 7 to the consolidated financial statements.

Employees' Retirement Plans

Details of the employees' retirement plans are set out in note 27 to the consolidated financial statements.

Pre-emptive Rights

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

Tax Relief

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

Share Capital

Details of the share capital of the Company are set out in note 23 to the consolidated financial statements.

Donations

Charitable donations made by the Group during the year under review amounted to approximately RMB19,081,200.

Directors' Report

Directors and Supervisors

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

Name	Date of appointment as Director	Date of resignation as Director
Executive Directors		
XU Lirong (Chairman) [(1)]	30 August 2018	N/A
HUANG Xiaowen (Vice chairman)	24 May 2016	N/A
WANG Haimin	16 December 2016	N/A
XU Zunwu[(2)]	1 February 2016	2 March 2018
ZHANG Wei (張為)	16 December 2016	N/A
Non-executive Directors		
WAN Min[(3)] (former Chairman)	20 May 2015	8 January 2018
MA Jianhua[(4)]	16 December 2016	13 July 2018
FENG Boming	16 December 2016	N/A
ZHANG Wei (張煒)	16 December 2016	N/A
CHEN Dong	16 December 2016	N/A
Independent non-executive Directors		
YANG, Liang Yee Philip	20 May 2014	N/A
WU Dawei	25 May 2017	N/A
ZHOU Zhonghui	25 May 2017	N/A
TEO Siong Seng	25 May 2017	N/A
KOO, Chee Kong Kenneth[(5)]	25 May 2017	28 February 2018

Notes:

(1) With effect from 30 August 2018, Mr. Xu Lirong was appointed as the chairman of the Company and an executive Director.

(2) With effect from 2 March 2018, Mr. Xu Zunwu resigned as an executive Director.

(3) With effect from 8 January 2018, Mr. Wan Min resigned as the chairman of the Company and a non-executive Director.

(4) With effect from 13 July 2018, Mr. Ma Jianhua resigned as a non-executive Director.

(5) With effect from 28 February 2018, Mr. Koo, Chee Kong Kenneth resigned as an independent non-executive Director.

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

Name	Positions	Date of appointment as Supervisor	Date of resignation as Supervisor
FU Xiangyang	Chairman of the supervisory committee of the Company	20 May 2014	N/A
HAO Wenyi	Supervisor	16 December 2016	N/A
QIAN Weizhong(1)	Supervisor	31 October 2016	25 October 2018
FANG Meng	Supervisor	31 October 2016	N/A
DENG Huangjun(2)	Supervisor	30 January 2019	N/A
MENG Yan	Independent Supervisor	17 May 2011	N/A
ZHANG Jianping	Independent Supervisor	28 February 2012	N/A

Notes:

(1) With effect from 25 October 2018, Mr. Qian Weizhong resigned as a Supervisor.

(2) With effect from 30 January 2019, Mr Deng Huangjun was appointed as a Supervisor.

Independence of the Independent Non-executive Directors

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

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

Biographies of the Directors, Supervisors and members of the senior management of the Company as at the date hereof are set out on pages 51 to 60 of this report.

Competing Interest

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

Connected Transactions*

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

1. On 28 October 2015, COSCO Ports (Holdings) Limited (中遠碼頭控股有限公司) ("**COSCO Ports**",an indirect non-wholly owned subsidiary of the Company,together with its subsidiaries, the "**COSCO Ports Group**") entered into a finance leasing master agreement (the "**Finance Leasing Master Agreement**") with Florence Capital Management Company Limited ("Florens Capital Management", together with its subsidiaries, the "**Florens Capital Management Group**") in relation to the provision of finance leasing by relevant members of the Florens Capital Management Group as lessor to members of the COSCO Ports Group as lessee for a term of three years from 1 January 2016 to 31 December 2018. The Finance Leasing Master Agreement was entered into by COSCO Ports and Florence Capital Management as the renewal of the existing finance leasing master agreement entered into by the parties thereto which would have expired on 31 December 2015. As Florens Capital Management, a non-wholly owned subsidiary of the Company, is owned as to 50% by COSCO, the direct controlling Shareholder, Florens Capital Management is a connected person of the Company. Accordingly, the above transactions constitute continuing connected transactions of the Company.

   For further information relating to the above transactions, please refer to the announcement of the Company dated 28 October 2015.

2. On 28 October 2015, COSCO Ports (an indirect non-wholly owned subsidiary of the Company) and Guangzhou South China Oceangate Container Terminal Company Limited (廣州南沙海港集裝箱碼頭有限公司) ("**GZ South China**") (an indirect non-wholly owned subsidiary of the Company) entered into a diesel oil purchase master agreement (the "**Nansha Diesel Oil Purchase Master Agreement**") with China Marine Bunker Guangzhou Co., Ltd. (中國船舶燃料廣州有限公司) ("**CM Supply**") in relation to the purchase of diesel oil by GZ South China from CM Supply for a term of three years from 1 January 2016 to 31 December 2018.

   As CM Supply is owned as to 50% by COSCO, the direct controlling Shareholder, it is a connected person of the Company. Accordingly, the above transactions constitute continuing connected transactions of the Company.

   For further information relating to the above transactions, please refer to the announcement of the Company dated 28 October 2015.

3. On 28 October 2015, COSCO Ports (an indirect non-wholly owned subsidiary of the Company), Piraeus Container Terminal S.A. ("**PCT**") (an indirect non-wholly owned subsidiary of the Company) and COSCO entered into an agreement in relation to the provision of shipping and terminal related services (the "**Existing COSCO Ports-PCT-COSCO Master Agreement**"). COSCO SHIPPING Ports and its subsidiaries (the "**COSCO SHIPPING Ports Group**") has been carrying on transactions pursuant to the Existing COSCO Ports-PCT-COSCO Master Agreement, which covers (i) the provision of shipping related services by COSCO Ports and PCT, both of which are subsidiaries of the Company, to COSCO and its associates (excluding COSCO SHIPPING Ports and the Company and their other associates); and (ii) the provision of terminal related services by COSCO and its associates (excluding COSCO SHIPPING Ports and the Company and their other associates) to COSCO Ports and PCT. The acquisition of all the shares in China Shipping Ports Development Co., Limited ("**CSPD**") by COSCO SHIPPING Ports was completed on 18 March 2016, after which CSPD has become a member of the Group. COSCO SHIPPING Ports has been carrying on similar transactions with COSCO and its associates (excluding COSCO SHIPPING Ports and the Company and their other associates) and is expected to continue to do so.

   On 30 March 2016, COSCO SHIPPING Ports, COSCO Ports, PCT and COSCO entered into an amendment and restatement agreement extending the Existing COSCO Ports-PCT-COSCO Master Agreement to cover the provision of shipping related services by the Group to COSCO and its associates (excluding COSCO SHIPPING Ports and the Company and their other associates) and the provision of terminal related services by COSCO and its associates (excluding COSCO SHIPPING Ports and the Company and their other associates) to the Group (the "**Amendment Agreement**"). Under the Amendment Agreement, the parties agreed that COSCO SHIPPING Ports would become a party to the Existing COSCO Ports-PCT-COSCO Master Agreement, and COSCO Ports and PCT would cease to be parties to the Existing COSCO Ports-PCT-COSCO Master Agreement. For the avoidance of doubt, the duration of the Existing COSCO Ports-PCT-COSCO Master Agreement, which will expire on 31 December 2018, remains unchanged. The amendments under the Amendment Agreement are not material. The annual caps and term of the transactions under the Existing COSCO Ports-PCT-COSCO Master Agreement remain unchanged.

   Since COSCO is the direct controlling Shareholder, it is a connected person of the Company, and the transactions under the Existing COSCO Ports-PCT-COSCO Master Agreement and the Amendment Agreement constitute continuing connected transactions of the Company.

   For details of the above transactions, please refer to the announcements of the Company dated 28 October 2015 and 30 March 2016.

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

   COSCO Finance is a subsidiary of COSCO (the direct controlling Shareholder), and is thus a connected person of the Company. Accordingly, the above transactions constitute continuing connected transactions of the Company.

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

5. COSCO SHIPPING Ports, Piraeus Port Authority S.A. ("**PPA**") and PCT entered into a concession agreement dated 25 November 2008, which was amended by the amendment agreement dated 20 December 2014 entered into between PCT and PPA (the "**Concession Agreement**").

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

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

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

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

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

   For details of the above transactions, please refer to the announcement of the Company dated 14 September 2016 and the circular of the Company dated 29 October 2016, respectively.

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

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

   For details of the above transactions, please refer to the announcement of the Company dated 14 September 2016 and the circular of the Company dated 29 October 2016.

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

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

   For details of the above transactions, please refer to the announcement of the Company dated 14 September 2016.

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

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

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

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

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

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

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

    For details of the above transactions, please refer to the announcement of the Company dated 14 September 2016.

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

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

    For details of the above transactions, please refer to the announcement of the Company dated 14 September 2016.

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

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

    For details of the above transactions, please refer to the announcement of the Company dated 14 September 2016 and the circular of the Company dated 29 October 2016.

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

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

    For details of the above transactions, please refer to the announcement of the Company dated 14 September 2016.

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

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

    For details of the above transactions, please refer to the announcement of the Company dated 14 September 2016 and the circular of the Company dated 29 October 2016.

15. On 30 October 2017, the Board approved the non-public issuance of A Shares, pursuant to which the Company would issue a maximum of 2,043,254,870 A Shares (subject to adjustment) to not more than 10 specific investors (including China COSCO SHIPPING) which would raise gross proceeds of up to RMB12,900,000,000. As part of the Proposed Non-public Issuance of A Shares, the Company entered into a subscription agreement with China COSCO SHIPPING on 30 October 2017, pursuant to which China COSCO SHIPPING agreed to conditionally purchase and the Company agreed to conditionally issue 50% of the total number of A Shares that would be issued under the Proposed Non-public Issuance of A Shares. On 24 January 2019, the Company completed the registration procedure for the new A Shares issued under the Proposed Non-public Issuance of A Shares at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited (CSDC). Upon completion of the Proposed Non-public Issuance of A Shares, the total number of shares increased from 10,216,274,357 shares to 12,259,529,227 shares, and the number of A Shares increased from 7,635,674,357 A Shares to 9,678,929,227 A Shares. China COSCO SHIPPING directly held 1,021,627,435 A Shares, representing approximately 8.33% of the total issued share capital of the Company.

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

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

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

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

    For details of the above transactions, please refer to the announcement of the Company dated 30 August 2017.

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

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

    For details of the above transactions, please refer to the announcement of the Company dated 29 March 2018.

18. On 27 July 2018, the Company and Pacific International Lines entered into the master container services agreement (the "**Pacific International Lines Master Container Services Agreement**"). Pursuant to the Pacific International Lines Master Container Services Agreement, the Pacific International Lines Group provides container services to the Group, including container manufacturing and container-related ancillary services such as maintenance.

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

For details on the above transactions, please refer to the announcement of the Company dated 27 July 2018. With respect to the related party transactions as disclosed in note 45 to the consolidated financial statements, those transactions which constitute connected transactions or continuing connected transactions of the Company have been disclosed above or constitute fully exempted connected transactions or continuing connected transactions of the Company as all the applicable percentage ratios are less than 0.1%. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in relation to the above connected transactions and continuing connected transactions. The Company has followed the pricing policies and guidelines when determining the pricing and terms of the above continuing connected transactions during the Reporting Period, the details of which are set out in the relevant announcements and circulars.

The following table sets out the relevant annual caps and the actual transaction amounts for the year ended 31 December 2018 in relation to the non-exempt continuing connected transactions of the Group:

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

Transactions			Annual cap for the year ended 31 December 2018 ('000)	Actual transaction amount for the year ended 31 December 2018 ('000)
1	Transactions under the COSCO SHIPPING Holdings Financial Services Agreement			
	(a)	Maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Group	RMB31,000,000	RMB9,510,504
	(b)	Maximum daily outstanding balance of loans (including accrued interest and handling fee) granted to the Group	RMB24,000,000	RMB 4,310,560
2	Transactions under the Master Vessel Services Agreement			
	(a)	Purchase of vessel services from the China COSCO SHIPPING Group	RMB 31,000,000	RMB 16,260,189
	(b)	Provision of vessel services to the China COSCO SHIPPING Group	RMB 160,000	RMB 33,822
3	Transactions under the Master General Services Agreement			
	(a)	Purchase of general services from the China COSCO SHIPPING Group	RMB 160,000	RMB 38,658
	(b)	Provision of general services to the China COSCO SHIPPING Group	RMB 60,000	RMB 8,204
4	Transactions under the Master Seamen Leasing Agreement			
	(a)	Purchase of services from the China COSCO SHIPPING Group	RMB 1,400,000	RMB 873,898
	(b)	Provision of services to the China COSCO SHIPPING Group	RMB 500,000	RMB 17,095
5	Transactions under the Master Premises Leasing Agreement			
	(a)	Rent and other fees and charges payable to the China COSCO SHIPPING Group	RMB 280,000	RMB 125,151
	(b)	Rent and other fees and charges receivable from the China COSCO SHIPPING Group	RMB 20,000	RMB 3,340

Directors' Report

Transactions		Annual cap for the year ended 31 December 2018 ('000)	Actual transaction amount for the year ended 31 December 2018 ('000)
6	Transactions under the Master Container Services Agreement		
	(a) Purchase of services from the China COSCO SHIPPING Group	RMB 550,000	RMB 52,927
	(b) Sale of services to the China COSCO SHIPPING Group	RMB 300,000	RMB 109
7	Transactions under the Master Port Services Agreement	RMB 4,000,000	RMB 1,982,610
8	Transactions under the Master Vessel and Container Asset Services Agreement	RMB 18,000,000	RMB 8,347,923
9	Transactions under the Freight Forwarding Master Agreement		
	(a) Purchase of services from the China COSCO SHIPPING Group	RMB 450,000	RMB 224,896
	(b) Provision of services to the China COSCO SHIPPING Group	RMB 1,100,000	RMB 998,617
10	Transactions under the Shipping Services Master Agreement	RMB 400,000	RMB 97,860
11	Transactions under the Finance Leasing Master Agreement	USD200,000	0
12	Transactions under the Existing COSCO Ports-PCT-COSCO Master Agreement and the Amendment Agreement		
	(a) Provision of shipping related services by the COSCO Ports Group and PCT to COSCO and its associates (excluding COSCO SHIPPING Ports and the Company and their other associates)	RMB 881,877	RMB 157,903
	(b) Provision of terminal related services by COSCO and its associates (excluding COSCO SHIPPING Ports and the Company and their other associates) to the COSCO Ports Group and PCT	RMB 198,434	
13	Transactions under the Nansha Diesel Oil Purchase Master Agreement	RMB 36,300	RMB 5,178
14.	Transactions under the Master Vessel Time Charter Services Agreement		
	(a) Purchase of services from Pacific International Lines	RMB 500,000	RMB 114,725
	(b) Provision of services to Pacific Internatiional Lines	RMB 400,000	RMB 188,307
15.	Transactions under the Pacific International Lines Master Container Services Agreement	RMB 1,450,000	RMB 444,888

Review of Continuing Connected Transactions for 2018

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

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

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

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

The independent non-executive directors of COSCO SHIPPING Ports have reviewed the continuing connected transactions set forth as items 11 to 13 in the above table and confirm that these transactions have been entered into:

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

(2) on normal commercial terms or terms no less favourable to the COSCO SHIPPING Ports Group than terms available from/to independent third parties; and

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

For the purpose of Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company, PricewaterhouseCoopers, to report on the above continuing connected transactions (other than transactions under the master agreements set out as items 11 to 13 in the above table) for the year ended 31 December 2018 (the "**Transactions**") in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the Transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

For the purpose of Rule 14A.56 of the Listing Rules, the board of directors of COSCO SHIPPING Ports engaged the auditor of COSCO SHIPPING Ports, PricewaterhouseCoopers, to report on the above continuing connected transactions set forth as items 11 to 13 in the above table for the year ended 31 December 2018 in accordance with Hong Kong Standard on Assurance Engagements 3000 (revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor of COSCO SHIPPING Ports has issued its unqualified letter containing its findings and conclusions in respect of these transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by COSCO SHIPPING Ports to the Stock Exchange.

Substantial Interests in the Shares and Underlying Shares of the Company

As at 31 December 2018, so far as was known to the Directors, save as disclosed below, there was no person (other than a Director, Supervisor or chief executives of the Company) who had any other interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

As at 31 December 2018, so far as was known to the Directors, the Shareholders having interest in 5% or more of the total issued share capital of the Company (including A Shares and H Shares) were:

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

Notes:

1. As at 31 December 2018, China COSCO SHIPPING indirectly held approximately 45.47% equity interest in the Company through COSCO and was an indirect controlling Shareholder. On 30 October 2017, the Board has 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.

2. On 24 January 2019, the Company has completed the procedures for registration of the new A Shares issued under the Proposed Non-public Issuance of A Shares with China Securities Depository and Clearing Company Limited (Shanghai Branch). Upon completion of the Proposed Non-public Issuance of A Shares, the total number of shares increased from 10,216,274,357 shares to 12,259,529,227 shares. As at the date of this report, China COSCO SHIPPING directly held 1,021,627,435 A Shares, representing approximately 8.33% of the total issued share capital of the Company. China COSCO SHIPPING is the sole shareholder of COSCO, therefore, China COSCO SHIPPING (by itself and through its subsidiaries) is interested in 5,666,857,079 shares of the Company in aggregate, representing approximately 46.22% of the enlarged total issued share capital of the Company, and is an indirect controlling Shareholder.

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 share option scheme of COSCO SHIPPING Ports was considered and approved. The principal terms of the share option scheme of COSCO SHIPPING Ports are set out below:

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

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

At the time of adoption of the share option scheme of COSCO SHIPPING Ports, the total number of share options which might be granted under the share option scheme of COSCO SHIPPING Ports was 59,450,724, being the aggregate of (1) 53,505,652 share options granted to 4 directors and 6 senior management of COSCO SHIPPING Ports and 228 key operation and management personnel, which has been confirmed on the date of approval of the share option scheme of COSCO SHIPPING Ports, the details of which are set out in the section headed "7. Allocation of Options" of the appendix to the circular of COSCO SHIPPING Ports dated 18 May 2018 (the "**Proposed Initial Grant**"); and (2) 5,945,072 share options granted to senior management members at the headquarters of COSCO Shipping Ports and departmental general managers, and senior management members of COSCO SHIPPING Ports's subsidiaries (not being Participants who have already been granted share options under the share option scheme of COSCO Shipping Ports) (the "**Reserved Grant**"). If any share options that may be granted pursuant to the Reserved Grant are not so granted within one year from the date of the Proposed Initial Grant (i.e., 19 June 2018), then no such share option may be granted.

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

The maximum entitlement for any one Participant of COSCO SHIPPING PORTS (including exercised, cancelled and outstanding options) in any 12 months' period shall not exceed 1% of the total number of Shares in issue.

Of the 53,505,652 share options available for grant pursuant to the Proposed Initial Grant, a total of 53,483,200 share options were granted and the remaining 22,452 share options will not be available for further grant. As at the date of this report, a total of 56,398,417 shares (representing approximately 1.81% of the existing issued shares) may be issued upon exercise of all options which may be granted under the Share Option Scheme of COSCO Shipping Ports, while a total of 51,305,311 Shares (representing approximately 1.65% of the existing issued shares) may be issued upon exercise of all options which were granted and yet to be exercised under the share option scheme of COSCO Shipping Ports.

Share options cannot be exercised during the two-year period commencing from the date of grant of the share options (the "**Restriction Period**"). Subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, and each batch of share options vested is exercisable within the relevant exercise period. For details of the vesting and exercise periods in respect of the share options granted, please refer to note 1 of the table regarding movement of the share options during the year 2018 which is set out at the end of this section.

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

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

The share option scheme of COSCO Shipping Ports is valid and effective for a period of 10 years commencing from the date of adoption and will expire on 7 June 2028.

Movements of the share options granted under the share option scheme of CSOCO SHIPPING PORTS 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 31 December 2018	Approximate percentage of total issued shares of COSCO SHIPPING Ports	Exercisable period	Note
Directors of COSCO SHIPPING Ports [5]										
Mr. Zhang Wei [5]	7.27	N/A	1,500,000	–	–	–	1,500,000	0.05%	19.6.2020-18.6.2023	(1), (2)
Mr. Fang Meng [5]	7.27	N/A	1,500,000	–	–	–	1,500,000	0.05%	19.6.2020-18.6.2023	(1), (2)
Mr. Deng Huangjun [5]	7.27	N/A	1,200,000	–	–	–	1,200,000	0.04%	19.6.2020-18.6.2023	(1), (2)
Dr. Wong Tin Yau, Kelvin	7.27	N/A	1,200,000	–	–	–	1,200,000	0.04%	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	–	–	(2,067,252)	46,015,948	1.48%	19.6.2020-18.6.2023	(1), (3)
	8.02	N/A	851,966	–	–	–	851,966	0.03%	29.11.2020-28.11.2023	(4)
		N/A	48,935,166	–	–	(2,067,252)	46,867,914			
		N/A	54,335,166	–	–	(2,067,252)	52,267,914			

Notes:

(1) The share options were granted on 19 June 2018 under the Share Option Scheme of COSCO SHIPPING Ports at an exercise price of HK$7.27 per Share. According to the terms of the Share Option Scheme of COSCO SHIPPING Ports, options under each grant have a validity period of five years commencing from the date of grant and cannot be exercised during 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.

(2) These share options represent personal interest held by directors of COSCO SHIPPING Ports as beneficial owners.

(3) The 2,067,252 share options were lapsed due to the relevant employees retired, resigned or had not accepted the share options.

(4) The share options were granted with the exercise price of HK$ 8.02 per shares on 29 November 2018 under the share option scheme of COSCO SHIPPING Ports, subject to the Restriction Period. In addition, 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, which (a) 33.3% of share options shall be vested on 29 November 2020; (b) 33.3% of share options shall be vested on 29 November 2021; and (c) 33.4% of share options shall be vested on 29 November 2022.

(5) As at 31 December 2018, Mr. ZHANG Wei was an executive Director, Mr. FANG Meng was a Supervisor, and Mr. DENG Huangjun resigned as the Chief Financial Officer since 27 July 2018 and was appointed as Supervisor since 30 January 2019.

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

(7) The fair value of share options granted during the Reporting 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 per sbare option HK$	Share price at the date of grant HK$	Exercise price HK$	Standard deviation of expected share price return	Expected life of share options	Expected dividend paid out rate	Risk-free interest rate
Granted on 19 June 2018 and outstanding as at 31 December 2018 51,415,948 share options	1.179	6.85	7.27	28.64%	4 years	2.88%	2.21%
Granted on 29 November 2018 and outstanding as at 31 December 2018 851,966 share options	1.538	7.93	8.02	29.35%	4 years	2.88%	2.29%

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 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.

(8) The closing prices of the shares of COSCO SHIPPING Ports prior to the dates of grant of share options on 19 June 2018 and 29 November 2018 was HK$7.16, and HK$ 8.00, respectively.

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

Pursuant to the Opinion on Commencement of Pilot Employee Stock Ownership by Stated-Owned Holding Mixed Ownership Enterprises (Guo Zi Fa Gai Ge [2016] No. 133) (《關於國有控股混合所有制企業開展員工持股試點的意見》(國資發改革 [2016]133號)), in 2017, Shanghai Pan Asia Shipping Company Limited ("**Shanghai Pan Asia**"), a subsidiary of COSCO SHIPPING Lines, decided to implement the capital increase and employees participation plan. Shanghai Pan Asia introduced certain strategic investor(s) by participating in the public tender for subscribing for equity on the Shanghai United Assets and Equity Exchange. The subscription price per unit will be not less than the appraised net asset value (after the filing procedures having been completed) per unit of the registered capital of Shanghai Pan Asia. Meanwhile, it introduced employees' participation through the employees participation platform, under which employees will subscribe for equity interests at the final subscription price of strategic investor(s). Please refer to the announcement of COSCO SHIPPING Holdings 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 31 December 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.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2018, the interests of the Directors and Supervisors in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

Name of Director	Capacity	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, underlying shares and debentures of associated corporations of the Company:

Name of associated corporation	Name of Director/ Supervisor	Capacity	Nature of interest	Number of ordinary shares	Approximate percentage of total issued share capital
COSCO SHIPPING Development	FENG Boming	Beneficial owner	Personal	29,100	0.00025%
	TEO Siong Seng	Beneficial owner	Personal	200,000	0.00171%
COSCO SHIPPING Ports	ZHANG Wei (張為)	Beneficial owner	Personal	306,896	0.010%
	ZHANG Wei (張煒)	Beneficial owner	Personal	30,000	0.001%
	FANG Meng	Beneficial owner	Personal	153,448	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 share option scheme of COSCO SHIPPING Ports. Details of the Directors' and Supervisor's interest in share options granted by COSCO SHIPPING Ports are set out under the previous section headed "Share Option Scheme of COSCO SHIPPING Ports" of this report.

Save as disclosed above, as at 31 December 2018, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in any shares, underlying shares or interests in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DISCLOSURE UNDER RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

In relation to the financial assistance granted by COSCO SHIPPING Ports, a listed subsidiary of the Company, to certain affiliated companies, a proforma combined balance sheet of the affiliated companies as at 31 December 2018 required to be disclosed under Rule 13.22 of the Listing Rules is set out below:

	RMB'000
Non-current assets	9,155,550
Current assets	2,043,161
Current liabilities	-2,953,283
Non-current liabilities	-4,478,986
Net assets	3,766,442
Share Capital	150,544
Reserves	3,325,063
Non-controlling interests	290,835
Capital and reserves	3,766,442

As at 31 December 2018, the Group's share of net assets of these affiliated companies amounted to RMB4,024,340,000.

Arrangements to Purchase Shares or Debentures

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

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

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

There were no arrangements under which a Director or Supervisor had waived or agreed to waive any remuneration in respect of the year ended 31 December 2018.

Service Contracts of Directors and Supervisors

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

Interests of Directors and Supervisors in Contracts or Arrangements

None of the Directors or Supervisors had any material interest, whether directly or indirectly, in any contracts or arrangements of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 December 2018.

Permitted Indemnity Provisions

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

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

Board Committees

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

Corporate Governance

The Company is committed to maintaining high standards of corporate governance by the Group and the Board is of the view that effective corporate governance makes an important contribution to the corporate success and to the enhancement of shareholder value. Please refer to pages 61 to 98 of this annual report for details.

Directors' Report

Employees and Remuneration Policies

As at 31 December 2018, there were approximately 31,801 employees in the Group. Total staff costs for the Group for the year, including directors' remuneration, was approximately RMB8,861,282,000 in total.

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

Shareholders' General Meetings

Meeting session	Date of meeting	The designated website for the publication on the announcement of the resolutions	The date of publication of the announcement of the resolutions
2018 First Extraordinary General Meeing	29 March 2018	www.sse.com.cn www.hkexnews.hk	29 March 2018
2017 Annual General Meeting	8 June 2018	www.sse.com.cn www.hkexnews.hk	8 June 2018
2018 Second Extraordinary General Meeting	30 August 2018	www.sse.com.cn www.hkexnews.hk	30 August 2018
2018 Third Extraordinary General Meeting	30 October 2018	www.sse.com.cn www.hkexnews.hk	30 October 2018
2018 Fourth Extraordinary General Meeting, 2018 First A Share Class Meeting and 2018 First H Share Class Meeting	17 December 2018	www.sse.com.cn www.hkexnews.hk	17 December 2018

Explanation on general meetings

Please refer to relevant announcements for details.

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

Not applicable.

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

Strategic Development Committee

The strategic development committee of the Board greatly emphasized on the importance of the implementation progress of the development strategy of COSCO SHIPPING Holdings. It cared about, guided and supervised COSCO SHIPPING Holdings and its subsidiaries COSCO SHIPPING Lines and COSCO SHIPPING Ports to improve relevant measures and boost the implementation of its strategies by telephone communication and other means. In 2018, the Strategic Development Committee of the Board held one meeting for considering "the Terms of Reference of the Strategic Development Committee of the Board of COSCO SHIPPING Holdings Co., Ltd. (2018 Amendment)" (the "**Terms of Reference**"). The strategic development committee of the Company was of the view that the Terms of Reference further clarified the scope of day-to-day work and rules of procedure for the strategic development committee of the Board in line with the practical circumstances of the Company. The Terms of Reference were ultimately published by the Company after consideration and approval at the 14th meeting of the fifth session of the Board.

Audit Committee

In 2018, the audit committee of the Board held 5 meetings, at which it considered 27 issues including reviewing the annual report, interim report, quarterly reports, the effectiveness and adequacy of risk management and internal control systems, internal audit, effectiveness of internal audit functions, appointment of accountancy firms and changes in accounting policies. The audit committee of the Board fully acknowledged the work efficiency of COSCO SHIPPING Holdings, while at the same time provided opinions and recommendations in respect of the rationality of the existing arrangement on shipping capacity, arrangement and plan for asset operation, corporate development plan and cash flow management, fuel cost management and control and the amount and management of connected transactions, respectively.

The audit committee of the Board is of the view that the financial reports of COSCO SHIPPING Holdings for various periods in 2018 which had been reviewed were prepared in compliance with the accounting standards of China and Hong Kong, and the content of disclosure therein also satisfied the requirements of the listing system and regulations of China and Hong Kong.

Remuneration Committee

In 2018, the remuneration committee of the Board held three meetings, which reviewed the details of remuneration according to the results of the performance appraisal and the remuneration management system of the Company, and was of the view that remuneration of the senior management of the Company was in compliance with the management rules for performance appraisal and remuneration system of the Company and the relevant decision-making procedures were lawful and effective.

Nomination Committee

In 2018, the nomination committee of the Company held two meetings at which the nomination of the candidates for the fifth session of the Board was considered.

Risk Management Committee

In 2018, the risk management committee of the Board held one meeting on 20 March 2018. After serious consideration by the members of the risk management committee of the Board, the following opinions were formed:

(1) The risk management committee of the Board has reviewed the "2017 Annual Evaluation Report of Internal Control of COSCO SHIPPING Holdings", which was prepared after conducting necessary inspection and assessment on the internal control of the head office and subsidiaries of the Company according to the Basic Standards for Internal Control of Enterprises and ancillary guidelines jointly issued by five ministries and commissions (including Ministry of Finance of the PRC). Through inspection and assessment on the internal control system, the risk management committee of the Company is of the view that the Company has a relatively reasonable and effective internal control system which provides reasonable assurance to achieve the internal control objective of the Company and the Company is able to analyze the existing conditions of its own control system objectively and to improve, satisfy and adapt to the development requirements of the Company in a timely manner.

(2) The risk management committee of the Company is of the view that the assessment result of the "2017 Annual Evaluation Report of Internal Control of COSCO SHIPPING Holdings" is able to satisfy the relevant requirements of the five ministries and commissions and is consistent with the actual circumstances of COSCO SHIPPING Holdings, and has approved to publish the "2017 Annual Evaluation Report of Internal Control of COSCO SHIPPING Holdings" together with the annual financial statements.

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

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

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

Subject to the Shareholders' approval, the Company has proposed to adopt the Share Option Incentive Scheme subject to the Shareholders' approval, to further refine the long-term incentive system for senior management of the Company, to establish and improve an operational risk control system, and to fully encourage the enthusiasm, responsibility and commitment of the employees of the Company. On 3 December 2018, the Share Option Scheme (Draft) was considered and proposed to be approved at the 20th meeting of the fifth session of the Board. On 13 December 2018, the Share Option Scheme was duly submitted to the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. On 25 February 2019, the Company announced that it has received "the Approval Regarding the Implementation of the Share Option Incentive Scheme by COSCO SHIPPING Holdings Co., Ltd." (《關於中遠海運控股股份有限公司實施股票期權激勵計劃的批覆》) issued by the SASAC. The SASAC has approved the implementation of the Share Option Incentive Scheme by the Company in principle and the performance appraisal targets under the Share Option Incentive Scheme in principle. In accordance with the relevant provisions, the Share Option Incentive Scheme will be proposed to be submitted to the general meeting and class meetings of the Company for consideration and approval.

Internal Control and Self-evaluation Report

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

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

The Company's self-evaluation of internal control in 2018:

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

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

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

The Company's self-evaluation report on internal control for 2018 was published on the website of Shanghai Stock Exchange and the website of the Company on 29 March 2019.

Audit report on internal control

COSCO SHIPPING Holdings included OOIL under business combinations not under common control in 2018 and consolidated OOIL in its financial statements for 2018. Pursuant to relevant exemption regulation issued by CSRC, OOIL can be excluded by COSCO SHIPPING Holdings from the scope of evaluation for the effectiveness of internal control of the financial report. Accordingly, the audit scope of effectiveness of internal control of the financial report as at 31 December 2018 also excluded OOIL.

For details of the internal control audit report, please refer to the report of the Company released on 29 March 2019 on the website of Shanghai Stock Exchange.

Directors' Report

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

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

Name	Name of entity	Position	Date of appointment	Date of termination
XU Lirong	China COSCO SHIPPING Corporation Limited	Director and Party Secretary	January 2016	N/A
	Orient Overseas (International) Limited	Chairman of the Board, Executive Director	August 2018	N/A
	Orient Overseas Container Line Limited	Director, Chairman of the Board, Chairman of Executive Committee	August 2018	N/A
WAN Min	China COSCO SHIPPING Corporation Limited	Director, General Manager	January 2016	January 2018
	Sino-Poland Joint Stock Shipping Company	Chinese Delegate of Management Committee	March 2016	January 2018
	Sino-Tanzania Joint Shipping Company	Chairman	March 2016	January 2018
HUANG Xiaowen	China COSCO SHIPPING Corporation Limited	Deputy General Manager	January 2016	N/A
	COSCO SHIPPING Lines Co., Ltd.	Chairman	March 2016	N/A
	COSCO SHIPPING Bulk Co., Ltd.	Chairman	August 2016	N/A
	COSCO SHIPPING Energy Transportation Co., Ltd.	Chairman	October 2017	N/A
	COSCO SHIPPING Ports Limited	Chairman	March 2016	N/A
	Orient Overseas (International) Limited	Executive Director, Chief Executive Officer	August 2018	N/A1
	Chin Shipping (Southeast Asia) Holdings Co., Ltd.	Chairman	March 2016	N/A
WANG Haimin	China COSCO SHIPPING Corporation Limited	Employee Representative Director	February 2016	N/A
	China COSCO SHIPPING Corporation Limited	Deputy General Manager	February 2019	N/A
	COSCO SHIPPING Lines Co., Ltd.	Director, General Manager and Deputy Party Secretary	January 2016	N/A
	COSCO SHIPPING Ports Limited	Non-executive Director	January 2015	N/A
	Orient Overseas (International) Limited	Executive Director	August 2018	N/A
	Orient Overseas Container Line Limited	Director, Joint Chief Executive Officer, Member of Executive Committee	August 2018	N/A
	Shanghai Pan Asia Shipping Company Limited	Chairman	June 2017	N/A
ZHANG Wei (張為)	COSCO SHIPPING Ports Limited	Vice Chairman of the Board of Directors, executive director	April 2016	N/A
	Orient Overseas (International) Limited	Executive director	August 2018	N/A

Name	Name of entity	Position	Date of appointment	Date of termination
FENG Boming	China COSCO SHIPPING Corporation Limited	General Manager of the Strategic and Corporate Management Department	February 2016	N/A
	COSCO SHIPPING Bulk Co., Ltd.	Director	August 2016	N/A
	COSCO SHIPPING Development Co., Ltd.	Director	June 2016	N/A
	COSCO SHIPPING Energy Transportation Co., Ltd.	Director	September 2016	N/A
	COSCO SHIPPING (Hong Kong) Co., Limited	Director	March 2016	N/A
	COSCO SHIPPING Logistics Co., Ltd.	Director	November 2016	N/A
	COSCO SHIPPING Financial Co., Ltd.	Director	March 2016	N/A
	COSCO SHIPPING Ports Limited	Director	October 2016	N/A
	Piraeus Port Authority S.A.	Director	June 2016	N/A
	China Shipping (North America) Company Limited	Director	March 2017	N/A
	China Shipping (Europe) Company Limited	Director	March 2017	N/A
	COSCO SHIPPING International (Hong Kong) Co., Ltd.	Director	January 2018	N/A
ZHANG Wei (張煒)	China COSCO SHIPPING Corporation Limited	General Manager of the Operation and Management Department	March 2017	N/A
	COSCO SHIPPING Lines Co., Ltd.	Director	November 2016	N/A
	COSCO SHIPPING Bulk Co., Ltd.	Director	August 2016	N/A
	COSCO SHIPPING Energy Transportation Co., Ltd.	Director	September 2016	N/A
	COSCO SHIPPING Ports Limited	Director	October 2016	N/A
	COSCO SHIPPING Specialized Carriers Co., Ltd.	Director	October 2016	N/A
	COSCO SHIPPING Captive Insurance Co., Ltd.	Director	February 2017	N/A
CHEN Dong	China COSCO SHIPPING Corporation Limited	General Manager of the Financial and Management Department	September 2016	N/A
	COSCO SHIPPING Ports Limited	Director	October 2016	N/A
	COSCO SHIPPING Financial Co., Ltd.	Director	July 2016	N/A
	COSCO SHIPPING Specialized Carriers Co., Ltd.	Director	October 2016	N/A
	COSCO SHIPPING Bulk Co., Ltd.	Director	August 2016	N/A
	COSCO SHIPPING (Hong Kong) Co., Limited	Director	July 2016	N/A
	COSCO SHIPPING Boao Co., Ltd.	Director	December 2018	N/A
	COSCO SHIPPING International (Hong Kong) Co., Ltd.	Director	January 2018	N/A

Directors' Report

Name	Name of entity	Position	Date of appointment	Date of termination
YANG, Liang Yee Philip	Orient Overseas (International) Limited	Independent Non-executive Director	August 2018	N/A
TEO Siong Seng	COSCO SHIPPING Energy Transportation Co., Ltd.	Independent Non-executive Director	December 2015	N/A
FU Xiangyang	China COSCO SHIPPING Corporation Limited	Secretary to the Board	March 2016	N/A
HAO Wenyi	China COSCO SHIPPING Corporation Limited	Head of the Discipline and Supervision Department	January 2016	N/A
	China COSCO SHIPPING Corporation Limited	Deputy Chief of the Disciplinary Team of the Party Committee	August 2016	N/A
	China COSCO SHIPPING Corporation Limited	Supervisor	April 2016	N/A
	COSCO SHIPPING Development Co., Ltd.	Supervisor	June 2016	N/A
	COSCO SHIPPING Specialized Carriers Co., Ltd.	Supervisor	October 2016	N/A
	COSCO SHIPPING Heavy Industry Co., Ltd.	Supervisor	December 2016	N/A
	COSCO SHIPPING Captive Insurance Co., Ltd.	Supervisor	February 2017	N/A
	COSCO SHIPPING Technology Co., Ltd.	Supervisor	December 2017	N/A
	COSCO SHIPPING (Dalian) Co., Ltd.	Supervisor	December 2017	N/A
	COSCO SHIPPING (Shanghai) Co., Ltd.	Supervisor	December 2017	N/A
QIAN Weizhong	COSCO SHIPPING Lines Co., Ltd.	Director, Party Secretary, Deputy General Manager	March 2016	N/A
FANG Meng	COSCO SHIPPING Ports Limited	Executive Director, Party Secretary, Deputy General Manager	April 2016	N/A
DENG Huangjun	COSCO SHIPPING Ports Limited	Executive Director, Deputy General Manager	October 2015	N/A
CHEN Xiang	COSCO SHIPPING Lines Co., Ltd.	Deputy General Manager	January 2016	N/A
	Orient Overseas Container Line Limited	Director, Member of Executive Committee	August 2018	N/A
YAO Erxin	Orient Overseas Container Line Limited	Director, Member of Executive Committee	January 2010	N/A
ZHU Jiandong	COSCO SHIPPING Lines Co., Ltd.	Deputy General Manager	January 2016	N/A
	Orient Overseas Container Line Limited	Director, Member of Executive Committee	April 2019	N/A
Stephen NG	Orient Overseas Container Line Limited	Director, Member of Executive Committee	August 2010	April 2019
ZHANG Mingwen	Orient Overseas (International) Limited	Chief Financial Officer (CFO)	August 2018	N/A
	Orient Overseas Container Line Limited	Director, Chief Financial Officer, Member of Executive Committee	August 2018	N/A
Steve SIU	Orient Overseas Container Line Limited	Director, Member of Executive Committee, Chief Information Officer	November 2006	N/A
	CargoSmart	Chief Executive Officer	January 2002	N/A
	COSCO SHIPPING Lines Co., Ltd.	Deputy General Manager	February 2019	N/A
CHEN Shuai	COSCO SHIPPING Lines Co., Ltd.	Deputy General Manager	January 2016	N/A

(II) Position in other entities

Name	Name of entity	Position	Date of appointment	Date of termination
WAN Min	China Bohai Bank Limited	Director	January 2016	N/A
HUANG Xiaowen	China Marine Bunker (PetroChina) Co., Ltd	Chairman	July 2017	N/A
	China LNG Shipping (Holdings) Limited	Chairman	July 2017	N/A
ZHANG Wei (張為)	Qingdao Port International Co., Ltd.	Non-executive Director	June 2016	N/A
WU Dawei	Jinlihua Electric Co., Ltd.	Independent Non-executive Director	January 2017	N/A
ZHOU Zhonghui	China Taiping Insurance Group Co., Ltd.	Independent Non-executive Director	June 2017	N/A
	Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd.	Independent Non-executive Director	May 2013	N/A
	S.F. Holding Co., Ltd.	Independent Non-executive Director	December 2016	N/A
	Oriental Pearl Group Co., Ltd.	External Supervisor	June 2015	N/A
TEO Siong Seng	Pacific International Lines (Pte) Ltd	Executive Chairman	January 1979	N/A
	Singamas Container Holdings Limited	Chairman and Chief Executive Officer	October 1988	N/A
MENG Yan	Beijing Bashi Media Co., Ltd.	Independent Non-executive Director	June 2017	N/A
	Sinotrans Limited	Independent Non-executive Director	January 2019	N/A
	Jolimark Holdings Ltd.	Independent Non-executive Director	July 2009	N/A
	Beijing Capital Co., Ltd.	Independent Non-executive Director	December 2017	N/A
ZHANG Jianping	Hunan Valin Steel Co., Ltd.	Independent Non-executive Director	February 2016	N/A
	Beijing SPC Environment Protection Tech Co., Ltd.	Independent Non-executive Director	August 2016	N/A

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

Determination of remuneration of Directors, Supervisors and senior management	Remuneration of Directors and Supervisors were determined at Shareholders' meeting. Determination of the remuneration of the senior management of the Company is set out in the section headed "Appraisal system and the establishment and implementation of incentive mechanism for senior management during the Reporting Period" under the Directors' Report of this annual report.
Basis of remuneration of Directors, Supervisors and senior management	Remuneration of Directors and Supervisors were determined by Shareholders' meeting. Decision-making process of the remuneration of the senior management of the Company is set out in the section headed "Appraisal system and the establishment and implementation of incentive mechanism for senior management during the Reporting Period" under the Directors' Report of this annual report.
Remuneration payable to Directors, Supervisors and senior management	The salaries of Directors and Supervisors shall be paid in accordance with the service contracts entered into by them. Remuneration of the senior management of the Company shall be determined on annual basis taking into account the operating results and annual personal appraisal results and in accordance with the "Administrative Measures for the Remuneration of Officers in Charge of COSCO SHIPPING Holdings Co., Ltd." approved by the Board.
Total actual remuneration of all Directors, Supervisors and senior management during the Reporting Period	RMB30.9303 million (before tax)

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

Name	Position	Change	Reason of change
XU Lirong	Chairman and Executive Director	Elected	Elected at the extraordinary general meeting of the Company and the meeting of Board
WAN Min	Chairman and Non-executive Director	Resigned	Change of job positions
XU Zunwu	Executive Director and General Manager	Resigned	Reached retirement age
WANG Haimin	Executive Director and General Manager	Appointed	Appointed by the Board
KOO, Chee Kong Kenneth	Independent Non-executive Director	Resigned	Workload and other personal commitments
MA Jianhua	Non-executive Director and Deputy General Manager	Resigned	Change of job arrangement
QIAN Weizhong	Employee Supervisor	Resigned	Change of job arrangement
DENG Huangjun	Chief Financial Officer	Resigned	Change of job arrangement
	Employee Supervisor	Elected	Elected by the congress of the representations of staff and workers of the Company
ZHANG Mingwen	Chief Financial Officer（總會計師）	Appointed	Appointed by the Board
QIU Jinguang	Deputy General Manager	Resigned	Change of job position
CHEN Xiang	Deputy General Manager	Appointed	Appointed by the Board
YAO Erxin	Deputy General Manager	Appointed	Appointed by the Board
ZHU Jiandong	Deputy General Manager	Appointed	Appointed by the Board
Stephen NG	Deputy General Manager	Appointed	Appointed by the Board
Steve SIU	Deputy General Manager	Appointed	Appointed by the Board
CHEN Shuai	Deputy General Manager	Appointed	Appointed by the Board

1. Appointment of Directors and Changes

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

On 28 February 2018, Mr. Koo, Chee Kong Kenneth resigned as independent non-executive Director and a member of the risk management committee of the Board due to 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, a member of the strategic development committee and a member of the nomination committee of the Board due to his reaching of retirement age.

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

On 30 August 2018, Mr. Xu Lirong was appointed as an executive Director and the chairman of the fifth session of the Board.

2. Appointment of Supervisors and Changes

On 25 October 2018, Mr. Qian Weizhong resigned as a Supervisor due to change of job arrangements.

3. Appointment of Senior Management and Changes

As considered and approved at the eighth meeting of the fifth session of the Board on 2 March 2018, Mr. Wang Haimin, an executive Director, was appointed as the general manager of the Company.

As considered and approved at the fifteenth meeting of the fifth session of the Board on 27 July 2018, (1) Mr. Ma Jianhua and Mr. Qiu Jinguang resigned as deputy general managers of the Company due to the change of job positions; (2) Mr. Deng Huangjun resigned as the Chief Financial Officer due to change of job arrangement; (3) Ms. Chen Xiang, Mr. Yao Erxin, Mr. Zhu Jiandong, Mr. Stephen Ng, Mr. Steve Siu and Mr. Chen Shuai were appointed as deputy general managers of the Company; and (4) Mr. Zhang Mingwen has been appointed as the Chief Financial Officer（總會計師）.

4. Changes in Directors, Supervisors and Senior Management after the Reporting Period and up to the Date of This Report

On 30 January 2019, Mr. Deng Huangjun was appointed as a Supervisor.

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

Not applicable.

V. Staff of the Company and its significant subsidiaries

(1) Information of staff

Number of working staff of the Company	35
Number of working staff of significant subsidiaries	26,817
Total number of working staff	26,852
Number of retired staff receiving retirement benefit from the Company and major subsidiaries	8,981
Qualification	
Class of qualification	**Number of staff**
Production	3,741
Sales	6,476
Technicians	3,057
Accounting	2,156
Administration	2,005
Other staff	9,417
Total	26,852
Education level	
Level of education	**Number of staff**
Secondary or below	4,984
Tertiary	7,228
Graduate	12,688
Master's degree or above	1,952
Total	26,852

(2) Remuneration policy

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

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

(3) Training Program

By focusing on core tasks of the Company and maintaining the overall situation of reform, development and stability, the Company enhanced the comprehensiveness, pertinence and effectiveness of educational training, speeded up the reform and innovation of such work and continued to improve the scientific level of educational training under the people-oriented principle to safeguard the healthy, stable and sustainable development of the Company. In 2018, the training was carried out mainly in the following two aspects: firstly, the Company focused on providing training for personnel at key positions and areas and coordinated training for personnel of all categories at all levels. Secondly, the Company has continuously innovated and improved the training mechanism and further enhanced the scientific level of trainings.

(4) Outsourcing

Total cost of outsourcing	RMB822,397,932.89

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

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

VII. Public Float

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

By Order of the Board of Directors
Xu Lirong
Chairman

Shanghai, the PRC
29 March 2019

Report of Supervisory Committee

Dear all Shareholders:

The Supervisory Committee conscientiously performs its duties and conducts its work proactively and diligently in accordance with the laws and regulations of the locations where the Company's shares are listed, the Articles of Association, the Rules of Procedures of the Supervisory Committee and other laws. Re-election of members of the Supervisory Committee was completed in the year. In 2018, the Company hold six meetings of the Supervisory Committee, including two physical meetings and four meetings by written correspondence.

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

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

The Supervisory Committee has carefully reviewed 2018 annual financial report of the Company, the annual profit distribution plan and the unqualified auditor's report issued by the Company's domestic and overseas auditors. The Supervisory Committee agreed with the unqualified auditor's report issued by ShineWing Certified Public Accountants and PricewaterhouseCoopers.

The Supervisory Committee has examined the transactions of the significant asset restructuring and the connected transactions during the Reporting Period, and found no damage to Shareholders' interests or interests of the Company, no insider trading, no damage to part of the shareholders' equity interest and no loss of assets of the Company.

The Supervisory Committee has reviewed the "2018 Annual Evaluation Report of Internal Control" issued by the Board and was of the view that the report truly reflected the basic situation of the Company's internal control and complied with the relevant laws and regulations of the PRC and the requirements of the securities regulatory authorities.

Report of Supervisory Committee

The Supervisory Committee has conducted research and study on the Company's subsidiaries. The Supervisory Committee went to various places such as Yichang, Chongqing and Xiangjiang to conduct research and study on ship lifts and second-line shiplock in the Three Gorges, Chongqing branch of Wuhan Division of COSCO SHIPPING Lines, Chongqing Guoyuan Port Rail-Sea Transportation Terminal, Urumqi Central Europe (Central Asia) Regular Train Central Station and Intermodal Transportation Customs Monitoring and Management Centre, Horgos Border Railway Port of Entry and highway stack. The Supervisory Committee also conducted in-depth interaction and exploration as well as made targeted recommendations in respect of further deployment in the intermodal channels in the up and middle reaches of the Yangtze River, promoting the implementation of premium logistics projects and improvement of multi-transportation at the end of the Trans-Caspian Railway. The Supervisory Committee further improves the quality of corporate governance by on-site investigations of the operational management and duly performance of the relevant entities.

The members of the Supervisory Committee have actively participated in business training. In September, Hao Wenyi, a Supervisor, participated in the supervisor training of listed companies in Tianjin organized by the Listed Companies Association of Tianjin; in October, Fu Xiangyang, the chairman of the Supervisory Committee, participated in the third seminar for the chairman of supervisory committee of listed companies for 2018 organized by the China Association for Public Companies. Through the training, the abilities of compliance management and performance of supervisory committee of a listed company was effectively improved.

In 2019, the Supervisory Committee will continue to strictly comply with the Articles of Association and the relevant requirements, strengthen the construction of the Supervisory Committee and to increase its supervision efforts to effectively safeguard and protect the lawful interests of the Company and the Shareholders.

Supervisory Committee of COSCO SHIPPING Holdings Co., Ltd.

29 March 2019

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

Opinion

What we have audited

The consolidated financial statements of COSCO SHIPPING Holdings Co., Ltd. (the "Company") and its subsidiaries (together, "the Group") set out on pages 144 to 275, which comprise:

- the consolidated balance sheet as at 31 December 2018;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

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

Independence

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

Key Audit Matters

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

Key Audit Matters (Continued)

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

- Business acquisition of Orient Overseas (International) Limited ("OOIL");
- Recoverability of carrying amount of property, plant and equipment, intangible assets and goodwill;
- Freight revenues for vessel voyages in progress at year end; and
- Operating costs accrual.

Key Audit Matter	How our audit addressed the Key Audit Matter
Business acquisition of OOIL *Refer to note 2(c), 4(a), 10 and 42 to the consolidated financial statements.*	
During the year ended 31 December 2018, the Group acquired OOIL for a total consideration of RMB31,130 million. The fair value of total identified net assets acquired amounted to RMB26,050 million and the goodwill arising from the acquisition amounted to RMB5,080 million. Accounting for the business acquisition is an area of focus because of the significance of the acquisition and the critical accounting estimates and judgements involved in the identification and valuation of intangible assets acquired and valuation of the assets and liabilities that are recognised. When determining the fair value of assets and liabilities recognised in the business combinations, different valuation methodologies including the discounted cash flow model and multi-period excess earnings model were used. Key assumptions used include discount rates, revenue growth rates and gross margins. Any significant changes in these key assumptions may give rise to material changes in the valuation of the acquired assets and liabilities including intangible assets, which directly impacts the amount of the goodwill recognised. Management engaged an external valuer to value the assets and liabilities of the acquired business, including the identification and valuation of intangible assets.	We performed the following procedures to assess the key assumptions used in assessing the fair value of the assets and liabilities of the acquired business (including the identification and valuation of intangible assets): • inspected relevant contracts related to the business acquisition and evaluated management's process to identify intangible assets; • assessed the competence, capabilities and objectivity of the management's external valuer; • obtained the valuation reports and discussed with the external valuer the methodologies and key assumptions used; • involved our internal valuation experts to evaluate the methodologies used to determine the fair values of assets and liabilities recognised (including the valuation of intangible assets acquired), and benchmarked the discount rates applied to other comparable companies in the same industry; and • assessed the reasonableness of key assumptions such as revenue growth rates and gross margins applied by management by comparing them with historical trend, as well as comparing the current year actual results with the prior year forecast to assess the reasonableness of management forecasts. Based on the procedures performed above, we considered that the key assumptions used in assessing the fair value of the assets and liabilities of the acquired business (including the identification and valuation of intangible assets) are supported by the evidence obtained.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of carrying amount of property, plant and equipment, intangible assets and goodwill *Refer to note 2(j), 4(c), 4(d), 6, 9 and 10 to the consolidated financial statements.*	
As at 31 December 2018, the Group had property, plant and equipment with total carrying amount of approximately RMB115,386 million, intangible assets with total carrying amount of approximately RMB5,407 million, and goodwill with total carrying amount of RMB5,786 million. Management performed assessment at the end of each reporting period whether there is any indication that the property, plant and equipment, intangible assets may be impaired. Should indication of impairment exists, an impairment assessment will be performed based on value-in-use calculations accordingly. Goodwill and indefinite lived intangible assets are required to be tested annually for impairment. This area is significant to our audit because of the significance of the carrying amounts of the assets and management is required to exercise considerable judgement because of the inherent complexity in defining appropriate cash generating units ("CGUs"), estimating future cash flows and determining the discount rates.	We understood and tested the controls relating to the assessment of the carrying amount of property, plant and equipment, intangible assets and goodwill and considered the appropriateness of CGUs. We also tested management's process for identifying CGUs that required impairment testing and tested that all assets requiring impairment testing were identified. We examined management's methodology in assessing the carrying amount of property, plant and equipment, intangible assets and goodwill assigned to CGUs, to determine its compliance with accounting standards. We also performed the following procedures in relation to management's impairment assessments: • assessed whether the future discounted cash flow forecasts have been prepared according to the asset grouped at the lowest level (cash-generating units); • agreed the input data used by the management as supporting evidence such as actual results and financial budgets approved by management and assessed the reasonableness; • involved our internal valuation experts to assessed the appropriateness of the valuation methodologies used to determine value-in-use and benchmarked the discount rates applied to other comparable companies in the same industry; • assessed the reasonableness of key assumptions applied in the financial budgets such as revenue growth rates, gross margins and EBITDA applied by management; and • assessed management's sensitivity analyses on the key assumptions, to ascertain the extent to which adverse changes, both individually or in aggregate, would result in the assets being impaired. We found the judgement and key assumptions used in the impairment assessments were supportable by available evidence.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Freight revenues for vessel voyages in progress at year end *Refer to note 4(e), 5 and 22 to the consolidated financial statements.*	
For the year ended 31 December 2018, the Group recognised revenue of RMB120,342 million from its continuing operation, out of which RMB106,409 million was related to freight revenues from container shipping. The Group recognises freight revenues over time which is determined on the time proportion of each individual vessel voyage completed at year end with reference to their voyage details such as freight rates, voyage departure and arrival information. We focused on the recognition of freight revenues at year end due to the complex calculations involved in the estimation of freight revenues for vessel voyages in progress at year end.	Our procedures in relation to management's estimation of freight revenues for vessel voyages in progress at year end included: • evaluated and tested the key controls that management has established in respect of recording freight revenues, focussing on management's controls over the estimate of freight revenues for vessel voyages which were still in progress at year end. • tested the freight rates maintained in the Group's operation system on a sample basis by comparing with supporting documents such as customer contracts. • checked the vessel voyage departure and arrival information (i.e. time and date) from the Group's IT system on a sample basis against the supporting documents such as terminal records. • recomputed the estimated freight revenues calculations of vessels voyages in progress recorded in the Group's operation system and reconciled to the accounting records. Based on the audit procedures performed, we found the freight revenues for vessel voyages in progress at year end were supportable based on the evidence we gathered.

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
Operating costs accrual *Refer to note 4(e), 28(b) and 29 to the consolidated financial statements.*	
For the year ended 31 December 2018, the Group accrued expenses of RMB10,151 million for operating costs for container transport operation which mainly comprised cargo, vessel and voyage costs, equipment and repositioning costs and terminal operating costs. As it takes several months to finalise certain costs with suppliers subsequent to the receipt of such services, management makes a provision for such operating costs based on known services received, pattern of historical cost and estimated vendor tariffs. We focused on this area because the estimation of provision for operating costs involves significant judgements taking into account a number of factors, such as pattern of historical cost and the estimated vendor tariff. Changes in estimation could result in material changes to the provision for operating costs.	Our procedures in relation to management's estimation of operating costs accrual included: • evaluated and tested the key controls over the operating costs, cost provisioning and accounts payable cycle, in particular relating to the accuracy of the vendor tariffs in the operation system. • reviewed and discussed monthly trend analysis for provision for operating costs with management to assess the sufficiency of provisions made. • reviewed paid and unpaid invoices after year end to ascertain whether liabilities had been recorded in the proper period, on a sample basis. • checked the subsequent utilisation of provision for operating costs to evaluate the sufficiency of provision made; and • recomputed the provision for operating costs, on a sample basis. Based on the audit procedures performed, we found the provisions for operating costs were supportable based on the evidence we gathered.

Other Information

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

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

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2019

Consolidated Balance Sheet

As At 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**115,385,537**	57,420,313
Investment properties	7	**2,372,369**	192,042
Leasehold land and land use rights	8	**2,273,525**	2,082,427
Intangible assets	9	**5,406,925**	2,176,799
Goodwill	10	**5,785,808**	905,022
Joint ventures	12	**9,886,112**	8,169,778
Associates	13	**18,991,354**	17,692,258
Available-for-sale financial assets	15	**—**	2,366,832
Financial assets at fair value through other comprehensive income	15	**2,083,638**	—
Financial assets at fair value through profit or loss	16	**499,442**	—
Financial assets at amortised cost	17	**1,299,828**	—
Restricted bank deposits	20	**398,072**	—
Deferred income tax assets	18	**1,060,469**	1,158,757
Loans to joint ventures and associates	14	**1,194,537**	1,046,848
Other non-current assets	19	**1,490,185**	572,092
Total non-current assets		**168,127,801**	93,783,168
Current assets			
Inventories	21	**4,100,906**	2,330,221
Trade and other receivables and contract assets	22	**14,852,027**	10,986,870
Financial assets at fair value through profit or loss	16	**2,596,055**	—
Financial assets at amortised cost	17	**230,380**	—
Taxes recoverable		**47,809**	—
Restricted bank deposits	20	**759,171**	351,220
Cash and bank balances	20	**32,837,729**	25,738,526
Assets classified as held for sale	41	**4,591,927**	—
Total current assets		**60,016,004**	39,406,837
Total assets		**228,143,805**	133,190,005

The notes on pages 153 to 275 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As At 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	23	**10,216,274**	10,216,274
Reserves	24	**12,669,939**	10,453,013
		22,886,213	20,669,287
Non-controlling interests		**33,466,676**	23,041,293
Total equity		**56,352,889**	43,710,580
LIABILITIES			
Non-current liabilities			
Long-term borrowings	25	**80,244,198**	43,909,214
Provisions and other liabilities	26	**351,172**	368,935
Pension and retirement liabilities	27	**305,517**	283,078
Derivative financial liabilities		**50,499**	42,649
Deferred income tax liabilities	18	**1,985,569**	1,313,987
Total non-current liabilities		**82,936,955**	45,917,863
Current liabilities			
Trade and other payables and contract liabilities	28	**29,698,425**	23,185,929
Derivative financial liabilities		**59,786**	18,527
Short-term borrowings	25	**48,220,619**	10,939,802
Current portion of long-term borrowings	25	**8,730,823**	8,540,731
Current portion of provisions and other liabilities	26	**2,393**	4,688
Taxes payable		**897,482**	871,885
Liabilities directly associated with assets classified as held for sale	41	**1,244,433**	—
Total current liabilities		**88,853,961**	43,561,562
Total liabilities		**171,790,916**	89,479,425
Total equity and liabilities		**228,143,805**	133,190,005

The notes on pages 153 to 275 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 144 to 152 were approved by the Board of Directors on 29 March 2019 and were signed on its behalf

Mr. Zhang Wei
Director

Mr. Wang Haiming
Director

Consolidated Income Statement

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Continuing operation			
Revenues	5	**120,342,284**	90,399,078
Cost of services and inventories sold	29	**(110,725,942)**	(82,761,870)
Gross profit		**9,616,342**	7,637,208
Other income, net	30	**2,199,387**	1,108,134
Gain on disposal of a joint venture	31	**–**	1,886,333
Gain on remeasurement of previously held interest of an available-for-sale financial asset upon further acquisition to become an associate	31	**–**	264,099
Selling, administrative and general expenses	32	**(6,816,932)**	(5,232,051)
Operating profit		**4,998,797**	5,663,723
Finance income	33	**571,051**	484,725
Finance costs	33	**(3,998,008)**	(2,147,368)
Net finance costs		**(3,426,957)**	(1,662,643)
		1,571,840	4,001,080
Share of profits less losses of			
– joint ventures	12	**697,250**	641,548
– associates	13	**1,380,277**	1,060,408
Profit before income tax from continuing operation		**3,649,367**	5,703,036
Income tax expense	34	**(818,961)**	(872,351)
Profit for the year from continuing operation		**2,830,406**	4,830,685
Discontinued operation			
Profit for the year from discontinued operation	41	**195,955**	—
Profit for the year		**3,026,361**	4,830,685
Profit attributable to:			
Equity holders of the Company		**1,230,026**	2,661,936
Non-controlling interests		**1,796,335**	2,168,749
		3,026,361	4,830,685
Profit attributable to equity holders of the Company arising from:			
– Continuing operation		**1,083,059**	2,661,936
– Discontinued operation		**146,967**	—
		1,230,026	2,661,936

The notes on pages 153 to 275 are an integral part of these consolidated financial statements.

Consolidated Income Statement

For the year ended 31 December 2018

	Note	2018 RMB	2017 RMB
Earnings per share attributable to equity holders of the Company:			
Basic and diluted earnings per share			
– From continuing operation	37	**0.11**	0.26
– From discontinued operation	37	**0.01**	—
		0.12	0.26

The notes on pages 153 to 275 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
Profit for the year	**3,026,361**	4,830,685
Other comprehensive income		
Items that will be reclassified or may be reclassified subsequently to profit or loss		
Share of other comprehensive (loss)/income of joint ventures and associates	**(30,044)**	65,344
Cash flow hedges, net of tax	**(8,116)**	4,338
Fair value gains on available-for-sale financial assets, net of tax	**–**	1,008,862
Release of investment revaluation reserve upon disposal of an available-for-sale financial asset	**–**	(264,099)
Release of reserve upon disposal of a joint venture	**–**	(77,681)
Release of reserve upon contribution of equity investments to an associate	**–**	(9,555)
Release of reserve upon further acquisition of an associate to become a subsidiary	**–**	26,860
Currency translation differences	**1,159,177**	(1,075,486)
Item that will not be reclassified subsequently to profit or loss		
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	**(396,732)**	–
Remeasurements of post-employment benefit obligations	**(82,964)**	(17,600)
Share of other comprehensive (loss)/income of an associate-other reserve	**(29,981)**	63,863
Other comprehensive income/(loss) for the year, net of tax	**611,340**	(275,154)
Total comprehensive income for the year	**3,637,701**	4,555,531
Total comprehensive income for the year attributable to:		
– Equity holders of the Company	**1,671,176**	2,106,033
– Non-controlling interests	**1,966,525**	2,449,498
	3,637,701	4,555,531
Total comprehensive income attributable to equity holders of the Company arising from:		
– Continuing operation	**1,615,528**	2,106,033
– Discontinued operation	**55,648**	—
	1,671,176	2,106,033

The notes on pages 153 to 275 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to equity holders of the Company				
	Share capital RMB'000	Reserves RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 31 December 2017, as previously reported	10,216,274	10,453,013	20,669,287	23,041,293	43,710,580
Change in accounting policy (note 2(b) (ii))	–	48,560	48,560	–	48,560
Balance at 1 January 2018, as restated	10,216,274	10,501,573	20,717,847	23,041,293	43,759,140
Comprehensive income					
Profit for the year	–	1,230,026	1,230,026	1,796,335	3,026,361
Other comprehensive income:					
Cash flow hedges, net of tax	–	(1,636)	(1,636)	(6,480)	(8,116)
Share of other comprehensive loss of joint ventures and associates	–	(28,003)	(28,003)	(32,022)	(60,025)
Currency translation differences	–	710,750	710,750	448,427	1,159,177
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	–	(174,793)	(174,793)	(221,939)	(396,732)
Remeasurements of post-employment benefit obligations	–	(65,168)	(65,168)	(17,796)	(82,964)
Total other comprehensive income	–	441,150	441,150	170,190	611,340
Total comprehensive income	–	1,671,176	1,671,176	1,966,525	3,637,701
Transactions with owners:					
Acquisition of subsidiaries (note 42)	–	–	–	8,683,393	8,683,393
Contributions from non-controlling shareholders of subsidiaries	–	374,744	374,744	621,505	996,249
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	(758,183)	(758,183)
Others	–	122,446	122,446	(87,857)	34,589
Total transactions with owners	–	497,190	497,190	8,458,858	8,956,048
Balance at 31 December 2018	10,216,274	12,669,939	22,886,213	33,466,676	56,352,889

The notes on pages 153 to 275 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Attributable to equity holders of the Company				
	Share capital RMB'000	Reserves RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2017	10,216,274	8,107,022	18,323,296	19,225,573	37,548,869
Comprehensive income					
Profit for the year	—	2,661,936	2,661,936	2,168,749	4,830,685
Other comprehensive income/(loss):					
Fair value gains on available-for-sale financial assets, net of tax	—	467,563	467,563	541,299	1,008,862
Release of investment revaluation reserve of an available-for-sale financial asset upon further acquisition to become an associate	—	(123,387)	(123,387)	(140,712)	(264,099)
Release of reserve upon disposal of a joint venture	—	(36,435)	(36,435)	(41,246)	(77,681)
Release of reserve upon contribution of equity investments to an associate	—	(4,482)	(4,482)	(5,073)	(9,555)
Release of reserve upon further acquisition of an associate to become a subsidiary	—	12,599	12,599	14,261	26,860
Cash flow hedges, net of tax	—	919	919	3,419	4,338
Share of other comprehensive income of joint ventures and associates	—	51,378	51,378	77,829	129,207
Currency translation differences	—	(906,458)	(906,458)	(169,028)	(1,075,486)
Remeasurements of post-employment benefit obligations	—	(17,600)	(17,600)	—	(17,600)
Total other comprehensive (loss)/income	—	(555,903)	(555,903)	280,749	(275,154)
Total comprehensive income	—	2,106,033	2,106,033	2,449,498	4,555,531
Transactions with owners:					
Acquisition of subsidiaries	—	—	—	1,247,025	1,247,025
Contributions from non-controlling shareholders of subsidiaries	—	279,072	279,072	688,237	967,309
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	(374,770)	(374,770)
Others	—	(39,114)	(39,114)	(194,270)	(233,384)
Total transactions with owners	—	239,958	239,958	1,366,222	1,606,180
Balance at 31 December 2017	10,216,274	10,453,013	20,669,287	23,041,293	43,710,580

The notes on pages 153 to 275 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2018

	Note	**2018**	2017
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations	40	**8,274,094**	7,381,047
Interest received		**495,484**	478,746
Income tax paid		**(638,802)**	(767,754)
Net cash generated from operating activities		**8,130,776**	7,092,039
Cash flows from investing activities			
Purchase of property, plant and equipment, investment properties, leasehold land and land use rights and intangible assets		**(19,887,519)**	(11,145,984)
Acquisition of subsidiaries, net of cash paid	42	**(21,033,989)**	(2,039,459)
Investments in joint ventures and an associate		**(559,028)**	(3,127,478)
Proceeds from disposal of property, plant and equipment, investment properties, land use right, and intangible assets		**226,691**	72,362
Repayments of loans granted to a joint venture		**226,056**	20,137
Dividends received from joint ventures		**483,145**	456,879
Dividends received from associates		**743,818**	766,406
Others		**457,278**	(235,917)
Net cash used in investing activities		**(39,343,548)**	(15,233,054)

The notes on pages 153 to 275 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2018

	Note	2018 RMB'000	2017 RMB'000
Cash flows from financing activities	40(c)		
Proceeds from borrowings		**73,622,479**	21,562,374
Repayments of borrowings		**(31,672,432)**	(17,202,425)
Drawdown of finance lease obligations		**942,952**	–
Capital element of finance lease rental payments		**(805,844)**	–
Dividends paid to non-controlling shareholders of subsidiaries		**(629,115)**	(332,379)
Interest paid		**(3,252,672)**	(2,074,478)
Loans from non-controlling shareholders of subsidiaries		**289,635**	347,977
Repayment of loans from a non-controlling shareholder of a subsidiary		**(378,584)**	(400,001)
Repayment of loans from a fellow subsidiary		**(89,260)**	–
Repayment of loans from a joint venture		**(282,418)**	–
Loan from a joint venture		**217,230**	–
Loan from an associate		**–**	100,000
Others		**(395,269)**	795,898
Net cash generated from financing activities		**37,566,702**	2,796,966
Net increase/(decrease) in cash and bank balances		**6,353,930**	(5,344,049)
– Net increase/(decrease) in cash and bank balances from continuing operation		**6,349,407**	(5,344,049)
– Net increase in cash and bank balances from discontinued operation	41	**4,523**	–
Cash and cash equivalents as at 1 January		**25,738,526**	32,188,572
Cash and cash equivalents at acquisition date for disposal group classified as held for sale		**364,257**	–
Exchange gain/(loss)		**749,796**	(1,105,997)
Cash and bank balances as at 31 December		**33,206,509**	25,738,526
– Included in cash and cash equivalents	20	**32,837,729**	25,738,526
– Included in disposal group classified as held for sale	41	**368,780**	–

The notes on pages 153 to 275 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1 General information

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

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

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

On 9 July 2017, 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 that the Joint Offerors intend to make a voluntary general offer to acquire all of the issued shares of Orient Overseas (International) Limited ("OOIL") (the "Offer"), subject to the satisfaction or waiver of the pre-conditions as described in the announcement made. 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, and all pre-conditions had been met. With the acceptance of the Offer by the existing Controlling Shareholders, the Company obtained control and became the controlling shareholder of OOIL.

On 6 July 2018, OOIL and Faulkner Global amongst others entered into the National Security Agreement pursuant to which OOIL and Faulkner Global committed to divest the subsidiaries which directly or indirectly operate the Long Beach Container Terminal ("U.S. Terminal Business"). The proposed sale of the U.S. Terminal Business is accounted for as discontinued operation under HKFRS 5 "Non-current assets held for sale and discontinued operations".

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

These consolidated financial statements have been approved for issue by the Directors on 29 March 2019.

2 Summary of significant accounting policies

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

(a) Basis of preparation

The consolidated financial statements for the year ended 31 December 2018 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Hong Kong Companies Ordinance.

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

(i) New standard and amendments to standards which are effective in 2018 and adopted by the Group

The following new standard and amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2018:

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 2(b).

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) New standards and interpretations which have not been adopted

The following standards and amendments to existing standards, which are relevant to the operations of the Group, have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2019 but have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
New standards, interpretations and amendments		
HKAS 1 and HKAS 8 Amendment	Definition of Material	1 January 2020
HKAS 19 Amendment	Plan Amendment, Curtailment or Settlement	1 January 2019
HKAS 28 Amendment	Long-term Interests in Associates and Joint Ventures	1 January 2019
HKFRS 9 Amendment	Prepayment Features with Negative Compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 3 Amendment	Definition of a Business	1 January 2020
HKFRS 17	Insurance contract	1 January 2021
HKFRS 10 and HKAS 28 Amendment	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
Annual Improvements 2015–2017		
HKAS 12 Amendment	Income Taxes	1 January 2019
HKAS 23 Amendment	Borrowing Costs	1 January 2019
HKFRS 3 Amendment	Business Combination	1 January 2019
HKFRS 11 Amendment	Joint Arrangements	1 January 2019

The Group will apply the above new standards, interpretations, amendments and improvements to existing standards as and when they become effective. The Group has already commenced an assessment of the related impact to the Group, certain of which will give rise to change in presentation, disclosure and measurements of certain items in the financial statements as explained below:

HKFRS 16 "Leases"

HKFRS 16 will affect primarily the accounting for the Group's operating leases. Under HKFRS 16, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised in the consolidated balance sheet. Management considers the operating lease commitments as disclosed in note 44(b) will result in the recognition of an asset and a liability for future payments and will affect the Group's results and classification of cash flows. The impact of adoption will be disclosed in the interim report 2019.

2 Summary of significant accounting policies (Continued)

(b) 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.

(i) 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 (ii), (iii) (iv) and (v) 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**
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**

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies (Continued)

(ii) 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 (iii) 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 assets at FVOCI as at 1 January 2018.

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 of financial assets at FVOCI	**–**	**48,560**	**–**
Reclassify impairment loss on available-for-sale 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 and contract assets, which requires expected lifetime losses to be recognised from initial recognition of the receivables and contract assets. 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 and contract assets.

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies (Continued)

(iii) 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, 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 other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

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 other comprehensive income, 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 fair value through profit or loss are recognised in other income/(expenses) in the consolidated income statement 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 and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables and contract assets.

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies (Continued)

(iv) 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 advances 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 with related customers.

(v) 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 approximately 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. Revenues from logistics and freight forwarding business are recognised when services are rendered or over time which is determined on the time proportion method of the progress of the transportation. A contract asset (included in trade and other receivables and contract assets) 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 and contract liabilities) is recognised for 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 and contract liabilities) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

2 Summary of significant accounting policies (Continued)

(c) Group accounting

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

(i) Merger accounting for common control combinations

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

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

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

(c) Group accounting (Continued)

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

Acquisition-related costs are expensed as incurred.

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

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

(iii) Subsidiaries

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

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

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

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

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

(v) Disposal of subsidiaries

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

2 Summary of significant accounting policies (Continued)

(c) Group accounting (Continued)

(vi) Joint ventures/associates

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

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

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

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

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

(d) Foreign currency translation

(i) Functional and presentation currency

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

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

(ii) Transactions and balances

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

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

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

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

2 Summary of significant accounting policies (Continued)

(d) Foreign currency translation (Continued)

(iii) Group companies

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

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

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

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

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

(iv) Disposal of foreign operation and partial disposal

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

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

2 Summary of significant accounting policies (Continued)

(e) Property, plant and equipment

(i) Assets under construction

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

(ii) Container vessels and containers

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

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

Container vessels	25 years
Containers	15 years

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

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

(iii) Other property, plant and equipment

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

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

Buildings	not exceeding 75 years
Trucks, chassis and motor vehicles	5 to 10 years
Computer, office and other equipment	3 to 35 years
Terminal equipment and improvement	3 to 15 years

2 Summary of significant accounting policies (Continued)

(e) Property, plant and equipment (Continued)

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

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

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

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

(f) Investment properties

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

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

(g) Leasehold land and land use rights

Leasehold land and land use rights classified as prepaid operating lease payments are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated using the straight-line method to allocate the prepaid operating lease payments for land over the remaining lease term.

(h) Intangible assets

(i) Computer software

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

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

2 Summary of significant accounting policies (Continued)

(h) Intangible assets (Continued)

(ii) Concession rights

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

(iii) Customer relationships

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

(iv) Trademarks

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

(i) Goodwill

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

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

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

2 Summary of significant accounting policies (Continued)

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

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

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

(k) Assets under leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases.

(i) Where the Group is the lessee

(1) Operating leases

Payments made under operating leases (net of any incentives received from the leasing company) are expensed in profit or loss on a straight-line basis over the lease periods.

(2) Finance leases

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current liabilities. The finance charges are charged to profit or loss over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

For sales and leaseback transactions resulting in a finance lease, differences between sales proceeds and net book values are deferred and amortised over the minimum lease terms.

2 Summary of significant accounting policies (Continued)

(k) Assets under leases (Continued)

(ii) Where the Group is the lessor

(1) Operating leases

When assets are leased out under operating leases, the assets are included in the balance sheet according to their nature and where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in notes 2(e) (ii) and 2(e) (iii) above. Revenue arising from assets leased out under operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2(y) (iii) below.

(2) Finance leases

When assets are leased out under finance leases, the present value of the minimum lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Revenue on containers leased out under finance leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 2(y) (iii) below.

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

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

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

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

2 Summary of significant accounting policies (Continued)

(m) Investments and other financial assets

(i) Classification

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 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 terms of the cash flows.

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

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

(ii) Recognition and derecognition

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

(iii) Measurement

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

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

Debt instruments

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

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

2 Summary of significant accounting policies (Continued)

(m) Investments and other financial assets (Continued)

(iii) Measurement (Continued)

Debt instruments (Continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other income/(expense). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses and impairment expenses are presented in other income/(expense).
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other income/(expense) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be 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 FVPL are recognised in other income/(expense) in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 22 for further details.

2 Summary of significant accounting policies (Continued)

(m) Investments and other financial assets (Continued)

(v) Accounting policies applied until 31 December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 December 2017 the Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables, and
- available-for-sale financial assets.

The classification depended on the purpose for which the investments were acquired. Management determines the classification of these assets at initial recognition.

(i) Classification

The Group classifies its financial assets in the following categories: Financial assets at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of these assets at initial recognition.

(1) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading.

A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(2) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of reporting period. These are classified as non-current assets. Loans and receivables are classified as loans to a joint venture and an associate,trade and other receivables, cash and bank balances and restricted bank deposits in the balance sheet (notes 2(o) and 2(p)).

2 Summary of significant accounting policies (Continued)

(m) Investments and other financial assets (Continued)

(v) Accounting policies applied until 31 December 2017 (Continued)

(i) Classification (Continued)

(3) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of reporting period.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date –the date on which the Group commits to purchase or sell the assets. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in profit or loss, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss and available for sale equity investments is recognised in profit or loss when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement when the Group's right to receive payments is established.

2 Summary of significant accounting policies (Continued)

(m) Investments and other financial assets (Continued)

(v) Accounting policies applied until 31 December 2017 (Continued)

(iii) Impairment

(1) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(2) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, if any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the securities below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2 Summary of significant accounting policies (Continued)

(n) Inventories

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

(o) Trade and other receivables and contract assets

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables and contract assets with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 22 for further information about the Group's accounting for trade and other receivables and contract assets and note 2(m) (iv) for a description of the Group's impairment policies.

(p) Cash and bank balances

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

(q) Provisions

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

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

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

2 Summary of significant accounting policies (Continued)

(r) Share capital

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

(s) Borrowings

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

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

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

(t) Government subsidies

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

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

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

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

2 Summary of significant accounting policies (Continued)

(u) Employee benefits

(i) Post-retirement and early retirement benefit costs

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

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

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

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

Past-service costs are recognised immediately in income statements.

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

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

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

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

(ii) Housing funds

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

2 Summary of significant accounting policies (Continued)

(u) Employee benefits (Continued)

(iii) Housing subsidies

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

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

(iv) Share-based payments

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

(1) Employee services settled in cash

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

(2) Employee services settled in equity instruments

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

2 Summary of significant accounting policies (Continued)

(u) Employee benefits (Continued)

(iv) Share-based payments (Continued)

(3) Modification and cancellation

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

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

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

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

(4) Cash-settled share-based payment transactions

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

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

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

2 Summary of significant accounting policies (Continued)

(v) Current and deferred income tax

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

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

(w) Contingent liabilities and contingent assets

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

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

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

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

(x) Trade payables

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

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Changes in fair value are recognised in the consolidated profit and loss account.

(y) Recognition of revenues and income

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

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

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

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

2 Summary of significant accounting policies (Continued)

(y) Recognition of revenues and income (Continued)

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

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

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

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

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

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

(i) Revenues from container shipping

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

(ii) Revenues from container terminal operations

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

2 Summary of significant accounting policies (Continued)

(y) Recognition of revenues and income (Continued)

(iii) Revenues from freight forwarding

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

For freight forwarding business, it generally coincides with the date of departure for outward freights and the time of transfer of goods to the customers at the designated location for inward freight.

(iv) Interest income

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

(v) Dividend income

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

(vi) Other service income

Other service income is recognised when the services are rendered.

(z) Dividend distribution

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

2 Summary of significant accounting policies (Continued)

(aa) Borrowing costs

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

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

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

(ab) Financial guarantee contracts

Until 31 December 2017, financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation, where appropriate.

From 1 January 2018, financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

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

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates and joint ventures are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(ac) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive director that makes strategic decisions.

3 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including market freight rate risk, foreign exchange risk, interest rate risk and bunker price risk), credit and counterparty risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to mitigate certain risk exposures.

The Group's Risk Management Committee identifies the financial risks associated with the Group. The Risk Management Committee reviews the controls and procedures for managing the risks identified. The risk management controls and procedures are carried out by respective operating units under the risk management policies as approved by the Directors.

(i) Market risk

(1) Market freight rate risk

The freight rates of the Group's shipping businesses are very sensitive to economic fluctuations. The Group's revenues from operations of container shipping may be impacted if freight rates will have any significant changes.

(2) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various non-functional currencies. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The actual foreign exchange risk faced by the Group therefore is primarily with respect to non-functional currency bank balances, receivable and payable balances and bank borrowings (collectively "Non-Functional Currency Items").

Management monitors foreign exchange exposure and will consider hedging certain foreign currency exposure by using foreign exchange forward contracts when the need arises.

As at 31 December 2018, with all other variables held constant, if non-functional currencies had strengthened/weakened by 5%, the Group's post-tax profit for the year would have decreased/increased by approximately RMB199,325,000 (2017: RMB51,779,000) and the equity as at 31 December 2018 would have decreased/increased by approximately RMB199,325,000 (2017: RMB51,779,000) respectively as a result of the translation of those Non-Functional Currency Items.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

(3) Cash flow and fair value interest rate risk

Other than the deposits placed with banks and financial institutions, and loans to joint ventures and associates (collectively the "Interest Bearing Assets"), the Group has no other significant interest bearing assets.

The Group's interest rate risk also arises from borrowings and certain balances payable to related parties (collectively the "Interest Bearing Liabilities"). Interest Bearing Assets and Interest Bearing Liabilities are primarily issued at variable rates which therefore expose the Group to cash flow interest rate risk.

As at 31 December 2018, with all other variables held constant, if the interest rate had increased/decreased by 50 basis points, the corresponding increase/decrease in net finance cost would have resulted in a decrease/an increase in the Group's post-tax profit for the year by approximately RMB211,790,000 (2017: RMB109,089,000) and the equity as at 31 December 2018 would have decreased/increased by RMB211,790,000 (2017: RMB109,089,000).

Management monitors the capital market conditions and where appropriate, interest rate swap contracts with financial institutions will be used to achieve optimum ratio between fixed and floating rates borrowings.

(4) Bunker price risk

The Group is also exposed to fluctuations in bunker prices. Bunker cost is part of the voyage expenses and is a significant cost item to the Group. Management monitors the market conditions and bunker price fluctuations and where appropriate, bunker forward contracts are used to lock up the price of part of the Group's bunker requirements.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Credit and counterparty risk

The credit and counterparty risk mainly arises from deposits placed with banks and financial institutions, financial assets transacted with banks, financial institutions and shipping companies through shipping agents or brokers, loans to joint ventures and associates, trade and other receivables and contract assets, down payment to shipyards, and financial assets at amortised cost.

The Group has limited its credit exposure by restricting their selection of financial institutions on those state-owned PRC banks, overseas banks with good credit rating, and the associate, a state-owned financial institution with high credit rating.

The trade customers (including related parties), joint ventures, associates and shipping companies are assessed and rated based on their credit quality, taking into account their financial position, past experience and other factors. Individual risk limits are set by management of the respective operating units.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

In addition, the Group monitors the exposure to credit risk in respect of the financial assistance provided to subsidiaries, joint ventures and associates through exercising control or influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

Management does not expect any significant losses from non-performance by these relevant parties.

(iii) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due. The Group's cash management policy is to regularly monitor its current and expected liquidity positions to ensure it has sufficient cash to meet its operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all time so that the Group can meet its short-term and long-term funding requirements.

Management monitors rolling forecasts of the Group's liquidity reserve and cash and bank balances on the basis of expected cash flows. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these; monitoring balance sheet liquidity ratios against internal and external regulatory requirements; and maintaining debt financing plans.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

As at 31 December 2018, the Group's current liabilities exceeded its current assets by approximately RMB28,837,957,000. As at 31 December 2018, the Group (excluding COSCO SHIPPING Ports Limited ("COSCO SHIPPING Ports") and Orient Overseas (International) Limited ("OOIL")) has total unutilised uncommitted and committed credit facilities of approximately RMB28,489,000,000 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.

The table below analyses the Group's financial liabilities that will be settled into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
As at 31 December 2018				
Bank and other borrowings	**63,290,910**	**17,393,359**	**23,477,430**	**39,616,907**
Derivative financial instruments	**59,786**	**11,551**	**38,948**	**–**
Trade and other payables and contract liabilities (note 28)	**29,332,356**	**–**	**–**	**–**
As at 31 December 2017				
Bank and other borrowings	21,762,110	11,954,005	20,669,029	16,253,163
Trade and other payables and contract liabilities (note 28)	22,943,372	–	–	–

3 Financial risk management (Continued)

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders/equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the net debt to total equity (capital and reserves attributable to equity holders of the Company and non-controlling interests) ratio and the compliance of covenants of its borrowings. Net debt is calculated as total borrowings less cash and bank balances. As at 31 December 2018, the net debt to equity ratio is summarised as follows:

	2018 RMB'000	2017 RMB'000
Long-term borrowings (note 25)	88,975,021	52,449,945
Short-term borrowings (note 25)	48,220,619	10,939,802
Total borrowings	137,195,640	63,389,747
Less: Cash and bank balances (note 20)	(32,837,729)	(25,738,526)
Net debt	104,357,911	37,651,221
Total equity	56,352,889	43,710,580
Net debt to total equity ratio	185.2%	86.1%

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

(c) 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 as at 31 December 2018:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at FVPL (note 16)				
– Equity securities	839,783	–	–	839,783
– Debt securities	2,216,457	–	–	2,216,457
– Funds and other investments	–	39,258	–	39,258
Financial assets at FVOCI (note 15)	1,095,048	–	988,590	2,083,638
Derivative financial instruments	–	110,285	–	110,285

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value as at 31 December 2017.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Available-for-sale financial assets (note 15)	1,669,094	—	697,738	2,366,832
Derivative financial instruments	—	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.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. For the year ended 31 December 2018, the Group did not transfer any financial assets at FVOCI from level 3 to level 1 as no financial assets at FVOCI became listed. For the year ended 31 December 2017, the Group transferred an available-for-sale financial asset amounting to RMB499,445,000 from level 3 to level 1 as the available-for-sale financial asset had become listed in 2017.

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.

3 Financial risk management (Continued)

(c) Fair value estimation (Continued)

Movements of financial assets classified as level 3 recognised in the consolidated balance sheet are as follows:

	2018 RMB'000	2017 RMB'000
As at 1 January, as previously reported	697,738	1,196,334
Change in accounting policy (note 2(b))	64,747	—
As at 1 January, restated	762,485	1,196,334
Additions	4,731	—
Acquisition of subsidiaries (note 42)	158,904	841
Disposal	(157)	—
Reclassified to level 1	—	(499,445)
Fair value change recognised in other comprehensive income	56,934	—
Currency translation differences	5,693	8
As at 31 December	988,590	697,738

As at 31 December 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 computing 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, loans to joint ventures and associates, trade and other payables and contract liabilities, short-term and long-term borrowings.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Acquisition of subsidiaries

The initial accounting on the acquisition of subsidiaries involves identifying and determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities of the acquired entities or businesses. The fair values of identifiable net assets are determined by using financial models or by reference to the valuation performed by independent professional valuer. Key assumptions used include discount rates, revenue growth rates and gross margins. Any changes in the assumptions used and estimates made in determining the fair values will impact the carrying amount of these assets and liabilities.

(b) Estimated useful lives and residual values of container vessels and containers

The Group's major operating assets represent container vessels and containers. Management determines the estimated useful lives, residual values and related depreciation expenses for its container vessels and containers. Management estimates useful lives of the container vessels and containers by reference to the Group's business model, its assets management policy, the industry practice, expected usage of the vessels, expected repair and maintenance, and technical or commercial obsolescence arising from changes or improvements in the vessel market.

Management determines the estimated residual value for its container vessels and containers by reference to all relevant factors (including the use of the current scrap values of steels in an active market) at each measurement date. The depreciation expense will change where the useful lives or residual value of container vessels and containers are different from the previous estimate.

Had the useful lives been extended/shortened by 10% from management's estimates as at 31 December 2018 with all other variables held constant, the estimated depreciation expenses of container vessels and containers for the year would have been decreased by RMB335,930,000 (2017: RMB162,575,000) or increased by RMB524,989,000 (2017: RMB226,532,000) for the year ended 31 December 2018.

Had the residual values been increased/decreased by 10% from management's estimates as at 31 December 2018 with all other variables held constant, the estimated depreciation expenses of container vessels and containers for the year would have been decreased or increased by RMB115,471,000 (2017: RMB18,425,000) for the year ended 31 December 2018.

4 Critical accounting estimates and judgements (Continued)

(c) Estimated impairment of container vessels and containers

The Group's major operating assets represent container vessels and containers. Management performs review for impairment indication as to whether the carrying amounts of the container vessels and containers may be recoverable or not. Whenever there is any impairment indication exists, management performs impairment assessment of the relevant container vessels and containers.

Management was of the view that no impairment indication has been identified, there was no impairment for container vessels and containers for the year and at the balance sheet date.

(d) Assessment of goodwill and intangible assets with indefinite useful lives impairment

The Group tests annually whether goodwill and intangible assets with indefinite useful lives have suffered any impairment and when there is indication that they may be impaired, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations which require the use of assumptions. These calculations require the use of estimates. The key assumptions and sensitivity test was disclosed in note 10.

(e) Recognition of container shipping revenue and costs for vessel voyages in progress at year end

Revenue for container shipping is one performance obligation per shipment, which is rendered on a period-related basis, i. e. for the duration of transport. The Group recognises revenue for container shipping over time which is determined on the time proportion of each individual voyage completed at end of reporting period with reference to their voyage details, such as freight rates, departure dates and arrival dates. If the total estimated voyage days were different from the estimate, this would have an impact on the freight revenues in the following reporting period.

Invoices for voyage expenses are normally received several months after the transaction. For voyages completed or in progress as at end of reporting period, voyage expenses are estimated based on known services received, pattern of historical cost and estimated vendor tariffs. If the actual voyage expenses were different from the estimate, this would have an impact on the voyage expenses in the following reporting period.

Had the freight revenues from voyages in progress at year end been decreased/increased by 10% from management's estimates for the year ended 31 December 2018, the revenue would have been RMB301,884,000 (2017: RMB198,740,000) lower or higher in the future periods.

Had the actual expenses of the voyages in progress at year end been decreased/increased by 10% from management's estimates for the year ended 31 December 2018, the voyage expenses would have been RMB146,963,000 (2017: RMB94,424,000) lower or higher in the future periods.

Changes in management's estimate of container shipping revenue and costs for vessel voyages in progress at year end could caused a material change in the revenue and voyage expenses recognised in the future periods.

4 Critical accounting estimates and judgements (Continued)

(f) Impairment of trade and other receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. For other receivables and loan receivables, management makes periodic assessments on a portfolio basis on the recoverability based on historical settlement records and past experiences and adjusts for forward looking information.

Management generally assesses whether, other receivables and loan receivables, have not had a significant increase in credit risks since initial recognition, if not, a 12-month expected credit loss approach that results from possible default event within 12 months of each reporting date is adopted by management.

(g) Control over COSCO SHIPPING Ports

During the year ended 31 December 2018, the Group' s equity interest in COSCO SHIPPING Ports, a non-wholly owned subsidiary of the Company, increased from 46.91% to 47.61%.

The Group remains as the single largest shareholder of COSCO SHIPPING Ports.

Management has exercised its critical judgement when determining whether the Group has control over COSCO SHIPPING Ports by considering the following:

(i) the Group has effective control of the board of COSCO SHIPPING Ports;

(ii) the Group has consistently and regularly held a majority of the voting rights exercised at COSCO SHIPPING Ports' shareholders' meetings and no other single shareholder directly or indirectly controls more voting rights than the Group; and

(iii) the shareholding of other minority shareholders is dispersed, and the chance of all other shareholders getting together to vote against the Group is remote based on the historical records.

Based on management's assessment, it is concluded that the Group has obtained control over COSCO SHIPPING Ports and the Group's 47.61% equity interest in COSCO SHIPPING Ports is accounted for and consolidated into the consolidated financial statements as a subsidiary.

(h) Income taxes, business taxes, value-added taxes and withholding taxes

The Group is subject to income taxes, business taxes, value-added taxes and withholding taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes, business taxes, value-added taxes and withholding taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of overseas subsidiaries to be repatriated and distributed by way of dividends as the Directors consider that the timing of the reversal of the related temporary differences can be controlled or such profits will not be distributed and such temporary differences will not be reversed in the foreseeable future (note 18).

If those undistributed earnings of the overseas subsidiaries had been repatriated and distributed by way of dividends, the deferred income tax charge for the year and deferred income tax liabilities as at 31 December 2018 would have been increased by the same amount of RMB9,025,027,000 (2017: RMB4,280,768,000).

Recognition of deferred tax assets, which principally relate to temporary differences, depend on the management's expectation of the timing of reversal and the taxable profit that will be available against which tax losses can be utilised. The outcome of their actual utilisation or reversal may be different (note 18).

5 Revenues and segment information

Operating segments

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

— Container shipping and related business

— Container terminal and related business

— Corporate and other operations that primarily comprise investment holding, management services and financing and investment property rent

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), financial assets at FVPL and financial assets at amortised cost 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 taxes 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.

5 Revenues and segment information (Continued)

Operating segments (Continued)

	Year ended 31 December 2018							
	Continuing operation							
	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	Sub-total RMB'000	Discontinued operation RMB'000	Elimination RMB'000	Group RMB'000
Income statement								
Total revenues	114,759,218	6,634,745	87,062	(1,138,741)	120,342,284	992,965	(589,939)	120,745,310
Comprising:								
– Inter-segment revenues	6,121	1,131,019	1,601	(1,138,741)	–	589,939	(589,939)	–
– Revenues (from external customers)	114,753,097	5,503,726	85,461	–	120,342,284	403,026	–	120,745,310
Revenues from contracts with customers:								
At a point in time	8,350,340	–	–	–	8,350,340	–	–	8,350,340
Over time	106,408,878	6,634,745	–	(1,137,140)	111,906,483	992,965	(589,939)	112,309,509
	114,759,218	6,634,745	–	(1,137,140)	120,256,823	992,965	(589,939)	120,659,849
Revenue from other source:								
Rental income	–	–	87,062	(1,601)	85,461	–	–	85,461
	114,759,218	6,634,745	87,062	(1,138,741)	120,342,284	992,965	(589,939)	120,745,310
Segment profit/(loss)	3,754,881	1,652,108	(408,192)	–	4,998,797	206,480	–	5,205,277
Finance income	344,590	16,009	505,839	(295,387)	571,051	2,374	–	573,425
Finance costs	(2,305,385)	(484,209)	(1,503,801)	295,387	(3,998,008)	(12,899)	–	(4,010,907)
Share of profits less losses of								
- joint ventures	94,478	602,772	–	–	697,250	–	–	697,250
- associates	45,801	1,334,476	–	–	1,380,277	–	–	1,380,277
Profit/(loss) before income tax	1,934,365	3,121,156	(1,406,154)	–	3,649,367	195,955	–	3,845,322
Income tax expenses	(271,772)	(386,035)	(161,154)	–	(818,961)	–	–	(818,961)
Profit/(loss) for the year	1,662,593	2,735,121	(1,567,308)	–	2,830,406	195,955	–	3,026,361
Gain on disposals of property plant and equipment, net	115,420	1,272	375	–	117,067	630	–	117,697
Depreciation and amortisation	3,238,360	953,681	12,077	–	4,204,118	–	–	4,204,118
Additions to non-current assets	61,832,108	2,427,618	523	–	64,260,249	5,748	–	64,265,997

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

5 Revenues and segment information (Continued)

Operating segments (Continued)

	Year ended 31 December 2017 Continuing Operation				
	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	86,751,206	4,292,927	–	(645,055)	90,399,078
Comprising:					
– Inter-segment revenues	8,938	636,117	–	(645,055)	–
– Revenues (from external customers)	86,742,268	3,656,810	–	–	90,399,078
Segment profit/(loss)	2,824,204	3,394,570	(554,636)	(415)	5,663,723
Finance income	328,106	7,107	282,083	(132,571)	484,725
Finance costs	(1,107,007)	(381,446)	(791,486)	132,571	(2,147,368)
Share of profits less losses of					
– joint ventures	56,833	584,715	–	–	641,548
– associates	(2,087)	1,013,588	48,907	–	1,060,408
Profit/(loss) before income tax	2,100,049	4,618,534	(1,015,132)	(415)	5,703,036
Income tax expense	(312,918)	(559,287)	(280)	134	(872,351)
Profit/(loss) for the year	1,787,131	4,059,247	(1,015,412)	(281)	4,830,685
Loss on disposals of property plant and equipment, net	86,429	2,460	–	–	88,889
Depreciation and amortisation	1,611,022	711,998	11,522	–	2,334,542
Gain on remeasurement of previously held interest of an available-for-sale financial asset upon further acquisition to become an associate	–	264,099	–	–	264,099
Gain on disposal of joint ventures and an associate	–	1,886,333	–	–	1,886,333
Additions to non-current assets	9,575,660	1,369,182	13,757	–	10,958,599

[#] Revenues for container shipping and related business include respective service income and other related income.

5 Revenues and segment information (Continued)

Operating segments (Continued)

	As at 31 December 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	141,084,773	29,646,914	28,549,127	(13,618,561)	185,662,253
Joint ventures	1,174,995	8,711,117	–	–	9,886,112
Associates	1,294,215	17,697,139	–	–	18,991,354
Loans to joint ventures and associates	–	1,194,537	–	–	1,194,537
Financial assets at FVOCI	667,327	1,257,771	158,540	–	2,083,638
Financial assets at FVPL	–	499,442	2,596,055	–	3,095,497
Financial assets at amortised cost	–	–	1,530,208	–	1,530,208
Assets classified as held for sale	–	4,591,927	–	–	4,591,927
Unallocated assets					1,108,279
Total assets					228,143,805
Segment liabilities	107,404,594	16,854,158	57,023,241	(13,618,561)	167,663,432
Liabilities directly associated with assets classified as held for sale	–	1,244,433	–	–	1,244,433
Unallocated liabilities					2,883,051
Total liabilities					171,790,916

	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

5 Revenues and segment information (Continued)

Geographical information

(a) Revenues

The Group's businesses are managed on a worldwide basis. The revenues generated from the world's major trade lanes for container shipping business mainly include Trans-Pacific, Asia-Europe, Intra-Asia, Mainland China, Trans-Atlantic and others which are reported as follows:

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

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

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

	2018 RMB'000 Total revenue	Inter segment revenue	External revenue
Continuing operation			
Container shipping and related business			
- America	33,112,383	–	33,112,383
- Europe	23,750,637	–	23,750,637
- Asia Pacific	25,875,226	–	25,875,226
- Mainland China	17,736,449	6,121	17,730,328
- Other international market	14,284,523	–	14,284,523
Container shipping and related business (note a)	114,759,218	6,121	114,753,097
Container terminal and related business			
- Europe	3,581,339	536,101	3,045,238
- Mainland China	3,053,406	594,918	2,458,488
Container terminal and related business	6,634,745	1,131,019	5,503,726
Corporate and other operations			
- America	87,062	1,601	85,461
Total	121,481,025	1,138,741	120,342,284
Discontinued operation			
- America	992,965	589,939	403,026

5 Revenues and segment information (Continued)

Geographical information (Continued)

(a) Revenues (Continued)

	2017 RMB'000 Total revenue	Inter segment revenue	External revenue
Continuing operation			
Container shipping and related business			
– America	22,459,391	—	22,459,391
– Europe	19,596,802	—	19,596,802
– Asia Pacific	16,636,141	—	16,636,141
– Mainland China	18,578,315	8,938	18,569,377
– Other international market	9,480,557	—	9,480,557
Container shipping and related business	86,751,206	8,938	86,742,268
Container terminal and related business			
– Europe	1,548,076	—	1,548,076
– Mainland China	2,744,851	636,117	2,108,734
Container terminal and related business	4,292,927	636,117	3,656,810
Total	91,044,133	645,055	90,399,078

The Group's revenues are mainly with contract period of less than one year. So, the Group takes the expedient not to disclose the unsatisfied performance obligation under HKFRS 15.

(b) Non-current assets

The Group's non-current assets, other than financial instruments and deferred income tax assets ("Geographical Non-Current Assets"), consist of its property, plant and equipment, investment properties, 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 and vessels under construction are presented as unallocated non-current assets.

In respect of the remaining Geographical Non-Current Assets, they are presented based on the geographical locations in which the business operations/assets are located.

	As at 31 December 2018 RMB'000	As at 31 December 2017 RMB'000
Mainland China	**40,959,523**	38,547,518
Outside of mainland China	**24,013,741**	14,193,260
Unallocated	**96,618,551**	36,469,953
Total	**161,591,815**	89,210,731

6 Property, plant and equipment

	Leasehold land and buildings RMB'000	Container vessels RMB'000	Terminal equipment and improvement RMB'000	Containers RMB'000	Trucks, chassis and motor vehicles RMB'000	Computer, office and other equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Cost								
As at 1 January 2018	14,182,099	37,677,232	8,594,205	1,711,387	500,118	880,107	8,299,002	71,844,150
Currency translation differences	5,397	3,198,395	28,905	379,023	(514)	(7,933)	211,411	3,814,684
Reclassification between categories and transfer to investment properties and intangible assets	1,153,126	16,070,523	810,717	–	631	1,395	(18,068,922)	(32,530)
Additions	83,858	223,629	58,614	4,086,269	12,963	130,794	15,281,131	19,877,258
Acquisition of subsidiaries (note 42)	298,680	29,021,674	207,954	8,711,967	17,514	316,115	146,187	38,720,091
Disposals/write-off	(19,968)	(82,488)	(43,282)	(380,656)	(29,582)	(244,923)	(249)	(801,148)
As at 31 December 2018	15,703,192	86,108,965	9,657,113	14,507,990	501,130	1,075,555	5,868,560	133,422,505
Accumulated depreciation and impairment								
As at 1 January 2018	2,423,230	8,492,918	2,501,168	29,394	300,319	676,808	–	14,423,837
Currency translation differences	(4,068)	364,814	13,230	176	(527)	(16,419)	–	357,206
Depreciation charge for the year	422,874	2,458,405	424,337	395,055	29,010	165,152	–	3,894,833
Disposals/write-off	(8,360)	(79,171)	(17,599)	(267,191)	(29,171)	(237,416)	–	(638,908)
As at 31 December 2018	2,833,676	11,236,966	2,921,136	157,434	299,631	588,125	–	18,036,968
Net book value								
As at 31 December 2018	12,869,516	74,871,999	6,735,977	14,350,556	201,499	487,430	5,868,560	115,385,537

6 Property, plant and equipment (Continued)

	Leasehold land and buildings RMB'000	Container vessels RMB'000	Terminal equipment and improvement RMB'000	Containers RMB'000	Trucks, chassis and motor vehicles RMB'000	Computer, office and other equipment RMB'000	Assets under construction RMB'000	Total RMB'000
Cost								
As at 1 January 2017	12,498,039	35,747,826	6,929,439	–	571,933	897,115	4,846,273	61,490,625
Currency translation differences	112,529	(2,002,007)	218,015	(337)	(41,518)	(30,734)	(235,282)	(1,979,334)
Reclassification between categories and transfer to investment properties and intangible assets	1,141,873	4,114,873	66,431	–	–	9,607	(5,383,244)	(50,460)
Additions	55,393	320,445	132,159	1,713,503	7,867	53,852	8,590,029	10,873,248
Acquisition of subsidiaries (note 42)	379,874	–	1,303,314	–	–	4	481,226	2,164,418
Disposals/write-off	(5,609)	(503,905)	(55,153)	(1,779)	(38,164)	(49,737)	–	(654,347)
As at 31 December 2017	14,182,099	37,677,232	8,594,205	1,711,387	500,118	880,107	8,299,002	71,844,150
Accumulated depreciation and impairment								
As at 1 January 2017	2,050,546	7,897,769	2,121,841	–	306,487	687,918	–	13,064,561
Currency translation differences	5,806	(395,042)	85,447	(330)	(871)	(33,028)	–	(338,018)
Depreciation charge for the year	371,187	1,359,691	336,978	31,483	30,115	70,835	–	2,200,289
Disposals/write-off	(4,309)	(369,500)	(43,098)	(1,759)	(35,412)	(48,917)	–	(502,995)
As at 31 December 2017	2,423,230	8,492,918	2,501,168	29,394	300,319	676,808	–	14,423,837
Net book value								
As at 31 December 2017	11,758,869	29,184,314	6,093,037	1,681,993	199,799	203,299	8,299,002	57,420,313

6 Property, plant and equipment (Continued)

Notes:

(a) The aggregate cost, accumulated depreciation and impairment of the leased assets, where the Group is the lessor/charterer under the operating lease/time charter arrangements, are set out below:

	Container vessels RMB'000
As at 31 December 2018	
Cost	–
Accumulated depreciation and impairment	–
	–
As at 31 December 2017	
Cost	222,836
Accumulated depreciation and impairment	(146,343)
	76,493

(b) As at 31 December 2018, container vessels with aggregate net book value of RMB52,632,796,000 (2017: RMB22,882,756,000) were pledged as security for loan facilities granted by banks (note 25(k) (i)).

(c) As at 31 December 2018, certain property, plant and equipment with net book value of RMB570,284,000 (2017: RMB1,022,316,000) were pledged as security for long-term bank borrowings (note 25(k) (i)).

(d) Terminal equipment under finance leases with costs of approximately RMB338,617,000 (2017: RMB358,590,000) as at 31 December 2018 are accounted for as property, plant and equipment. As at 31 December 2018, the balance in respect of such finance lease arrangements of approximately RMB60,877,000 (2017: RMB132,601,000) was included in loans from a fellow subsidiary for the non-current portion (note 25 (e)) and of approximately RMB54,212,000 (2017: RMB67,398,000) was included in payables due to fellow subsidiaries for the current portion (note 28).

(e) During the year, interest expenses of RMB170,046,000 (2017: RMB168,996,000) were capitalised in vessel costs during the vessel construction period (note 33).

(f) The accumulated impairment losses of property, plant and equipment as at 31 December 2018 amounted to RMB27,669,000 (2017: RMB27,669,000).

(g) Property, plant and equipment include the following amounts where the Group is a lessee under finance leases:

	2018 RMB'000	2017 RMB'000
Cost-capitalised finance leases	**24,785,890**	574,704
Accumulated depreciation	**(5,864,659)**	(188,123)
Net book amount	**18,921,231**	386,581

The Group leases various container vessels, containers, terminal equipment and other equipment under non-cancellable finance lease agreements for both years. The lease terms are between 5 and 25 years.

7 Investment properties

	2018 RMB'000	2017 RMB'000
Cost	283,326	279,147
Accumulated depreciation	(91,284)	(83,903)
Net book value as at 1 January	192,042	195,244
Currency translation differences	76,790	(1,896)
Addition of purchase	2,938	1,339
Acquisition of subsidiaries (note 42)	2,041,751	—
Reclassification from property, plant and equipment and leasehold land and land use right (note 6)	72,146	6,598
Disposal	(4,354)	(6)
Depreciation	(8,944)	(9,237)
Net book value as at 31 December	2,372,369	192,042
Cost	2,471,723	283,326
Accumulated depreciation	(99,354)	(91,284)
Net book value as at 31 December	2,372,369	192,042

The fair value of the investment properties as at 31 December 2018 was RMB 2,511,229,000 (2017: RMB649,938,000). The fair value is estimated by management or independent professional property valuers. The valuations are derived using direct comparison method and income capitalisation method respectively. Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted. Income capitalisation method is based on the capitalisation of the net rental income derived from the existing leases and/or achievable in existing market with reversionary income potential by adopting appropriate capitalisation rates. Capitalisation is estimated by valuer based on the risk profile of the properties being valued.

8 Leasehold land and land use rights

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values, are analysed as follows:

	2018 RMB'000	2017 RMB'000
Cost	2,459,352	2,003,011
Accumulated amortisation	(376,925)	(331,750)
Net book value as at 1 January	2,082,427	1,671,261
Currency translation differences	6,539	(3,362)
Additions	80,981	37,618
Acquisition of subsidiaries (note 42)	216,780	422,085
Reclassification to investment properties	(53,413)	—
Disposal	(33)	—
Amortisation	(59,756)	(45,175)
Net book value as at 31 December	2,273,525	2,082,427
Cost	2,693,913	2,459,352
Accumulated amortisation	(420,388)	(376,925)
Net book value as at 31 December	2,273,525	2,082,427

9 Intangible assets

	Computer software RMB'000	Trademark RMB'000	Concession rights RMB'000	Customer relationships RMB'000	Total RMB'000
Cost	**986,551**	**—**	**1,708,385**	**309,506**	**3,004,442**
Accumulated depreciation and impairment	**(787,616)**	**—**	**(35,917)**	**(4,110)**	**(827,643)**
Net book value as at 1 January 2018	**198,935**	**—**	**1,672,468**	**305,396**	**2,176,799**
Currency translation differences	**13,985**	**107,380**	**(1,624)**	**19,895**	**139,636**
Additions	**58,809**	**—**	**12,517**	**—**	**71,326**
Reclassification from property, plant and equipment (note 6)	**(7,870)**	**—**	**21,667**	**—**	**13,797**
Acquisition of subsidiaries (note 42)	**367,992**	**2,881,132**	**—**	**—**	**3,249,124**
Disposals	**(1,058)**	**—**	**(2,114)**	**—**	**(3,172)**
Amortisation	**(120,136)**	**—**	**(95,449)**	**(25,000)**	**(240,585)**
Net book value as at 31 December 2018	**510,657**	**2,988,512**	**1,607,465**	**300,291**	**5,406,925**
Cost	**1,449,607**	**2,988,512**	**1,779,744**	**329,585**	**6,547,448**
Accumulated amortisation	**(938,950)**	**—**	**(172,279)**	**(29,294)**	**(1,140,523)**
Net book value as at 31 December 2018	**510,657**	**2,988,512**	**1,607,465**	**300,291**	**5,406,925**

	Computer software RMB'000	Concession rights RMB'000	Customer relationships RMB'000	Total RMB'000
Cost	884,365	—	—	884,365
Accumulated depreciation and impairment	(742,874)	—	—	(742,874)
Net book value as at 1 January 2017	141,491	—	—	141,491
Currency translation differences	2,028	20,016	(10,425)	11,619
Additions	46,619	1,500	—	48,119
Reclassification from property, plant and equipment (note 6)	43,862	—	—	43,862
Acquisition of subsidiaries	17,231	1,667,811	320,071	2,005,113
Disposals	(4,450)	—	—	(4,450)
Amortisation	(47,846)	(16,859)	(4,250)	(68,955)
Net book value as at 31 December 2017	198,935	1,672,468	305,396	2,176,799
Cost	986,551	1,708,385	309,506	3,004,442
Accumulated amortisation	(787,616)	(35,917)	(4,110)	(827,643)
Net book value as at 31 December 2017	198,935	1,672,468	305,396	2,176,799

10 Goodwill

	2018 RMB'000	2017 RMB'000
As at 1 January	**905,022**	15,545
Currency translation differences	**187,840**	(30,490)
Acquisition of subsidiaries (note 42)	**4,692,946**	922,001
Disposals of subsidiary	**—**	(2,034)
As at 31 December	**5,785,808**	905,022

Impairment test for goodwill

Goodwill is allocated to the Group's CGUs that are expected to benefit from business combination and impairment testing is performed annually on goodwill allocated to their operating segments and CGUs.

A segment-level summary of the goodwill is presented below:

Operating segment	Cash generating unit	2018 RMB'000 Carrying amount	2017 RMB'000 Carrying amount
Container shipping and related business	Container shipping operation of OOIL (note a)	**4,867,855**	—
Container terminal and related business	Container terminal operation of COSCO SHIPPING Ports (Spain) Holding, S.L. (note b)	**863,415**	850,611
	Other	**54,538**	54,411
		5,785,808	905,022

Notes:

The most significant goodwill amount relates to the container shipping and container terminal segment, where the impairment test is based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the financial budget and future forecast respectively.

(a) For the goodwill amount relates to the container shipping and related business segment, major cash flow projections are based on forecasts using an estimated EBITDA rate up to 10.8%. Future cash flows are discounted at a pre-tax rate of 7.6%.

(b) For the goodwill amount relates to the container terminal and related business segment, major cash flow projections are based on long-range financial forecasts using an estimated average revenue growth rate of 3.3% (2017: 4.1%) and average gross margin of 50.8% (2017: 50.4%) up to 2052, the expected operation period, except for certain years where certain concession rights expire under the current agreement. Future cash flows are discounted at a pre-tax rate of 10.4% (equivalent to a post-tax rate of 8.0%) (2017: pre-tax rate of 10.4% (equivalent to a post-tax rate of 8.9%)).

11 Subsidiaries

(a) Details of the principal subsidiaries that impose material influence on either the financial position or the financial performance of the Group as at 31 December 2018 are shown in note 46(a).

(b) Material non-controlling interests

The total non-controlling interests for the year is RMB33,466,676,000 of which RMB20,926,663,000 is for COSCO SHIPPING Ports, RMB8,124,536,000 is for OOIL.

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

Summarised balance sheet

	COSCO SHIPPING Ports	
	2018	2017
	RMB'000	RMB'000
Current		
– Assets	**5,877,370**	5,568,066
– Liabilities	**(5,358,841)**	(6,741,849)
Total net current assets/(liabilities)	**518,529**	(1,173,783)
Non-current		
– Assets	**56,203,377**	52,939,684
– Liabilities	**(16,780,484)**	(13,571,057)
Total net non-current assets	**39,422,893**	39,368,627
Net assets	**39,941,422**	38,194,844

Summarised income statement

	COSCO SHIPPING Ports	
	2018	2017
	RMB'000	RMB'000
Revenues	**6,628,419**	4,288,902
Profit before income tax from continuing operation	**2,915,259**	4,364,234
Income tax expense	**(437,601)**	(639,974)
Post-tax profit from continuing operation	**2,477,658**	3,724,260
Other comprehensive (loss)/income	**(2,122,041)**	2,562,367
Total comprehensive income	**355,617**	6,286,627
Total comprehensive income allocated to non-controlling interests	**94,819**	487,881
Dividends paid to non-controlling interests	**244,642**	71,972

11 Subsidiaries (Continued)

(b) Material non-controlling interests (Continued)

Summarised cash flows

	COSCO SHIPPING Ports 2018 RMB'000	2017 RMB'000
Cash flows from operating activities		
Cash generated from operations	**2,023,916**	2,141,579
Interest received	**106,548**	71,330
Tax paid	**(369,186)**	(503,990)
Net cash generated from operating activities	**1,761,278**	1,708,919
Net cash used in investing activities	**(1,524,034)**	(5,138,817)
Net cash generated from financing activities	**53,924**	1,689,174
Net increase/(decrease) in cash and bank balances	**291,168**	(1,740,724)
Cash, bank balances and bank overdrafts at beginning of year	**3,659,590**	5,787,067
Exchange differences	**(223,937)**	(386,753)
Cash and bank balances at end of year	**3,726,821**	3,659,590

Set out below are summarised financial information for OOIL.

Summarised balance sheet

	OOIL 2018 RMB'000
Current	
– Assets	**22,286,080**
– Liabilities	**(10,383,123)**
Total net current assets	**11,902,957**
Non-current	
– Assets	**46,715,572**
– Liabilities	**(26,120,385)**
Total net non-current assets	**20,595,187**
Net assets	**32,498,144**

11 Subsidiaries (Continued)

(b) Material non-controlling interests (Continued)

Summarised income statement

	OOIL For the period from 13 July 2018 (date of acquisition) to 31 December 2018 RMB'000
Revenues	23,660,004
Profit before income tax from continuing operation	768,300
Income tax expense	(153,466)
Post-tax profit from continuing operation	614,834
Post-tax profit from discontinued operation	195,955
Other comprehensive loss	(136,187)
Total comprehensive income	674,602
Total comprehensive income allocated to non-controlling interests	–
Dividends paid to non-controlling interests	–

Summarised cash flows

	OOIL For the period form 13 July 2018 (date of acquisition) to 31 December 2018 RMB'000
Cash flows from operating activities	
Cash generated from operations	2,403,315
Interest paid	(201,660)
Interest element of finance lease rental payment	(250,498)
Tax paid	(43,753)
Net cash generated from operating activities	1,907,404
Net cash used in investing activities	(1,161,575)
Net cash used in financing activities	(327,111)
Net increase in cash and bank balances	418,718
Cash and bank balances at date of acquisition	10,096,102
Cash and cash equivalents of disposal group classified as held for sale	(4,523)
Exchange differences	364,203
Cash and bank balances at end of year	10,874,500

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

12 Joint ventures

	2018 RMB'000	2017 RMB'000
Investment in joint ventures (including goodwill on acquisitions) (note a)	8,906,328	7,243,588
Equity loan to a joint venture (note c)	979,784	926,190
	9,886,112	8,169,778

Notes:

(a) The carrying amount of goodwill on acquisitions of joint ventures amounted to RMB453,953,000 (2017: RMB432,656,000), mainly represented the goodwill on acquisitions of equity interests in Shanghai Pudong International Container Terminals Limited and Asia Container Terminals Holding Limited RMB215,745,000 (2017: RMB205,403,000) and RMB237,426,000 (2017: RMB226,508,000) respectively.

(b) In 2017, 20% equity interests in Qingdao Qianwan Container Terminal Co., Ltd.("QQCT") was disposed to Qingdao Port International Co., Ltd. ("QPI") as part of a consideration for the further acquisition of equity interest in QPI and details of the disposal are set out in note 31. In 2017, 40% equity interests in Dalian International Container Terminal Co., Ltd. ("DICT") was disposed of during the combination into Dalian Container Terminal Co., Ltd. ("DCT") with more details set out in note 13(a).

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

(d) There is no joint venture that is individually material to the Group as at 31 December 2018. The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's respective interests in the joint ventures:

	Net assets RMB'000	Profit less losses for the year RMB'000	Other comprehensive income RMB'000	Total comprehensive income RMB'000
2018	8,452,375	697,250	2,336	699,586
2017	6,810,932	641,548	722	642,270

(e) The Company has no directly owned joint ventures as at 31 December 2017 and 2018. Details of the principal joint ventures as at 31 December 2018 are shown in note 46(b).

13 Associates

	2018 RMB'000	2017 RMB'000
Investment in associates (including goodwill on acquisitions) (note c)	**18,682,510**	17,398,219
Equity loan	**308,844**	294,039
	18,991,354	17,692,258

Notes:

(a) In May 2017, the Group acquired 16.82% effective interest of QPI at a consideration of RMB5,798,619,000 (being RMB5.71 per share), and together with the previously held 1.59% equity interests, the Group holds 18.41% effective interest of QPI in total, and is accounted for as an associate. The consideration was satisfied by the transfer of 20% QQCT and the payment of cash of RMB2,599,968,000.

In October 2017, 20% equity interests in Dalian Port Container Terminal Co., Ltd. ("DPCT") and 40% equity interests in DICT (note 12(b)) was disposed of during its combination into DCT, and 19% equity interests in DCT were acquired in return. Goodwill arising from the acquisition has been provisionally determined by management's assessment and is subjected to changes.

(b) QPI, Sigma Enterprises Limited ("Sigma") and Wattrus Limited ("Wattrus") and their subsidiary companies (collectively "Sigma and Wattrus Group"), and China Shipping Finance Co., Ltd ("CS Finance")/COSCO Finance Co., Ltd ("COSCO Finance") are associates (note 46(c)) that are material to the Group. Both QPI and Sigma and Wattrus Group are engaged in the operation, management and development of terminal related business. CS Finance and COSCO Finance are engaged in financial services and investment in banking, securities, insurance and funds.

Set out below are the summarised consolidated financial information for QPI from the date the Group had significant influence to 31 December 2018, after fair-value adjustments upon acquisition, which is accounted for using the equity method:

Summarised consolidated balance sheet

	QPI 2018 RMB'000	QPI 2017 RMB'000
Non-current assets	**30,399,536**	30,847,416
Current assets	**18,366,246**	17,206,234
Non-current liabilities	**(6,284,955)**	(9,850,685)
Current liabilities	**(13,061,301)**	(13,140,309)

Summarised consolidated statement of comprehensive income

	QPI 2018 RMB'000	QPI 2017 RMB'000
Revenues	**11,600,101**	7,050,960
Profit attributable to equity holders for the period	**3,576,543**	1,964,559
Group's share of profits of the associate	**634,429**	361,676

13 Associates (Continued)

Notes: (Continued)

(b) (Continued)

Reconciliation of summarised consolidated financial information

Reconciliation of summarised consolidated financial information presented to the carrying amount of the Group's interest in these associates.

Summarised consolidated financial information

	QPI	
	2018	2017
	RMB'000	RMB'000
Attributable to equity holders		
Opening net assets	16,831,864	15,312,290
Profit for the year	3,576,543	2,051,525
Other comprehensive (loss)/income	(150,174)	346,891
Dividends	–	(787,552)
Exchange difference	6,724,472	(91,290)
Closing net assets	26,982,705	16,831,864
Interest in the associate at 18.41%	4,967,516	3,098,746
Fair value adjustment	704,377	1,966,618
Goodwill	1,562,998	1,563,000
Carrying amount	7,234,891	6,628,364

Set out below are the summarised consolidated financial information for Sigma and Wattrus Group, after fair value adjustments upon acquisition, which is accounted for using the equity method:

Summarised balance sheet

	Sigma and Wattrus Group	
	2018	2017
	RMB'000	RMB'000
Non-current assets	26,214,445	25,743,748
Current assets	6,378,754	6,179,824
Non-current liabilities	(1,644,320)	(3,206,025)
Current liabilities	(4,587,974)	(3,751,075)

13 Associates (Continued)

Notes: (Continued)

(b) (Continued)

Summarised statement of comprehensive income

	Sigma and Wattrus Group	
	2018	2017
	RMB'000	RMB'000
Revenues	**6,139,579**	6,361,347
Profit attributable to equity holders for the year	**1,679,451**	1,687,342
Group's share of profits of associates	**345,127**	346,749

Reconciliation of summarised financial information

Reconciliation of summarised financial information presented to the carrying amount of the Group's interest in these associates.

Summarised financial information

	Sigma and Wattrus Group	
	2018	2017
	RMB'000	RMB'000
Capital and reserves attributable to equity holders	**19,907,219**	18,929,623
Group's effective interest	**20.55%**	20.55%
Group's share of capital and reserves attributable to equity holders	**4,090,934**	3,890,038
Adjustment to cost of investment	**321,610**	306,193
Carrying amount	**4,412,544**	4,196,231

On 23 October 2018, CS Finance absorbed and merged with COSCO Finance. CS Finance continued as the financial service company and COSCO Finance ceased to exist as a legal entity. The gain on disposal of COSCO Finance has been disclosed in other income (note 30).

Set out below are the summarised financial information for CS Finance (2017: COSCO Finance), after fair value adjustments upon acquisition, which is accounted for using the equity method.

Summarised balance sheet

	CS Finance	COSCO Finance
	2018	2017
	RMB'000	RMB'000
Assets	**72,320,497**	34,630,658
Liabilities	**(67,304,918)**	(31,758,040)

13 Associates (Continued)

Notes: (Continued)

(b) (Continued)

Summarised statement of comprehensive income

	CS Finance 2018 RMB'000	COSCO Finance 2017 RMB'000
Revenues	1,147,700	669,112
Profit attributable to equity holders for the year	416,718	283,519
Group's share of profits of associates	45,946	48,907

Reconciliation of summarised financial information

Reconciliation of summarised financial information presented to the carrying amount of the Group's interest in this associate.

Summarised financial information

	CS Finance 2018 RMB'000	COSCO Finance 2017 RMB'000
Capital and reserves attributable to equity holders	5,015,578	2,872,618
Group's effective interest	11.04%	17.25%
Group's share of net assets	553,720	495,527
Carrying amount	553,720	495,527

(c) The carrying amount of goodwill on acquisitions of associates amounted to RMB2,054,561,000 (2017: RMB2,036,677,000), mainly represented the goodwill on acquisitions of equity interests in QPI, Sigma, Suez Canal Container Terminal S.A.E., Euromax Terminal Rotterdam B.V. ("Euromax Terminal"), Wattrus and Nanjing Port Longtan Containers Co., Ltd. of RMB1,562,998,000 (2017:RMB1,563,000,000), RMB141,855,000 (2017: RMB135,055,000), RMB114,094,000 (2017: RMB108,625,000), RMB110,992,000 (2017: RMB110,356,000), RMB51,632,000 (2017: RMB49,157,000) and RMB31,111,000 (2017: RMB29,620,000) respectively.

(d) The financial information below, after making necessary adjustments to conform to the Group's significant accounting policies, represents the Group's interests in the respective associates other than the material associates listed above:

	Net assets RMB'000	Profit less losses for the year RMB'000	Other comprehensive income RMB'000	Total comprehensive income RMB'000
2018	**4,426,794**	**354,775**	**(12,679)**	**342,096**
2017	5,788,632	303,076	18,508	321,584

(e) The Company had no directly owned associates as at 31 December 2017 and 2018. Details of the principal associates as at 31 December 2018 are shown in note 46(c).

14 Loans to joint ventures and associates

	2018 RMB'000	2017 RMB'000
Loans to joint ventures (note a)	**163,427**	10,923
Loans to associates (note b)	**1,031,110**	1,035,925
	1,194,537	1,046,848

Notes:

(a) Balances of RMB5,491,000 (2017: RMB10,923,000) is secured, which bears interest at 5% per annum above the 3 months Euro Interbank Offered Rate ("EURIBOR") and wholly repayable on or before December 2020. The remaining balance as at 31 December 2018 was unsecured and interest bearing at the rate of 2.10% above Hong Kong Interbank Offered Rate ("HIBOR") per annum quoted in respect of a one month's period, and repayable on or before March 2023.

(b) Balance of RMB659,176,000 (2017: RMB655,393,000) is unsecured, which bears interest at the aggregate of 2.3% per annum and EURIBOR with reference to Reuters or other rate mutually agreed (2017: 2.3% per annum and EURIBOR with reference to Reuters or other rate matually agreed). Balance of RMB106,284,000 (2017: RMB116,191,000) is unsecured, which bears interest at 2.5% per annum above 10-year EURIBOR ICE swap rate (2017: 2.5% per annum above 10-year EURIBOR ICE swap rate) and has no fixed terms of repayment. Balance of RMB265,867,000 (2017: RMB264,341,000) is unsecured, which bears interest at the aggregate of 3.75% per annum and EURIBOR, and is repayable in 2021.

15 Financial assets at fair value through other comprehensive income/available-for-sale financial assets

Financial assets at FVOCI comprise the following investments in listed and unlisted equity:
(2017 relating to available-for-sale financial assets)

	2018 RMB'000	2017* RMB'000
Non-current assets		
Listed securities (note a)	**1,095,048**	—
Unlisted securities (note b)	**988,590**	—
	2,083,638	—

* These investments were classified as available-for-sale financial assets in 2017. All of these investments were also held in the previous period.

Notes:

(a) Listed investments represent equity interests in entities which are principally engaged in provision of port related services and securities service.

(b) Unlisted investments mainly comprise equity interests in terminal operating companies, port information system engineering companies and property investment companies.

(c) As at 31 December 2018, a financial asset at FVOCI with a fair value of RMB499,442,000 (2017: nil) was pledqed as security for banking facilities granted to the Group (note 25(k)(v)).

15 Financial assets at fair value through other comprehensive income/available-for-sale financial assets (Continued)

(d) Financial assets at FVOCI are denominated in the following currencies:
(2017 relating to available-for-sale financial assets)

	2018 RMB'000	2017 RMB'000
RMB	**2,074,565**	2,268,229
HKD	**8,002**	97,754
USD	**865**	—
EURO	**—**	849
Others	**206**	—
	2,083,638	2,366,832

(e) Movement of the financial assets at FVOCI during the year is as follows:
(2017 relating to available-for-sale financial assets)

	2018 RMB'000	2017 RMB'000
As at beginning of year, as previously reported	**2,366,832**	1,662,670
Change in accounting policy	**64,747**	—
As at 1 January, restated	**2,431,579**	1,662,670
Additions	**4,731**	—
Acquisition of subsidiaries (note 42)	**158,904**	841
Step acquisition from an available-for-slae financial asset to investment in an associate	**—**	(549,509)
Disposal	**(157)**	—
Fair value (loss)/gain recognised in equity	**(520,834)**	1,257,442
Currency translation differences	**9,415**	(4,612)
As at 31 December	**2,083,638**	2,366,832

(f) Financial assets previously classified as avilable-for-sale financial assets (2017)
Available-for-sale financial assets included the following classes of financial assets:

	2018 RMB'000	2017 RMB'000
Listed investments in the PRC	**—**	1,669,094
Unlisted investments	**—**	697,738
	—	2,366,832

16 Financial assets at fair value through profit or loss

Financial assets mandatorily measured at FVPL include the following:

	2018 RMB'000
Listed equity securities	
– PRC (note b)	499,442
– Hong Kong	277,960
– Overseas	62,380
Market value of listed equity securities	839,782
Unit trust	39,259
Listed debt securities	
– Hong Kong	1,440,153
– Overseas	776,303
	3,095,497

Notes:

(a) The carrying amounts of the Group's financial assets at fair value through profit or loss are mainly denominated in US dollar.

(b) In December 2018, the Group acquired 4.34% equity interests in Beibu Gulf Port Co., Ltd. as financial assets at FVPL at a consideration of RMB471,065,000.

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

	2018 RMB'000
A	475,812
BBB	877,247
BB	60,396
Non-ranking	803,001
	2,216,456

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

17 Financial assets at amortised cost

Financial assets at amortised cost include the following:

	2018 RMB'000
Listed debt securities	
– Hong Kong	746,684
– Overseas	783,524
	1,530,208
Less: Current portion included in current assets	(230,380)
	1,299,828
Market value	1,534,131

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

	2018 RMB'000
Balance at beginning of year	–
Acquisition of subsidiaries (note 42)	1,456,261
Currency translation adjustments	54,328
Additions	108,871
Early redemption by issuer	(41,112)
Redemptions on maturity	(34,215)
Amortisation	(342)
Impairment	(13,583)
Balance at end of year	1,530,208

The carrying amounts of financial assets at amortised cost are mainly denominated in US dollar.

The credit quality of other financial assets at amortised cost by reference to Standard & Poor's and/or Moody's credit ratings is as follows:

	2018 RMB'000
AAA	13,603
AA	42,826
A	567,044
BBB	492,208
Non-ranking	414,527
	1,530,208

18 Deferred income tax assets/(liabilities)

Deferred income tax is calculated in full on temporary differences under the liability method using taxation rates ranging from 10% to 46% for the year (2017: 16.5% to 39.83%)

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

	2018	2017
	RMB'000	RMB'000
As at beginning of year, as previously reported	**(155,230)**	(436,556)
Change in accounting policy	**(16,187)**	—
As at 1 January, restated	**(171,417)**	(436,556)
Currency translation differences	**(44,282)**	43,219
Charged to consolidated income statement	**(137,926)**	(29,499)
Acquisition of subsidiaries (note 42)	**(698,221)**	517,755
Credited/(charged) to other comprehensive income (note 34(c))	**126,746**	(250,149)
As at 31 December	**(925,100)**	(155,230)

Deferred income tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2018, the Group had tax losses of RMB35,355,409,000 (2017: RMB34,939,636,000) to carry forward, which were not recognised as 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 RMB34,807,446,000 (2017: RMB34,491,298,000) will expire through year 2023 (2017: year 2022) and an amount of RMB547,963,000 (2017: RMB448,338,000) has no expiry date.

As at 31 December 2018, the unrecognised deferred income tax liabilities were RMB9,025,027,000 (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 or such profits will not be distributed and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these overseas subsidiaries as at 31 December 2018 amounted to RMB37,554,812,000 (2017: RMB18,651,863,000).

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

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year was as follows:

Deferred income tax liabilities

	Undistributed profits of subsidiaries, joint ventures and associates	Accelerated tax depreciation	Fair value gain on financial assets	Accelerated depreciation allowances and intangible assets from business combination	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2017	(451,783)	(14,128)	(17,974)	–	(38,355)	(522,240)
Currency translation differences	22,127	1,293	60	–	(1,242)	22,238
(Charged) /credited to consolidated income statement	(128,244)	9,828	(83,560)	–	179	(201,797)
Acquisition of subsidiaries	–	(309,550)	–	–	(54,058)	(363,608)
Charged to other comprehensive income (note 34(c))	–	–	(248,580)	–	–	(248,580)
As at 31 December 2017	(557,900)	(312,557)	(350,054)	–	(93,476)	(1,313,987)
Change in accounting policy	**–**	**–**	**(16,187)**	**–**	**–**	**(16,187)**
As at 1 January 2018, restated	**(557,900)**	**(312,557)**	**(366,241)**	**–**	**(93,476)**	**(1,330,174)**
Currency translation differences	**(18,844)**	**(2,988)**	**1,832**	**(25,232)**	**(4,014)**	**(49,246)**
(Charged)/credited to consolidated income statement	**(79,868)**	**4,825**	**(4,658)**	**12,464**	**87,409**	**20,172**
Acquisition of subsidiaries (note 42)	**(9,819)**	**(10,851)**	**–**	**(673,777)**	**(55,976)**	**(750,423)**
Credited to other comprehensive income (note 34(c))	**–**	**–**	**124,102**	**–**	**–**	**124,102**
As at 31 December 2018	**(666,431)**	**(321,571)**	**(244,965)**	**(686,545)**	**(66,057)**	**(1,985,569)**

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

Deferred income tax assets

	Tax loss	Staff benefit	Accelerated accounting depreciation	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2017	1,041	33,785	5,116	45,742	85,684
Currency translation differences	10,477	–	(14)	10,518	20,981
Credited/(charged) to consolidated income statement	175,514	(9,402)	(2,002)	8,188	172,298
Acquisition of subsidiaries	479,468	–	–	401,895	881,363
Charged to other comprehensive income (note 34(c))	–	–	–	(1,569)	(1,569)
As at 31 December 2017 and 1 January 2018	666,500	24,383	3,100	464,774	1,158,757
Currency translation differences	**1,575**	**–**	**(76)**	**3,465**	**4,964**
Charged to consolidated income statement	**(59,538)**	**(3,769)**	**(398)**	**(94,393)**	**(158,098)**
Acquisition of subsidiaries (note 42)	**20,073**	**–**	**3,385**	**28,744**	**52,202**
Credited to other comprehensive income (note 34(c))	**–**	**–**	**–**	**2,644**	**2,644**
As at 31 December 2018	**628,610**	**20,614**	**6,011**	**405,234**	**1,060,469**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance and a net basis. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2018	2017
	RMB'000	RMB'000
Deferred income tax assets		
Deferred income tax assets to be recovered after more than 12 months	**740,737**	776,745
Deferred income tax assets to be recovered within 12 months	**319,732**	382,012
	1,060,469	1,158,757
Deferred income tax liabilities		
Deferred income tax liabilities to be settled after more than 12 months	**(1,365,468)**	(636,096)
Deferred income tax liabilities to be settled within 12 months	**(620,101)**	(677,891)
	(1,985,569)	(1,313,987)
Deferred income tax liabilities, net	**(925,100)**	(155,230)

19 Other non-current assets

	2018 RMB'000	2017 RMB'000
Deposits	**1,007,745**	—
Prepaid operating lease payments (note)	**229,874**	270,948
Prepayment for land use rights	**235,504**	301,144
Others	**17,062**	—
	1,490,185	572,092

Note:

The amount mainly represents the unamortised upfront concession fee paid by COSCO SHIPPING Ports in respect of the concession agreement with Piraeus Port Authority S.A. ("PPA") for the concession of Pier 2 and 3 of the Piraeus Port in Greece for a period of 35 years commenced on 1 October 2009. Apart from the aforesaid upfront concession fee, the Group had operating lease commitment in relations to the Concession (note 44 (b)).

20 Cash and bank balances

	2018 RMB'000	2017 RMB'000
Restricted bank deposits (note a)	**1,157,243**	351,220
Balances placed with COSCO Finance (note b)	**—**	6,952,878
Balances placed with CS Finance (note c)	**9,509,212**	702,529
Bank balances and cash - unpledged	**23,328,517**	18,083,119
Total bank deposits and cash and cash equivalents (note d)	**33,994,972**	26,089,746
Less:		
Restricted bank deposits		
– current	**(759,171)**	(351,220)
– non-current	**(398,072)**	—
Cash and bank balances	**32,837,729**	25,738,526

20 Cash and bank balances (Continued)

Notes:

(a) Restricted bank deposits are mainly held as security for borrowings and bank guarantees and facilities (note 25(k) (iv)).

(b) Balances placed with COSCO Finance bear interest at prevailing market rates.

(c) CS Finance is a finance company owned by China SHIPPING (Group) Company ("China Shipping") and balances placed with CS Finance bear interest at prevailing market rates.

(d) The carrying amounts of bank deposits and cash and bank balances are denominated in the following currencies:

	2018 RMB'000	2017 RMB'000
US dollar	**21,221,602**	14,686,012
RMB	**8,855,521**	8,903,647
EURO	**1,273,590**	946,062
HK dollar	**570,515**	277,787
Other currencies	**2,073,744**	1,276,238
	33,994,972	26,089,746

(e) The effective interest rates on time deposits as at 31 December 2018 were in the range of 1.48% to 4.00% per annum (2017: 0.15% to 5.23% per annum). The deposits earn interests at floating rates based on prevailing market rates.

21 Inventories

	2018 RMB'000	2017 RMB'000
Bunkers, voyage supplies, consumables and others	**4,100,906**	2,330,221

22 Trade and other receivables and contract assets

	2018 RMB'000	2017 RMB'000
Trade receivables (note a)		
– third parties	**8,161,389**	5,912,593
– fellow subsidiaries	**140,135**	125,533
– joint ventures	**29,922**	19,216
– other related companies	**113,346**	138,504
	8,444,792	6,195,846
Bills receivables (note a)	**289,594**	297,932
Contract assets (note a)	**161,769**	—
	8,896,155	6,493,778
Prepayments, deposits and other receivables		
– third parties (note b)	**4,776,775**	3,131,728
– fellow subsidiaries (note d)	**379,704**	306,997
– joint ventures (note d)	**202,207**	703,465
– associates (note d)	**407,322**	149,275
– other related companies (note d)	**189,864**	201,627
	5,955,872	4,493,092
Total	**14,852,027**	10,986,870

Notes:

(a) Trade receivables with related parties are unsecured and have similar credit periods as third party customers. The normal credit period granted to the trade receivables of the Group is generally within 90 days. Trade receivables primarily consisted of voyage-related receivables. As at 31 December 2018, the ageing analysis of trade and bills receivables and contract assets on the basis of the date of relevant invoice or demand note is as follows:

	2018 RMB'000	2017 RMB'000
1-3 months	**8,470,666**	6,045,919
4-6 months	**384,713**	336,047
7-12 months	**180,032**	147,985
Over 1 year	**152,267**	57,275
Trade, bills receivables and contract assets, gross	**9,187,678**	6,587,226
Less: provision for impairment	**(291,523)**	(93,448)
	8,896,155	6,493,778

22 Trade and other receivables and contract assets (Continued)

Notes: (Continued)

(a) (Continued)

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled service provided and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this year. The historical loss rates are adjusted to reflect current and forwardlooking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Movements on the provision for impairment of trade receivables are as follows:

	2018 RMB'000	2017 RMB'000
As at 1 January	93,448	71,560
Provision for receivable impairment	55,585	7,524
Receivables written off during the year as uncollectible	(25,975)	(1,966)
Reversal of provision	(3,161)	(3,264)
Acquisition of subsidiaries (note 42)	165,164	18,398
Currency translation differences	6,462	1,196
As at 31 December	291,523	93,448

The creation and release of provision for impaired receivables have been included in the consolidated income statement (note 30). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Management considered that there is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

(b) Prepayments, deposits and other receivables due from third parties

	2018 RMB'000	2017 RMB'000
Prepayments and deposits	2,394,856	1,951,758
Claims receivables	55,018	45,039
Other receivables less provision (note c)	2,326,901	1,134,931
	4,776,775	3,131,728

22 Trade and other receivables and contract assets (Continued)

Notes: (Continued)

(c)

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

	2018 RMB'000	2017 RMB'000
As at 1 January	**84,179**	78,310
Provision for receivable impairment	**1,883**	6,574
Receivables written off during the year as uncollectible	**(701)**	(705)
Reversal of provision	**(15,860)**	—
Currency translation differences	**730**	—
Disposal of subsidiaries	**25**	—
As at 31 December	**70,256**	84,179

(d) The amounts due from related companies are unsecured, interest free and have no fixed terms of repayment.

(e) The carrying amount of trade and other receivables and contract assets (excluding prepayments and deposits) are denominated in the following currencies:

	2018 RMB'000	2017 RMB'000
US dollar	**5,567,248**	3,131,917
RMB	**2,798,697**	2,250,787
EURO	**2,269,607**	1,614,816
HK dollar	**183,510**	77,176
Other currencies	**1,476,340**	1,960,416
	12,295,402	9,035,112

(f) The carrying amounts of trade and other receivables and contract assets (excluding prepayments and deposits) approximate their fair values.

(g) Management considered the maximum exposure to credit risk at the reporting date is the carring amount of each class of receivable mentioned above. The Group does not hold any collateral as security.

23 Share capital and equity linked benefits

(a) Share capital

	2018		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
As at 31 December	**10,216,274**	**10,216,274**	10,216,274	10,216,274

As at 31 December 2018, the A-Shares rank pari passu, in all material respects, with H-Shares.

(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 (as defined in the relevant share option schemes) of the Group, to subscribe for its shares. No outstanding options were vested and exercisable as at 31 December 2018. COSCO SHIPPING Ports has no legal or constructive obligation to repurchase or settle the options in cash.

At a special general meeting of the Company held on 8 June 2018, the shareholders of the Company approved the adoption of a share option scheme (the "2018 Share Option Scheme"). The purposes of the 2018 share option scheme are to enable the Company to establish and cultivate a performance-oriented culture, under which value is created for the Shareholders, and to establish an interests-sharing and restraining mechanism between the Shareholders and the Company's management. No consideration was paid by the grantees for the acceptance of share options.

Under the 2018 Share Option Scheme, the exercise of the options is subject to a two-year vesting period during which a participant is not allowed to exercise any option granted. After the expiration of the two-year period, the participant may exercise the options in three equal batches in the 3rd, 4th and 5th year after the grant date respectively. Within the exercise period of the share options, and subject to the fulfilment of the vesting conditions and the exercise arrangement of the share options, grant of each share option entitles the grantee to subscribe for one share at relevant exercise price.

23 Share capital and equity linked benefits (Continued)

(b) Share options of a subsidiary (Continued)

Movements of the share options granted by COSCO SHIPPING Ports during the year ended 31 December 2018 and 2017 are set out below:

			For the year ended 31 December 2018 Number of share options					
Date of grant	**Exercisable period**	**Exercise price**	**Outstanding as at 1 January 2018**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**Forfeited during the year**	**Outstanding as at 31 December 2018**
19 June 2018	Note (i)	HK$7,27	**–**	**53,483,200**	**–**	**–**	**(2,067,252)**	**51,415,948**
29 November 2018	Note (i)	HK$8.02	**–**	**851,966**	**–**	**–**	**–**	**851,966**
			–	**54,335,166**	**–**	**–**	**(2,067,252)**	**52,267,914**

			For the year ended 31 December 2017 Number of share options					
Date of grant	Exercisable period	Exercise price	Outstanding as at 1 January 2017	Granted during the year	Exercised during the year	Cancelled during the year	Forfeited during the year	Outstanding as at 31 December 2017
During the period from 17 April 2007 to 19 April 2007	Note (ii)	HK$19.30	9,940,000	–	–	–	(9,940,000)	–

Notes:

(i) The share options were granted on 19 June 2018 and 29 November 2018 under the 2018 Share Option Scheme at an exercise price of HK$7.27 and HK$8.02 respectively. According to the provisions of the 2018 Share Option Scheme, share options under each grant have a validity period of five years commencing from the date of grant and cannot be exercised during the two-year period commencing from the date of grant (the "Restriction Period"). Besides, subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. 33%, 33% and 34%.

(ii) The share options were granted during the period from 17 April 2007 to 19 April 2007 under the 2003 Share Option Scheme at an exercise price of HK$19.30. The options are exercisable at any time within ten years from the date on which an offer is accepted or deemed to be accepted by the grantee under the 2003 Share Option Scheme from 17 April 2007 to 19 April 2007.

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

	2018		2017	
	Average exercise price per share HK$	**Number of share options**	Average exercise price per share HK$	Number of share options
As at 1 January	**–**	**–**	19.30	9,940,000
Granted	**7.28**	**54,335,166**	–	–
Lapsed	**7.27**	**(2,067,252)**	19.30	(9,940,000)
As at 31 December	**7.28**	**52,267,914**	–	–

24 Reserves

	Capital reserve RMB'000	Hedging reserve RMB'000	Other reserves RMB'000	Statutory reserve fund RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 31 December 2017, as previously reported	32,850,873	1,970	(4,191,738)	(204,853)	382,749	(5,100,196)	(13,285,792)	10,453,013
Change in accounting policy (note 2(b)(ii))	–	–	–	–	48,560	–	–	48,560
Balance at 1 January 2018, as restated	32,850,873	1,970	(4,191,738)	(204,853)	431,309	(5,100,196)	(13,285,792)	10,501,573
Comprehensive income/(loss)								
Profit for the year	–	–	–	–	–	–	1,230,026	1,230,026
Other comprehensive (loss)/income								
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	–	–	(174,793)	–	–	(174,793)
Cash flow hedges, net of tax	–	–	–	–	(1,636)	–	–	(1,636)
Share of other comprehensive (loss)/income of joint ventures and associates	–	–	(34,945)	–	22,495	(15,553)	–	(28,003)
Currency translation differences	–	–	–	–	–	710,750	–	710,750
Remeasurements of post-employment benefit obligations	–	–	(65,168)	–	–	–	–	(65,168)
Total other comprehensive (loss)/income	–	–	(100,113)	–	(153,934)	695,197	–	441,150
Total comprehensive (loss)/income for the year ended 31 December 2018	–	–	(100,113)	–	(153,934)	695,197	1,230,026	1,671,176
Total contributions by and distributions to owners of the Company recognised directly in equity:								
Contributions from non-controlling shareholders of subsidiaries	375,055	–	–	–	–	(311)	–	374,744
Other	122,446	–	–	–	–	–	–	122,446
Total contributions by and distributions to owners of the Company	497,501	–	–	–	–	(311)	–	497,190
Balance at 31 December 2018	33,348,374	1,970	(4,291,851)	(204,853)	277,375	(4,405,310)	(12,055,766)	12,669,939

24 Reserves (Continued)

	Capital reserve RMB'000	Hedging reserve RMB'000	Other reserves RMB'000	Statutory reserve fund RMB'000	Investment revaluation reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 1 January 2017	32,648,456	1,970	(4,204,142)	(204,853)	40,503	(4,205,734)	(15,969,178)	8,107,022
Comprehensive income/(loss)								
Profit for the year	–	–	–	–	–	–	2,661,936	2,661,936
Other comprehensive (loss)/income								
Fair value gains on available-for-sale financial assets, net of tax	–	–	–	–	467,563	–	–	467,563
Release of investment revaluation reserve of an available-for financial asset upon further acquisition to became an associate	–	–	–	–	(123,387)	–	–	(123,387)
Release of reserve upon disposal of a joint venture	–	–	–	–	–	(36,435)	–	(36,435)
Release of reserve upon contribution of equity investments to an associate	(581)	–	–	–	–	(3,901)	–	(4,482)
Release of reserve upon further acquisition of an associate to become a subsidiary	–	–	–	–	–	12,599	–	12,599
Cash flow hedges, net of tax	–	–	–	–	919	–	–	919
Share of other comprehensive income/(loss) joint ventures and associates	–	–	30,004	–	(2,060)	23,434	–	51,378
Currency translation differences	–	–	–	–	–	(906,458)	–	(906,458)
Remeasurements of post-employment benefit obligations	–	–	(17,600)	–	–	–	–	(17,600)
Total other comprehensive (loss)/income	(581)	–	12,404	–	343,035	(910,761)	–	(555,903)
Total comprehensive (loss)/income for the year ended 31 December 2017	(581)	–	12,404	–	343,035	(910,761)	2,661,936	2,106,033
Total contributions by and distributions to owners of the Company recognised directly in equity:								
Contributions from non-controlling shareholders of subsidiaries	279,072	–	–	–	–	–	–	279,072
Others	(76,074)	–	–	–	(789)	16,299	21,450	(39,114)
Total contributions by and distributions to owners of the Company	202,998	–	–	–	(789)	16,299	21,450	239,958
Balance at 31 December 2017	32,850,873	1,970	(4,191,738)	(204,853)	382,749	(5,100,196)	(13,285,792)	10,453,013

24 Reserves (Continued)

Notes:

(a) Statutory reserve fund

In accordance with the PRC Company Law and the Company's articles of association, the Company is required to allocate 10% of net profit of the Company, as determined in accordance with the China Accounting Standards ("CAS"), to the statutory reserve fund until such statutory reserve fund reaches 50% of the registered capital of the Company. The appropriation to the statutory reserve fund must be made before any distribution of dividends to equity holders. The statutory reserve fund can be used to offset previous year's losses, if any, and part of the statutory reserve fund can be capitalised as the Company's share capital provided that the amount of such statutory reserve fund remaining after the capitalisation shall not be less than 25% of the share capital of the Company.

(b) In accordance with the articles of association of the Company, the profit available for appropriation by the Company for the purpose of dividend payments is based on the lesser of (i) the net profit determined in accordance with the CAS; and (ii) the net profit determined in accordance with HKFRSs. Profit distribution is made after the appropriation to statutory reserve fund and recovery of previous years' losses.

(c) Other reserves of the Group as at 31 December 2018 represented capital reserve and other reserves of joint ventures and associates, and remeasurements of post-employment benefit obligations.

(d) Capital reserve mainly represents the capitalisation of the reserves of the acquired subsidiaries from the parent company upon the incorporation of the Company on 3 March 2005 and the share premium (net with share issuance expenses) arising upon issuance of the Company's H-shares and A-shares in 2005 and 2007.

25 Borrowings

	2018 RMB'000	2017 RMB'000
Long term borrowings		
Bank loans		
– secured (note k)	**37,409,002**	20,868,293
– unsecured	**16,607,979**	13,400,361
Loans from CS Finance/COSCO Finance (note a)		
– unsecured	**248,503**	249,500
Loans from CS Finance		
– secured	**72,000**	72,000
Notes/bonds (note c)	**17,828,855**	17,374,249
Loans from non-controlling shareholders of subsidiaries (note d)	**4,715**	346,413
Loans from a fellow subsidiary (note e)	**60,877**	132,601
Finance lease obligations	**16,743,090**	6,528
Total long-term borrowings	**88,975,021**	52,449,945
Current portion of long-term borrowings	**(8,730,823)**	(8,540,731)
	80,244,198	43,909,214
Short term borrowings		
Bank loans - unsecured	**35,054,871**	6,823,572
CS Finance - unsecured	**3,986,320**	2,150,000
Loan from COSCO - unsecured	**563,110**	563,110
Loans from COSCO SHIPPING - unsecured	**1,188,120**	1,188,120
Loan from COSCO Shipping (HK) Co., Ltd. - unsecured	**6,863,200**	—
Bank loan-secured	**269,998**	—
Other loan-unsecured	**295,000**	215,000
	48,220,619	10,939,802

Notes:

(a) On 23 October 2018, CS Finance absorbed and merged with COSCO Finance. CS Finance continued as the financial service company and COSCO Finance ceased to exist as a legal entity.

25 Borrowings (Continued)

Notes: (Continued)

(b) As at 31 December 2018, the long-term borrowings were repayable as follows:

	2018 RMB'000	2017 RMB'000
Bank loans		
– within one year	7,030,349	4,550,111
– in the second year	7,882,602	7,860,314
– in the third to fifth years	22,029,331	12,520,489
– after the fifth year	17,074,699	9,337,740
	54,016,981	34,268,654
Loans from CS Finance/COSCO Finance		
– within one year	248,503	–
– in the second year	–	249,500
	248,503	249,500
Loans from CS Finance		
– within one year	3,480	–
– in the second year	11,722	3,480
– in the third to fifth years	35,996	35,720
– after the fifth year	20,802	32,800
	72,000	72,000
Notes/bonds (note c)		
– within one year	–	3,989,000
– in the second year	4,974,852	–
– in the third to fifth years	12,854,003	4,959,763
– after the fifth year	–	8,425,486
	17,828,855	17,374,249
Loans from non-controlling shareholders of subsidiaries		
– in the second year	4,695	300,020
– in the third to fifth years	20	–
– after the fifth year	–	46,393
	4,715	346,413
Loans from a fellow subsidiary		
– in the second year	30,102	61,868
– in the third to fifth years	30,775	61,767
– after the fifth year	–	8,966
	60,877	132,601

25 Borrowings (Continued)

Notes: (Continued)

(b) As at 31 December 2018, the long-term borrowings were repayable as follows: (Continued)

	2018 RMB'000	2017 RMB'000
Finance lease obligations		
– within one year	1,448,491	1,620
– in the second year	1,198,109	1,679
– in the third to fifth years	6,859,809	3,229
– after the fifth year	7,236,681	—
	16,743,090	6,528
	88,975,021	52,449,945

(c) Details of the notes/bonds as at 31 December 2018 are as follows:

	2018 RMB'000	2017 RMB'000
Principal amount	17,349,760	17,174,650
Discount on issue	(91,629)	(90,439)
Notes/bonds issuance cost	(236,168)	(424,183)
Proceeds received	17,021,963	16,660,028
Currency translation differences	577,741	477,251
Accumulated amortised amounts of		
– discount on issue	48,743	35,673
– notes/bonds issuance cost	180,408	201,297
	17,828,855	17,374,249

(i) Notes issued by the Company

Notes with principal amount of RMB5,000,000,000, RMB4,000,000,000 and RMB4,000,000,000, which bear interest at a fixed rate of 4.35%, 5.45% and 4.05% per annum, were issued by the Company to investors on 3 September 2010, 29 November 2011 and 22 November 2018 respectively at a price equal to the principal amount. The notes with principal amount of RMB4,000,000,000 matured on 30 November 2018. The notes with principal amount of RMB5,000,000,000 and RMB4,000,000,000 would mature on 6 September 2020 and 22 November 2021 respectively.

(ii) Notes and bonds issued by subsidiaries

On 3 December 2012, COSCO Finance (2011) Limited, a subsidiary of the Company, issued bonds with an aggregate principal amount of US$1,000,000,000 (equivalent to approximately RMB6,493,600,000). 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.

25 Borrowings (Continued)

Notes: (Continued)

(c) Details of the notes/bonds as at 31 December 2018 are as follows: (Continued)

(ii) Notes and bonds issued by subsidiaries (Continued)

10-year notes with principal amount of US$300,000,000 were issued by a subsidiary of the Company to investors on 31 January 2013. The notes carried a fixed interest yield of 4.46% per annum and were issued at a price of 99.320 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. The notes bear interest from 31 January 2013, payable semi-annually in arrear on 31 January and 31 July of each year, commencing on 31 July 2013. The notes are guaranteed unconditionally and irrevocably by the Company and listed on the Stock Exchange. 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) As at 31 December 2018, balance of RMB48,729,000 from non-controlling shareholders of subsidiaries was unsecured, interest free and not repayable within next twelve months. The remaining balance was unsecured, bore interest at 4.75% per annum and was repayable in 2019. As at 31 December 2017, balance of RMB46,413,000 from non-controlling shareholders of subsidiaries was unsecured, interest free and not repayable within next twelve months. The remaining balance was unsecured, beared interest at 4.75% per annum and was repayable in 2019. The carrying values of the loan were not materially different from their fair values.

(e) As at 31 December 2018, the Group entered finance lease contracts for leasing of terminal equipment with a fellow subsidiary. The balance in respect of such finance lease arrangements of approximately RMB60,877,000 (2017: RMB132,601,000) was included in loans from a fellow subsidiary for the non-current portion and of approximately RMB54,212,000 (2017: RMB67,398,000) was included in trade and other payables due to fellow subsidiaries for the current portion (note 28). The average term of the finance lease contracts is 8 years (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 RMB338,617,000 (2017: RMB358,590,000) as at 31 December 2018 (note 6(d)). The carrying values of the loan were not materially different from their fair values.

25 Borrowings (Continued)

Notes: (Continued)

(f) The exposure of the Group's long-term borrowings to interest rate changes and the contractual repricing dates at balance sheet date are as follows:

	Less than one year RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2018				
Total borrowings	**8,730,823**	**55,912,015**	**24,332,183**	**88,975,021**
As at 31 December 2017				
Total borrowings	8,540,731	26,057,829	17,851,385	52,449,945

(g) The effective interest rates per annum as at 31 December 2018 were as follows:

	2018			
	US dollar	**RMB**	**EURO**	**HKD**
Bank loans	**1.8% to 4.3%**	**3.8% to 5.5%**	**0.5% to 5.2%**	**3.55%**
Loans from CS Finance/COSCO Finance	**—**	**3.56%**	**—**	**—**
Loans from CS Finance	**—**	**3.92%**	**—**	**—**
Notes/bonds	**4.0% to 4.4%**	**4.4% to 5.5%**	**—**	**—**
Loans from non-controlling shareholders of subsidiaries	**—**	**4.8%**	**—**	**—**
Loans from a fellow subsidiary	**—**	**5.0%**	**—**	**—**
Finance lease obligations	**2.78% to 4.94%**	**—**	**3.42% to 5.5%**	**—**

	2017		
	US dollar	RMB	EURO
Bank loans	1.8% to 4.3%	3.8% to 5.5%	0.5% to 5.2%
Loans from CS Finance/COSCO Finance	—	3.6%	—
Loans from CS Finance	—	3.9%	—
Notes/bonds	4.0% to 4.4%	4.4% to 5.5%	—
Loans from non-controlling shareholders of subsidiaries	—	4.8%	—
Loans from a fellow subsidiary	—	4.4% to 6.0%	—
Finance lease obligations	—	—	3.4%

As at 31 December 2018, balance of RMB57,947,182,000 (2017: RMB32,355,133,000) of bank loans bore floating interest rates.

25 Borrowings (Continued)

Notes: (Continued)

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

	Carrying amounts		Fair values	
	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	54,016,981	34,268,654	54,026,220	34,626,428
Loans from CS Finance/COSCO Finance	248,503	249,500	248,503	249,500
Loans from CS Finance	72,000	72,000	72,000	72,000
Notes/bonds	17,828,855	17,374,249	17,817,159	17,724,058
Loans from a non-controlling shareholders of subsidiaries	4,715	346,413	4,715	346,413
Loans from a fellow subsidiary	60,877	132,601	60,877	132,601
Finance lease obligations	16,743,090	6,528	15,058,964	6,174
	88,975,021	52,449,945	87,288,438	53,157,174

The fair values of the Group's non-current borrowings are determined based on cash flows discounted using the Group's weighted average borrowing rate per annum.

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

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

	2018	2017
	RMB'000	RMB'000
US dollar	94,012,492	34,100,207
RMB	34,955,857	23,382,074
EURO	5,861,560	5,907,466
HKD	2,365,731	—
	137,195,640	63,389,747

(k) The secured bank loans as at 31 December 2018 are secured, inter alia, by one or more of the following:

(i) First legal mortgage over certain property, plant and equipment with aggregate net book value of RMB53,203,080,000 (2017: RMB23,905,072,000) (notes 6(b) and 6(c));

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

(iii) Shares of certain subsidiaries;

(iv) Bank accounts of certain subsidiaries (note 20(a)); and

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

26 Provisions and other liabilities

	Provision for one-off housing subsidies RMB'000	Deferred income and others RMB'000	Total RMB'000
For the year ended 31 December 2018			
As at 1 January 2018	**39,982**	**328,953**	**368,935**
Decrease during the year	**—**	**(23,599)**	**(23,599)**
Provisions for the year	**—**	**3,950**	**3,950**
Currency translation differences	**—**	**4,279**	**4,279**
As at 31 December 2018	**39,982**	**313,583**	**353,565**
Less: current portion of provisions and other liabilities	**—**	**2,393**	**2,393**
Non-current portion of provisions and other liabilities	**39,982**	**311,190**	**351,172**
For the year ended 31 December 2017			
As at 1 January 2017	39,982	227,767	267,749
Decrease during the year	—	(6,142)	(6,142)
Provisions for the year	—	109,052	109,052
Currency translation differences	—	2,964	2,964
As at 31 December 2017	39,982	333,641	373,623
Less: current portion of provisions and other liabilities	—	4,688	4,688
Non-current portion of provisions and other liabilities	39,982	328,953	368,935

27 Pension and retirement liabilities

The Group operates a number of defined benefit and defined contribution pension and retirement schemes in the main countries in which the Group operates. The total charges to the consolidated income statement for the year were RMB171,604,000.

Notes:

(a) Retirement benefit obligations of COSCO SHIPPING Lines Limited and its subsidiaries

	2018 RMB'000	2017 RMB'000
Balance sheet obligations for:		
Early-retirement benefits for PRC employees (note (i))	18,122	22,369
Post-retirement benefits for PRC employees (note (i))	265,433	260,709
	283,555	283,078
Expensed in income statement for:		
Early-retirement benefits for PRC employees (note (i))	1,851	(1,020)
Post-retirement benefits for PRC employees (note (i))	28,386	27,798
	30,237	26,778

(i) Retirement benefits for PRC employees

The Group recognises a liability for the present value of the unfunded obligations relating to retirement benefits payable to certain normal retired or early retired employees in the consolidated balance sheet. The liability related to the benefit obligations for eligible retired employees existing at year end is calculated by independent actuaries, using the projected unit credit method. The actuarial liabilities of early retirement and post retirement as at 31 December 2018 totalled RMB283,555,000 (2017: RMB283,078,000). If the discount rate used to increase/decrease by 0.25% from management's estimates with all other variables held constant, the carrying amount of retirement benefit obligations as at 31 December 2018 would have been RMB6,830,000 lower or RMB7,130,000 higher.

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

	2018			2017		
	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000
As at 1 January	22,369	260,709	283,078	31,154	259,609	290,763
Charged/(credited) to the consolidated income statement	1,851	28,386	30,237	(1,020)	27,798	26,778
Remeasurements of post-employment benefit obligations	–	11,780	11,780	–	17,600	17,600
Benefits paid	(6,098)	(35,442)	(41,540)	(7,765)	(44,298)	(52,063)
As at 31 December	18,122	265,433	283,555	22,369	260,709	283,078

27 Pension and retirement liabilities (Continued)

Notes: (Continued)

(a) Retirement benefit obligations of COSCO SHIPPING Lines Limited and its subsidiaries (Continued)

(i) Retirement benefits for PRC employees (Continued)

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

	2018			2017		
	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000	Early retirement RMB'000	Post retirement RMB'000	Total RMB'000
Interest cost	400	(1,840)	(1,440)	570	(9,020)	(8,450)

The principal actuarial assumptions used were as follows:

	2018		2017	
	Early retirement	Post retirement	Early retirement	Post retirement
Discount rate	3.00%	3.25%	3.75%	4.00%
Retirement benefits inflation rates	3.00% - 4.50%	0.00% - 8.00%	3.00% - 4.50%	0.00% - 8.00%

(b) Retirement benefit obligations of OOIL

(i) Defined benefit plan

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

	2018 RMB'000
Funded scheme assets	–
Funded scheme liabilities	21,962
Unfunded scheme liabilities	–
	21,962
Net scheme liabilities	21,962

Net funded scheme assets/(liabilities)

The principal defined benefit scheme is operated in the United Kingdom which was valued by Barnett Waddingham LLP. The defined benefit scheme (the "Scheme") cover less than 1% of the Group's employees and are funded. The assets of the Scheme are held in trust funds separate from the Group. Contributions to the Scheme are assessed in accordance with the advice of qualified actuaries in compliance with local practice and regulations. The actuarial assumptions used to calculate the projected benefit obligations of the Group's pension schemes vary according to the economic conditions of the countries in which they are situated.

27 Pension and retirement liabilities (Continued)

Notes: (Continued)

(b) Retirement benefit obligations of OOIL (Continued)

(i) Defined benefit plan (Continued)

The net scheme assets of the Scheme recognised in the consolidated balance sheet are determined as follows:

	2018 RMB'000
Fair value of plan assets	1,305,450
Present value of funded obligations	1,327,412
Deficit of funded plan	21,962

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

	2018 RMB'000
Balance at beginning of year	–
Acquisition of subsidiaries (note 42)	1,368,002
Currency translation adjustments	710
Interest income on plan assets	18,257
Remeasurement loss on assets	(45,026)
Contributions from the Group	582
Contributions from the plan members	349
Benefits paid	(37,424)
Balance at end of year	1,305,450

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

	2018 RMB'000
Balance at beginning of year	–
Acquisition of subsidiaries (note 42)	1,316,042
Currency translation adjustments	(1,289)
Current service cost	5,420
Interest expense	18,154
Experience losses on liabilities	2,525
Losses from changes to demographic assumptions	431
Losses from changes to financial assumptions	23,204
Contributions from the plan members	349
Benefits paid	(37,424)
Balance at end of year	1,327,412

27 Pension and retirement liabilities (Continued)

Notes: (Continued)

(b) Retirement benefit obligations of OOIL (Continued)

(i) Defined benefit plan (Continued)

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

	2018 RMB'000
Current service cost	5,420
Interest expense	18,154
Interest income on plan assets	(18,257)
Net actuarial gains	(178)
Net expense recognised for the year	5,139

Charges of RMB1,403,575,000 were included in "selling, administrative and general expenses" in the consolidated income statement.

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

	2018
Discount rate	2.80%
Inflation rate	3.50%
Expected future salary increases	3.50%
Expected future pension increases	2.60%
Actual return on plan assets (RMB'000)	(54,459)

At 31 December 2018, if discount rate had been 0.2% higher/lower, with all other variables held constant, the fair value of the funded obligations would have been RMB33,630,000 lower/RMB35,689,000 higher. At 31 December 2018, if inflation rate had been 0.1% higher/lower, with all other variables held constant, the fair value of the funded obligations would have been RMB11,667,000 higher/RMB6,177,000 lower. The sensitivities show the likely effect of a single assumption being adjusted while holding all other assumptions constant.

Plan assets of the Scheme comprise the following:

	2018 RMB'000
Equity	413,439
Debt	812,143
Others	79,868
	1,305,450

27 Pension and retirement liabilities (Continued)

Notes: (Continued)

(b) Retirement benefit obligations of OOIL (Continued)

(i) Defined benefit plan (Continued)

Expected normal and deficit reduction contributions to the Scheme for the year ending 31 December 2019 is RMB19,903,000.

Through its defined benefit pension plans, the Group is exposed to a number of risks as follows:

- Investment risk. The Scheme holds investments in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if deficit emerges.
- Interest rate and market risk. The Scheme's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Scheme holds assets such as equities, the value of the assets and liabilities may not move in the same way
- Inflation risk. A significant proportion of the benefits under the Scheme are linked to inflation. Although the Scheme's assets are expected to provide a good hedge against inflation over the long term, movements over the short-term could lead to deficits emerging.
- Longevity and other demographic risk. If members live longer than assumed, a deficit will emerge in the Scheme.

(ii) Defined contribution schemes

The principal defined contribution schemes are operated in Hong Kong, the People's Republic of China and the USA. These schemes cover approximately 80% of the Group's employees. Contributions to the defined contribution schemes, all the assets of which are held in trust funds separate from the Group, are based on a percentage of an employee's salary, depending upon the length of service of the employee, but the Group's contributions to certain schemes may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in those contributions.

In 2008, the Group terminated the defined benefit scheme and post-retirement medical plans in the USA at the request of the labour unions. All the pension assets and obligations were transferred to a defined benefit multi-employer pension plan and a defined benefit multi-employer post-retirement medical plan (the "Plans") together with other industry players. Since the Group is not able to identify its share of the underlying financial position and performance of the Plans with sufficient reliability for accounting purposes, accordingly the Plans are accounted for by the Group as defined contribution plans.

The charges for the defined contribution schemes to the consolidated income statement during the year are as follows:

	2018 RMB'000
Contributions to the schemes	136,714
Forfeitures utilised	(486)
	136,228

28 Trade and other payables and contract liabilities

	2018 RMB'000	2017 RMB'000
Trade payables (note a)		
– third parties	7,473,217	6,222,836
– fellow subsidiaries	1,480,888	1,460,610
– joint ventures	178,891	183,544
– associates	108,183	41,704
– other related companies	101,949	40,283
	9,343,128	7,948,977
Bills payables (note a)	57,500	122,725
	9,400,628	8,071,702
Advances from customers	—	242,557
Other payables and accruals (note b)	17,748,736	13,287,480
Contract liabilities	366,069	—
Due to related companies		
– fellow subsidiaries (note 25(e))	269,095	257,795
– joint ventures (note d)	246,069	305,508
– associates (note e)	104,777	102,186
– other related companies (note f)	1,563,051	918,701
	2,182,992	1,584,190
Total	29,698,425	23,185,929

Notes:

(a) As at 31 December 2018, the ageing analysis of trade and bills payables on the basis of the date of relevant invoice or demand note is as follows:

	2018 RMB'000	2017 RMB'000
1-6 months	9,155,770	7,914,745
7-12 months	152,697	95,879
1-2 years	25,983	34,258
2-3 years	13,553	12,238
Above 3 years	52,625	14,582
	9,400,628	8,071,702

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

28 Trade and other payables and contract liabilities (Continued)

Notes: (Continued)

(b) Other payables and accruals

Accruals mainly included accruals for voyages costs and accruals for vessel costs RMB10,151,417,000 (2017: RMB8,293,959,000).

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

	2018 RMB'000	2017 RMB'000
US dollar	13,483,595	10,737,793
RMB	10,700,068	9,160,454
EURO	2,405,352	704,268
HK dollar	582,050	525,652
Other currencies	2,161,291	1,815,205
Total	29,332,356	22,943,372

(d) The balance included loans from a joint venture of US$32,784,000 (equivalent to approximately RMB225,003,000) (2017: US$42,622,000, equivalent to approximately RMB278,501,000), which are unsecured, bear interest at 2.3% (2017: 2.3%) per annum and repayable within twelve months.

(e) The amounts due to associates included a loan from an associate of US$14,570,000 (equivalent to approximately RMB99,997,000) (2017: US$15,304,000 (equivalent to approximately RMB99,999,000)), which is unsecured, bears interest at 2.3% per annum and repayable within twelve months.

(f) The balance included loans from non-controlling shareholders of subsidiaries, which are unsecured and repayable within twelve months. Balance of US$2,082,000 (equivalent to approximately RMB14,289,000) (2017: US$6,328,000, equivalent to approximately RMB41,348,000) bears interest at 0.3% (2017: 0.6%) above 1-year US dollar London Interbank Offered Rate ("LIBOR") per annum. Balance of US$49,681,000 (equivalent to approximately RMB340,971,000) (2017: US$49,681,000, equivalent to approximately RMB324,626,000) is interest free. Balance of US$43,711,000 (equivalent to approximately RMB299,997,000) (2017: US$45,912,000, equivalent to approximately RMB299,998,000) bears interest at 4.35% (2017:3.8%) per annum. Balance of US$43,711,000 (equivalent to approximately RMB299,997,000) (2017:US$9,182,000,equivalent to approximately RMB59,997,000) bears interest at 4.75% (2017:4.4%) per annum.

29 Cost of services and inventories sold

	2018 RMB'000	2017 RMB'000
Container shipping and related business		
– Equipment and cargo transportation costs	**52,972,808**	39,837,978
– Voyage costs (note b)	**26,015,232**	16,863,203
– Vessel costs (note c)	**20,952,083**	16,037,001
	99,940,123	72,738,182
Other related business costs	**6,988,231**	7,621,592
Cost of services related to container shipping and related business	**106,928,354**	80,359,774
Container terminal and related business costs	**4,669,129**	2,867,542
Other business costs	**61,579**	—
Elimination between different businesses	**(1,130,516)**	(631,043)
Tax and surcharges	**197,396**	165,597
Total	**110,725,942**	82,761,870

Notes:

(a) Cost of services and inventories sold included depreciation and amortisation expenses of RMB2,748,304,000 (2017: RMB2,153,251,000) and operating lease rentals of RMB14,618,534,000 (2017: RMB12,248,757,000) respectively.

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

(c) Vessel costs mainly comprised operating lease rentals and depreciation of vessels.

30 Other income, net

	2018 RMB'000	2017 RMB'000
Dividend income	**26,999**	13,029
Government subsidy for demolition of vessels and other subsidies (note a)	**1,520,665**	1,171,581
Gain on disposal of property, plant and equipment		
– others	**131,481**	2,274
Gain on disposal of an associate (note 13 (b))	**20,157**	203
Gain on remeasurement of equity investments	**–**	49,751
Reversal of provision for impairment of trade and other receivables	**19,021**	3,264
Gain on derivatives at fair value	**4,311**	–
Gain on disposal of subsidiaries	**25,066**	4,417
Interest income from financial assets at FVPL	**47,681**	–
Interest income from investments at amortised cost	**33,544**	–
Management fee income	**40,797**	36,124
Exchange gain	**514,492**	35,833
Fair value gain on financial assets at FVPL	**28,367**	–
Others	**60,710**	47,566
Subtotal of other income	**2,473,291**	1,364,042
Loss on disposal of/write off property, plant and equipment		
– container vessels	**–**	(91,163)
– others	**(14,414)**	–
Provision for impairment of trade and other receivables	**(57,468)**	(14,098)
Exchange loss	**(33,936)**	(90,950)
Donations	**(6,016)**	(377)
Fair value loss on financial assets at FVPL	**(68,429)**	–
Loss on derivatives at fair value	**(38,279)**	–
Others	**(55,362)**	(59,320)
Subtotal of other expense	**(273,904)**	(255,908)
Total of other income and expense, net	**2,199,387**	1,108,134

Note:

(a) In 2018, the Company received a subsidy of approximately RMB809.2 million (2017: approximately RMB509.7 million) from the Ministry of Finance ("MoF") through COSCO SHIPPING in respect of the demolition of vessels in accordance with the "Implementation Plan for Early Retirement and Replacement of Obsolete and Worn-out Transportation Vessels And Single-hull Oil Tankers" (《老舊運輸船舶和單殼油輪提前報廢更新實施方案》) and "Administrative Measure For The Special Subsidies Given By The Central Finance To Encourage Retirement And Replacement Of Obsolete and Worn-out Transportation Vessels And Single-hull Oil Tankers" (《老舊運輸船舶和單殼油輪報廢更新中央財政補助專項資金管理辦法》) jointly promulgated by MoF, the Ministry of Transport, the Development and Reform Commission, and the Ministry of Industry and Information Technology of China.

31 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 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 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 year ended 31 December 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 year ended 31 December 2017.

32 Operating Profit

	2018 RMB'000	2017 RMB'000
Operating profit is arrived at after crediting:		
Operating lease rental income	89,925	7,312
– Land and buildings	89,925	7,312
and after charging:		
Depreciation	3,903,777	2,200,289
– Owned assets	3,444,276	2,200,289
– Leased assets	459,501	—
Operating lease rental expense	14,750,470	12,511,741
– Vessels and equipment	14,312,983	12,248,757
– Terminals and berths	19,283	—
– Land and buildings	418,204	262,984
Rental outgoings in respect of an investment property	52,054	—
Amortisation of intangible assets	240,585	68,955
Amortisation of prepayments of lease premiums	59,756	45,175
Auditors' remuneration	51,573	42,731
– Audit	42,977	33,343
– Non-audit	8,596	9,388

Notes:

(a) The non-audit remuneration paid to the Group's auditor is inclusive of a one-off fee in respect of a non-recurring advisory project. Excluding this fee, the total fees paid to the Group's auditor for non-audit services were less than 50% of the amount paid for audit services.

33 Finance income and costs

	2018 RMB'000	2017 RMB'000
Finance income		
Interest income from:		
– deposits in CS Finance/COSCO Finance (note 25(b))	**99,048**	62,790
– deposits in CS Finance (note 20(c))	**9,626**	170
– loans to joint ventures and associates (note 14)	**34,848**	50,347
– banks	**427,529**	371,418
	571,051	484,725
Finance costs		
Interest expenses on:		
– bank loans	**(2,174,444)**	(1,140,257)
– other loans (note 25)	**(5,693)**	(3,762)
– loans from COSCO SHIPPING (Hong Kong) Ltd. (note 25)	**(119,893)**	—
– loans from non-controlling shareholders of subsidiaries (note 25 (d))	**(29,943)**	(30,989)
– loans from a joint venture	**(6,043)**	(6,446)
– loan from an associate	**(2,332)**	(122)
– loan from COSCO SHIPPING	**(44,066)**	(11,000)
– loan from COSCO	**(19,934)**	(20,554)
– loans from CS Finance/COSCO Finance (note 25)	**(112,303)**	(67,718)
– loans from CS Finance	**(3,220)**	(3,581)
– finance lease obligations	**(301,007)**	(10,899)
– notes/bonds (note 25(c))	**(786,154)**	(750,120)
	(3,605,032)	(2,045,448)
Amortisation of transaction costs on long-term borrowings	**(92,030)**	(61,709)
Amortisation of discount on issue of notes	**(1,279)**	(1,433)
Other incidental borrowing costs and charges	**(197,567)**	(171,941)
Less: amount capitalised in construction in progress (note 6(e))	**170,046**	168,996
Net related exchange loss	**(272,146)**	(35,833)
	(3,998,008)	(2,147,368)
Net finance costs	**(3,426,957)**	(1,662,643)

34 Income tax expenses

	2018 RMB'000	2017 RMB'000
Current income tax (note a)		
– PRC enterprise income tax	**404,481**	648,642
– Hong Kong profits tax	**6,784**	9,320
– Overseas taxation	**258,528**	187,388
Under/(over) provision in prior years	**11,242**	(2,498)
	681,035	842,852
Deferred income tax	**137,926**	29,499
	818,961	872,351

Notes:

(a) Current income tax

Taxation has been provided at the appropriate rates of taxation prevailing in the countries in which the Group operates. These rates range from 10% to 46% (2017: 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 15% (2017: 0% to 20%).

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits derived from or arising in Hong Kong for the year.

(b) The taxation on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	2018 RMB'000	2017 RMB'000
Profit before income tax	**3,649,367**	5,703,036
Less: Share of profits less losses of joint ventures and associates	**(2,077,527)**	(1,701,956)
	1,571,840	4,001,080
Calculated at a tax rate of 25% (2017: 25%)	**392,960**	1,000,270
Effect of different tax rates of domestic and overseas entities	**213,156**	(38,923)
Income not subject to income tax	**(1,538,415)**	(837,356)
Expenses not deductible for taxation purposes	**1,560,580**	205,366
Utilisation of previously unrecognised tax losses	**(147,018)**	(206,932)
Tax losses not recognised	**194,405**	304,701
Withholding income tax upon distribution of profits and payment of interest	**145,762**	439,898
Other temporary differences not recognised	**(13,894)**	7,825
Under/(over) provision in prior years	**11,242**	(2,498)
Effect on deferred tax assets/liabilities due to the change in tax rates	**183**	—
Income tax expense	**818,961**	872,351

34 Income tax expenses (Continued)

Notes: (Continued)

(c) Except for the income tax RMB124,102,000 (2017: RMB248,580,000) relating to the deferred tax provided on the fair value loss (2017: fair value gain) on financial assets at FVOCI, RMB2,644,000 (2017: RMB1,569,000) deferred tax asset to the cash flow hedges in 2018, there was no income tax relating to components of other comprehensive income for the year ended 31 December 2018 and 2017.

35 Loss attributable to equity holders of the Company

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB386,802,000 (2017: RMB500,913,000).

36 Dividend

The Directors did not recommend the payment of interim or final dividend for the year ended 31 December 2018 and the year ended 31 December 2017.

37 Earnings per share

(a) Basic

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

	2018	2017
Profit from continuing operations attributable to equity holders of the Company (RMB)	**1,083,059,000**	2,661,936,000
Profit from discontinued operation attributable to equity holders of the Company (RMB)	**146,967,000**	—
	1,230,026,000	2,661,936,000
Number of ordinary shares in issue	**10,216,274,357**	10,216,274,357
Basic and diluted earnings per share (RMB)		
From continuing operation	**0.11**	0.26
From discontinued operation	**0.01**	—
	0.12	0.26

(b) Diluted

The outstanding share options granted by a subsidiary of the Company did not have any significant dilutive effect on the earnings per share for the year ended 31 December 2018, and the diluted earnings per share is equal to the basic earnings per share for the year ended 31 December 2018 (2017: same).

38 Staff costs

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

	2018 RMB'000	2017 RMB'000
Wages, salaries and crew expenses (including bonus and share-based payments)	**6,161,471**	5,156,847
Housing benefits (note a)	**240,667**	229,747
Retirement benefits costs		
– defined benefit plans (note 27(a))	**30,237**	26,778
– defined contribution plans (note b)	**922,541**	842,402
Welfare and other expenses	**1,090,318**	1,729,630
	8,445,234	7,985,404

Notes:

(a) These include contributions to PRC government sponsored housing funds (at rates ranging from 7% to 30% of the employees' basic salaries) for full time employees in the PRC during the year.

(b) The employees of the subsidiaries in the PRC participate in various retirement contribution plans organised by the relevant municipal and provincial governments in the PRC under which the Group was required to make monthly contributions to these plans at rates ranging from 5% to 22%, depending on the applicable local regulations, of the employees' basic salaries for the year.

In addition, the Group participates in various defined contribution retirement schemes for its qualified employees in certain countries outside the PRC. Employees' and employers' contributions are calculated based on various percentages of employees' gross salaries or fixed sums and length of service. The assets of the schemes are held separately from those of the administered funds independently.

No forfeited contributions were available as at 31 December 2018 and 2017 to reduce future contributions.

Contributions totaling RMB527,122,000 (2017: RMB547,820,000) payable to various retirement benefit plans as at 31 December 2018 are included in trade and other payables.

39 Emoluments of directors, supervisors and senior management

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

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

	Year ended 31 December 2018				
Name	Fees RMB'000	Salaries and allowances RMB'000	Benefits in kind RMB'000	Retirement benefit contributions RMB'000	Total RMB'000
Xu Lirong	–	–	–	–	–
Wan Min	–	–	–	–	–
Huang Xiaowen	–	–	–	–	–
Wang Haimin	–	2,568	64	76	2,708
Xu Zunwu	–	556	17	13	586
Zhang Wei (張為)	–	5,781	–	–	5,781
Ma Jianhua	–	1,212	39	35	1,286
Feng Boming	–	–	–	–	–
Zhang Wei (張煒)	–	–	–	–	–
Chen Dong	–	–	–	–	–
Philip Yang	460	–	–	–	460
Wu Dawei	156	–	–	–	156
Zhou Zhonghui	160	–	–	–	160
TEO Siong Seng	453	–	–	–	453
Koo Chee Kong Kenneth	85	–	–	–	85
Fu Xiangyang	–	–	–	–	–
Hao Wenyi	–	–	–	–	–
Qian Weizhong	–	2,098	49	56	2,203
Fang Meng	–	5,280	–	–	5,280
Deng Huangjun	–	–	–	–	–
Meng Yan	–	286	–	–	286
Zhang Jianping	–	286	–	–	286
	1,314	18,067	169	180	19,730

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

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

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

	Year ended 31 December 2017				
Name	Fees	Salaries and allowances	Benefits in kind	Retirement benefit contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Wan Min	—	—	—	—	—
Huang Xiaowen	—	—	—	—	—
Xu Zunwu	—	1,865	65	67	1,997
Ma Jianhua	—	1,865	65	67	1,997
Wang Haimin	—	3,300	56	67	3,423
Zhang Wei (張為)	—	5,303	—	—	5,303
Feng Boming	—	—	—	—	—
Zhang Wei (張煒)	—	—	—	—	—
Chen Dong	—	—	—	—	—
Phillip Yang	482	—	—	—	482
TEO Siong Seng	283	—	—	—	283
Koo Chee Kong Kenneth	214	—	—	—	214
Zhou Zhonghui	104	—	—	—	104
Wu Dawei	99	—	—	—	99
Fan Hsu Lai Tai Rita	199	—	—	—	199
Kwong Che Keung Gordon	209	—	—	—	209
Peter Guy Bowie	192	—	—	—	192
Fu Xiangyang	—	—	—	—	—
Hao Wenyi	—	—	—	—	—
Qian Weizhong	—	3,300	56	62	3,418
Fang Meng	—	3,205	—	—	3,205
Meng Yan	—	302	—	—	302
Zhang Jianping	—	296	—	—	296
	1,782	19,436	242	263	21,723

Note:

(i) During the year, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No directors of the Company waived or agreed to waive any emoluments during the year.

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year are as follows:

	Number of individuals	
	2018	2017
Directors	**2**	2
Employees	**3**	3
	5	5

The details of emoluments paid to the five highest paid individuals, have included two (2017: two) directors of the Company as disclosed in note 39(a) above. Details of emoluments paid to the remaining three (2017: three) highest paid non-director individuals for the year ended 31 December 2018 are as follows:

	2018	2017
	RMB'000	RMB'000
– Salaries and allowances	**9,111**	5,603
– Discretionary bonuses	**2,211**	3,881
– Retirement benefit contributions	**30**	77
– Others	**–**	56
	11,352	9,617

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

	Number of individuals	
	2018	2017
HK$3,000,001 to HK$3,500,000 (equivalent to approximately RMB2,540,000 to RMB 2,960,000)	**1**	–
HK$3,500,001 to HK$4,000,000 (equivalent to approximately RMB2,960,000 to RMB 3,380,000)	**1**	2
HK$4,000,001 to HK$4,500,000 (equivalent to approximately RMB3,380,000 to RMB 3,810,000)	**–**	1
HK$6,000,001 to HK$6,500,000 (equivalent to approximately RMB5,070,000 to RMB 5,500,000)	**1**	–
	3	3

40 Notes to the consolidated cash flow statement

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

	2018 RMB'000	2017 RMB'000
Profit before income tax		
– Continuing operation	**3,649,367**	5,703,036
– Discontinued operation	**195,955**	—
Depreciation		
– property, plant and equipment	**3,894,833**	2,200,289
– investment properties	**8,944**	9,237
Amortisation		
– intangible assets	**240,585**	68,955
– leasehold land and land use rights	**59,756**	45,175
– concession	**—**	10,886
Amortised amount of transaction costs on long–term borrowings and discount on issue of notes/bonds	**93,309**	63,142
Dividend income from listed and unlisted investments	**(26,999)**	(13,029)
Share of profits less losses of		
– joint ventures	**(697,250)**	(641,548)
– associates	**(1,380,277)**	(1,060,408)
Interest expenses	**3,434,986**	1,876,452
Interest income	**(571,051)**	(484,725)
Net (gain)/loss on disposal of property, plant and equipment	**(117,067)**	88,889
Fair value loss from financial assets at FVPL, net	**40,062**	—
Net loss on derivative financial instruments	**33,968**	—
Impairment loss on investments at amortised cost	**13,583**	—
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)
Interest income from financial assets	**(81,225)**	—
Gain on disposal of a joint venture	**—**	(1,886,333)
Gain on disposal of an associate	**(20,157)**	(203)
Gain on disposal of subsidiaries	**(25,066)**	—
Gain on remeasurement of equity investments	**—**	(49,751)
Gain on disposal of financial assets at amortised cost	**(828)**	—
Other incidental borrowing costs and charges	**197,567**	171,941
Net exchange (gain)/loss	**(208,410)**	90,950
Operating profit before working capital changes	**8,734,585**	5,928,856
Increase in inventories	**(1,003,519)**	(750,866)
Decrease in trade and other receivables and contract assets	**308,708**	1,598,796
Increase in trade and other payables and contract liabilities	**281,709**	547,414
(Decrease)/increase in provisions and other liabilities and pension and retirement liabilities	**(31,070)**	19,718
(Increase)/decrease in restricted bank deposits	**(16,319)**	37,129
Cash generated from operations	**8,274,094**	7,381,047

40 Notes to the consolidated cash flow statement (Continued)

(b) Major non-cash transactions

	2018 RMB'000	2017 RMB'000
Acquisition of an associate by transferring 20% equity interest in a joint venture as consideration (note 31)	–	3,198,651
Acquisition of an associate by contribution of 40% equity interest in a joint venture and 20% equity interest in an associate to the associate (note 12(b) and note 13(a))	–	795,155

(c) The reconciliation of liabilities arising from financing activities is as follows:

	Borrowings RMB'000	Notes/bonds RMB'000	Loans from non-controlling shareholders of subsidiaries RMB'000	Due to a related company RMB'000	Loans from a fellow subsidiary RMB'000	Loans from an associate and a joint venture RMB'000	Finance lease obligations RMB'000	Total RMB'000
Balance as at 1 Januray 2017	39,322,541	17,852,399	2,212	760,001	199,823	278,501	–	58,415,477
Changes from financing cash flows								
Loans draw down	21,555,245	–	–	–	–	–	7,129	21,562,374
Loans repaid	(17,129,278)	–	–	–	(72,701)	–	(446)	(17,202,425)
Loans from non-controlling shareholders of subsidiaries	–	–	347,977	–	–	–	–	347,977
Repayment of loans from a non-controlling shareholders of a subsidiary	–	–	–	(400,001)	–	–	–	(400,001)
Loan from an associate	–	–	–	–	–	100,000	–	100,000
Acquisition of subsidiaries	2,917,907	–	–	–	–	–	–	2,917,907
Foreign exchange difference	(1,157,332)	(518,986)	(3,776)	3	5,479	(1)	(155)	(1,674,768)
Other non-cash movements	20,873	40,836	–	–	–	–	–	61,709
Balance as at 31 December 2017 and 1 January 2018	45,529,956	17,374,249	346,413	360,003	132,601	378,500	6,528	64,128,250
Changes from financing cash flows								
Loans draw down	69,622,479	4,000,000	–	–	–	–	–	73,622,479
Loans repaid	(27,672,432)	(4,000,000)	–	–	–	–	–	(31,672,432)
Loans from non-controlling shareholders of subsidiaries	–	–	–	289,635	–	–	–	289,635
Repayment of loans from a non-controlling shareholder of a subsidiary	–	–	(351,263)	(27,321)	–	–	–	(378,584)
Repayment of loans from a fellow subsidiary	–	–	–	–	(89,260)	–	–	(89,260)
Repayment of loans from a joint venture	–	–	–	–	–	(282,418)	–	(282,418)
Loan from a joint venture	–	–	–	–	–	217,230	–	217,230
Cash inflow from finance lease	–	–	–	–	–	–	942,952	942,952
Repayment of finance lease	–	–	–	–	–	–	(805,844)	(805,844)
Acquisition of subsidiaries (note 42)	12,060,180	–	–	–	–	–	15,920,102	27,980,282
Foreign exchange difference	2,990,302	424,719	9,565	(22,323)	17,536	11,688	633,949	4,065,436
Other non-cash movements	27,618	29,887	–	–	–	–	45,403	102,908
Balance as at 31 December 2018	102,558,103	17,828,855	4,715	599,994	60,877	325,000	16,743,090	138,120,634

41 Discontinued operation

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

(a) Discontinued operation

		For the period from 13 July 2018 (date of acquisition) to 31 December 2018 RMB'000
(i)	**Results**	
	Revenues	992,965
	Cost of services and inventories sold	(691,296)
	Gross profit	301,669
	Selling, administrative and general expenses	(95,803)
	Other income, net	614
	Operating profit	206,480
	Finance income	2,374
	Finance costs	(12,899)
	Profit before income tax	195,955
	Income tax expense	–
	Profit for the period	195,955
	Other comprehensive income	55,648
	Cash flows	
	Operating cash flows	61,511
	Investing cash flows	(3,346)
	Financing cash flows	(53,642)
	Total cash flows	4,523

Revenue and cost of services and inventories sold above are stated before intra-group revenue and cost of services and inventories sold of RMB589,939,000 and RMB589,939,000, which have been eliminated in the consolidated income statement.

41 Discontinued operation (Continued)

(b) Assets classified as held for sale

	2018 RMB'000
Assets	
Non-current assets	
Goodwill	401,387
Property, plant and equipment	2,598,222
intangible assets	944,644
	3,944,253
Current assets	
Inventories	36,787
Trade and other receivables and contract assets	291,642
Cash and bank balances	368,780
	697,209
Total assets (before intra-group elimination)	4,641,462
Less: Intra-group elimination	(49,535)
Total assets	4,591,927

(c) Liabilities directly associated with assets classified as held for sale

	2018 RMB'000
Liabilities	
Non-current liabilities	
Long-term borrowings	630,193
Deferred income tax liabilities	277,802
Other non-current liabilities	72,153
	980,148
Current liabilities	
Trade and other payables and contract liabilities	619,457
Short-term borrowings	108,288
	727,745
Total liabilities (before intra-group elimination)	1,707,893
Less: Intra-group elimination	(463,460)
Total liabilities	1,244,433

41 Discontinued operation (Continued)

(d) Operating lease commitments

OOIL entered into the Preferential Assignment Agreement (the "Agreement") with the City of Long Beach ("COLB") for the use of the Middle Harbor Terminal (the "Terminal") in Long Beach, California USA on 30th April 2012. The term of the Agreement is 40 years commencing on 1st July 2011, OOIL signed several Amendments to Preferential Assignment Agreement (the "Amendment") with COLB, which has amended certain terms within Agreement and has altered the expected guaranteed minimum annual compensation to be made for the relevant period of the lease term.

The guaranteed minimum annual compensation is computed based on the guaranteed minimum annual compensation per acreage (ranging from RMB1,235,000 (US$180,000) to RMB1,853,000 (US$270,000) in the first 5 years of the lease) multiplied by the number of acreages of the Terminal delivered, which is subject to mutual agreement between OOIL and COLB along the Terminal construction and based on the milestones set out in the Agreement. As of 31 December 2018, the acreages of the Terminal used to determine the rental is 193.0 acreages. OOIL and COLB renegotiate the guaranteed minimum annual compensation per acre every 5 years which will not be less than the highest guaranteed minimum annual compensation in the previous 5 years.

(e) Capital commitments – Property, plant and equipment

	2018 RMB'000
Contracted but not provided for	43,664

42 Acquisition of subsidiaries

On 9 July 2017, Faulkner Global, together with Shanghai Port (together with Faulkner Global as "Joint Offerors") announced that the Joint Offerors intend to make a voluntary general offer to acquire all of the issued shares of OOIL (the "Offer"), subject to the satisfaction or waiver of the pre-conditions as described in the announcement made. 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 and all pre-conditions had been met. With the acceptance of the Offer by the existing Controlling Shareholder, the Company obtained control and became the controlling shareholder of OOIL and hold 75% interest in OOIL.

Details of net assets acquired are as follows:

	RMB'000
Purchase consideration	31,130,091
Fair value of net assets acquired shown as below	(26,050,180)
Total goodwill	5,079,911
Allocated to assets held for sale	(386,965)
Goodwill attributable to continuing operation	4,692,946

42 Acquisition of subsidiaries (Continued)

The assets and liabilities acquired as at the date of acquisition were as follows:

	Fair value RMB'000
Property, plant and equipment	38,720,091
Investment properties	2,041,751
Leasehold land and land use rights	216,780
Intangible assets	3,249,124
Joint ventures	145,187
Associates	925,704
Financial assets at FVOCI	158,904
Deferred income tax assets	52,202
Restricted bank deposits	395,990
Other non current assets	1,123,294
Financial assets at amortised cost	1,413,233
Pension and retirement assets	51,960
Inventories	768,569
Trade and other receivables and contract assets	4,199,960
Taxes recoverable	61,263
Financial assets at FVPL	2,558,640
Restricted bank deposits	21,034
Cash and bank balances	10,096,102
Financial assets at amortised cost	43,028
Assets classified as held for sale	3,957,640
Long-term borrowings	(24,046,840)
Deferred income tax liabilities	(750,423)
Pension and retirement liabilities	(258)
Trade and other payables and contract liabilities	(5,381,840)
Current portion of long-term borrowings	(3,933,442)
Taxes payable	(45,674)
Liabilities directly associated with assets classified as held for sale	(1,308,406)
Total identifiable net assets acquired	34,733,573
Less: non-controlling interests	(8,683,393)
	26,050,180
Purchase consideration settled in cash	31,130,091
Cash and bank balances	(10,096,102)
Net cash inflow on acquisition	21,033,989

42 Acquisition of subsidiaries (Continued)

Notes:

(i) The goodwill is attributable to the anticipated profitability of the acquired business. It will not be deductible for tax purposes.

(ii) Non-controlling interests

The Group recognises the non-controlling interests in OOIL at its proportionate share of the acquired net identifiable assets. See note 2(c) for the Group's accounting policies for business combinations.

(iii) Revenue and profit contribution

The acquired container shipping operation contributed approximately RMB23,660,004,000 revenues and contributed a net profit of approximately RMB614,834,000 for the year ended 31 December 2018 since the date of acquisition. If the acquisition had occurred on 1 January 2018, the Group's consolidated revenue and profit for the year ended 31 December 2018 would have been increased by approximately RMB43,551,069,000 and approximately RMB499,926,000 respectively.

(iv) Acquisition-related costs

Acquisition-related costs of RMB16,374,000 that were not directly attributable to the acquisition are included in administrative expenses in the consolidated income statement and in operating cash flows in the consolidated cash flow statement.

43 Contingent liabilities and financial guarantee

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

As at 31 December 2018, the Group is unable to ascertain the likelihood and amounts of the above mentioned claims. However, based on advice of legal counsel and/or information available to the Group, the Directors are of the opinion that the related claims amounts should not be material to the Group's consolidated financial statements for the year ended 31 December 2018.

(b) Guarantee

	2018	2017
	RMB'000	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. 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 31 December 2018, the Company provided guarantees for credit facilities and notes granted to its subsidiaries of RMB44,975,697,000 (2017: RMB11,104,174,000).

44 Commitments

(a) Capital commitments

	2018 RMB'000	2017 RMB'000
Contracted but not provided for		
Containers	**886,476**	5,120
Container vessels	**6,506,863**	18,720,565
Terminal equipment	**2,712,750**	3,766,153
Other property, plant and equipment	**667,158**	4,104
Investments in terminals and other companies	**2,648,224**	2,893,972
Intangible assets	**7,732**	41,223
	13,429,203	25,431,137

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

	2018 RMB'000	2017 RMB'000
Contracted but not provided for	**90,224**	40,211

44 Commitments (Continued)

(b) Operating lease commitments – where the Group is the lessee

As at 31 December 2018, the Group had future aggregate minimum payments under non–cancellable operating leases/time charter arrangements as follows:

	2018 RMB'000	2017 RMB'000
Container vessels		
– not later than one year	**10,489,885**	10,533,182
– later than one year and no later than five years	**19,585,503**	22,256,083
– later than five years	**7,754,129**	12,358,601
	37,829,517	45,147,866
Port concession rights (note 19)		
– not later than one year	**76,842**	490,707
– later than one year and no later than five years	**416,841**	2,369,434
– later than five years	**4,313,362**	26,246,674
	4,807,045	29,106,815
Containers		
– not later than one year	**1,193,330**	1,435,305
– later than one year and no later than five years	**2,387,744**	3,080,456
– later than five years	**79,117**	289,992
	3,660,191	4,805,753
Leasehold land, buildings and other property, plant and equipment		
– not later than one year	**687,698**	333,051
– later than one year and no later than five years	**1,330,143**	733,451
– later than five years	**2,998,718**	3,279,365
	5,016,559	4,345,867
	51,313,312	83,406,301

44 Commitments (Continued)

(c) Operating lease arrangements – where the Group is the lessor

As at 31 December 2018, the Group had future minimum lease receipts under non-cancellable operating leases as follows:

	2018 RMB'000	2017 RMB'000
Buildings, leasehold land, land use rights and Investment properties		
– not later than one year	179,162	30,571
– later than one year and no later than five years	577,262	42,269
– later than five years	366,228	23,499
	1,122,652	96,339
Vessels and equipment		
– not later than one year	11,460	1,097
– later than one year and no later than five years	43,600	1,260
– later than five years	153,000	—
	208,060	2,357
	1,330,712	98,696

45 Significant related party transactions

The Company is controlled by COSCO SHIPPING, the parent company and a state-owned enterprise established in the PRC.

COSCO SHIPPING itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC. Government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include COSCO SHIPPING Group, other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and COSCO SHIPPING as well as their close family members.

For the purpose of the related party transaction disclosures, the Directors believe that it is meaningful to disclose the related party transactions with COSCO SHIPPING Group companies for the interests of financial statements users, although certain of those transactions which are individually or collectively not significant, are exempted from disclosure. The Directors believe that the information of related party transactions has been adequately disclosed in the consolidated financial statements.

In addition to the related party information and transactions disclosed elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties during the year.

45 Significant related party transactions (Continued)

	2018 RMB'000	2017 RMB'000
Continuing operation		
Transactions with COSCO		
Expenses		
Sub-charter expenses	–	24,639
Transactions with fellow subsidiaries and the related entities of COSCO SHIPPING (including joint ventures and associates)		
Revenues		
Container shipping income	934,553	597,999
Freight forwarding income	308,142	37,619
Vessel services income	34,884	25,347
Crew service income	29,262	91,754
Expenses		
Vessel costs		
Sub-charter expenses	177,014	103,864
Vessel leasing expenses	4,008,694	5,128,959
Vessel services expenses	2,289,519	1,190,336
Crew expenses	630,471	3,722
Voyage costs		
Bunker costs	14,062,662	9,361,734
Port charges	2,035,701	1,888,450
Equipment and cargo transportation costs		
Commission and rebates	121,022	44,789
Cargo and transhipment and equipment and repositioning expenses	152,014	113,626
Freight forwarding expenses	102,915	63,332
General service expenses	150,874	84,277
Rental expenses	208,521	194,756
Container leasing expenses	2,016,502	1,529,520
Others		
Concession fee	358,634	259,083
Purchase of container vessels under construction	–	1,429,801
Purchase of containers	3,122,796	1,803,564
Installment of vessel under construction	2,960,210	850,266

45 Significant related party transactions (Continued)

	2018 RMB'000	2017 RMB'000
Continuing operation		
Transactions with joint ventures of the Group		
Revenues		
Management fee and service fee income	**19,369**	19,536
Crew service income	**23**	17,122
Expenses		
Port charges	**1,297,606**	1,476,406
Rental expenses	**4,268**	4,059
Transactions with associates of the Group		
Expenses		
Port charges	**1,071,095**	703,516
Transactions with non-controlling shareholders of subsidiaries		
Revenues		
Terminal handling and storage income	**689,747**	377,286
Expenses		
Container handling and logistics services fee	**68,732**	85,031
Electricity and fuel expenses	**52,223**	50,521
Port construction fee and high-frequency communication fee	**—**	621
Transactions with other related party		
Revenues		
Shipping service income	**97,860**	61,242
Expenses		
Vessel leasing expenses	**108,607**	23,936

Note:

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

As at 31 December 2018 and 31 December 2017, majority of the Group's bank balances and bank borrowings are with state-owned banks.

46 Particulars of principal subsidiaries, joint ventures and associates

At 31 December 2018, the Group had the following principal subsidiaries, joint ventures and associates which, in the opinion of the Directors, materially affect the results and/or assets of the Group.

(a) Subsidiaries

As at 31 December 2018, the Group had direct and indirect interests in the following principal subsidiaries:

Name	Place of incorporation/ establishment and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2018
Capital held directly				
COSCO SHIPPING Lines Limited	PRC/Worldwide	Container transportation	RMB17,328,273,082	100.00%
China COSCO (Hong Kong) Company Limited	Hong Kong	Investment holding	RMB64,100	100.00%
COSCO SHIPPING Holdings (Hong Kong) Co., Ltd	Hong Kong	Investment holding	US$10,000	100.00%
Capital held indirectly				
Shanghai Pan Asia Shipping Company Limited	PRC	Container transportation	RMB1,504,188,680	63.29%
Shanghai COSCO Information & Technology Co., Ltd	PRC	Design and manufacture computer software, providing technology service and solution	RMB2,069,685	60.00%
Tianjin Binhai COSCO Container Logistics Co., Ltd	PRC	Container stack, cargo storage and cargo transportation	RMB190,000,000	56.10%
Shanghai Coscon logistics Co., Ltd	PRC	Container stack, cargo storage and cargo transportation	RMB403,000,000	100.00%
COSCO SHIPPING Container Lines Agencies Limited	Hong Kong	Shipping agency	RMB1,063,700	100.00%
COSCO International Freight Co., Ltd.	PRC	Freight forwarding and transportation	RMB377,170,094	100.00%
COSCO SHIPPING Lines (Shanghai) Co., Ltd.	PRC	Freight forwarding and transportation	RMB114,003,453	100.00%
COSCO SHIPPING Lines (Ningbo) Co., Ltd.	PRC	Freight forwarding and transportation	RMB5,000,000	100.00%
COSCO SHIPPING Lines (Qingdao) Co., Ltd.	PRC	Freight forwarding and transportation	RMB24,295,332	100.00%
COSCO SHIPPING Lines (Tianjin) Co., Ltd.	PRC	Freight forwarding and transportation	RMB62,825,653	100.00%
COSCO SHIPPING Lines (Wuhan) Co., Ltd.	PRC	Freight forwarding and transportation	RMB44,681,134	51.00%
COSCO Wuhan Logistics Co., Ltd	PRC	Logistics	RMB109,400,000	49.00%
COSCO SHIPPING Lines (Dalian) Co., Ltd.	PRC	Freight forwarding and transportation	RMB20,000,000	100.00%
COSCO SHIPPING Lines (Xiamen) Co., Ltd.	PRC	Freight forwarding and transportation	RMB15,000,000	100.00%
COSCO Container Shipping Agency Co., Ltd.	PRC	Shipping agency	RMB84,717,009	100.00%
COSCO Xiamen Container Shipping Agency Co.	PRC	Shipping agency	RMB10,000,000	100.00%
COSCO Shanghai Container Shipping Agency Co.	PRC	Shipping agency	RMB10,000,000	100.00%
COSCO SHIPPING Lines (Southern China) Co., Ltd.	PRC	Freight forwarding and transportation	RMB50,000,000	100.00%
COSCO SHIPPING Lines (Hainan) Co., Ltd.	PRC	Freight forwarding and transportation	RMB5,500,000	100.00%

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

(a) Subsidiaries (Continued)

Name	Place of incorporation/ establishment and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2018
Capital held indirectly (Continued)				
COSCO SHIPPING Lines (Korea) Co., Ltd.	South Korea	Freight forwarding and shipping agency	RMB1,989,543	100.00%
COSCO SHIPPING Lines Americas, Inc.	United States of America	Shipping agency	RMB23,965,890	100.00%
COSCO SHIPPING Lines (Europe) Co., Ltd.	German/Europe	Shipping agency	RMB16,548,150	100.00%
COSCO (Hong Kong) Shipping Co., Ltd.	Hong Kong	Freight forwarding and shipping agency	RMB1,066,100	100.00%
COSCO SHIPPING (Oceania) Pty Ltd	Australia	Shipping agency, freight forwarding and other international sea transport services	RMB384,830	100.00%
COHEUNG SHIPPING Co., Ltd.	Hong Kong	Container transportation	RMB24,627,018	100.00%
COSCO (CAYMAN) Mercury Co., Ltd.	Cayman Islands/Hong Kong	Vessel chartering	RMB413,825	100.00%
COSCO SHIPPING Lines (Japan)	Japan	Marine services	RMB3,224,240	100.00%
New Golden Sea Shipping Pte. Co., Ltd.	Singapore	Freight forwarding	RMB119,182,788	100.00%
Shanghai COSCON Document Services Co.,Ltd.	PRC	Document services	RMB1,000,000	100.00%
COSCO SHIPPING Lines (Brazil)	Brazil	Freight forwarding and shipping agency	RMB2,208,692	100.00%
COSCO SHIPPING LINES (PANAMA) INC.	Panama	Freight forwarding and shipping agency	RMB83,174	100.00%
Shanghai Ocean Shipping Co., Ltd.	PRC	Vessel management and manning service	RMB482,843,450	100.00%
Golden Sea Shipping Pte. Co., Ltd.	Singapore	Shipping Lines	RMB66,824,874	100.00%
China Shipping Container Lines Hainan Co., Ltd.	PRC	Freight forwarding and shipping agency	RMB10,000,000	100.00%
Yangpu Cosco Shipping Refrigeration Storage & Transportation Co., Ltd.	PRC	Transportation, storage and other services	RMB6,000,000	100.00%
COSCO SHIPPING Lines (South Africa) Co., Ltd.	South Africa	Cargo and liner agency	RMB226	100.00%
COSCO SHIPPING lines West Asia FZE	United Arab Emirates	Cargo and liner agency	RMB5,667,006	100.00%
COSCO SHIPPING Ports Limited	Bermuda	Investment holding	US$39,254,000	47.61%
COSCO Investment Limited	British Virgin Islands/ Hong Kong	Investment holding	1 ordinary share of US$1	100.00%
COSCO Assets Management Limited	Hong Kong	Vessel owning	10,000 shares of US$1 each	100.00%
Faulkner Global Holdings Limited	British Virgin Islands/ Hong Kong	Investment holding	US$10,000	100.00%
Qingdao Xinsanly Reefer Container Technology Co., Ltd.	PRC	Reefer container technology	RMB8,000,000	51.00%
Orient Overseas (International) Limited	Bermuda	Investment holding	US$62,579,000	75.00%
COSCO SHIPPING (CENTRAL AMERICA) INC.	Panama	Cargo and liner agency	US$10,000	100.00%

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

(b) Joint ventures

As at 31 December 2018, the Company had indirect interests in the following principal joint ventures:

Name	Place of incorporation/ establishmen and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2018
Yingkou Container Terminals Co. Ltd.	PRC	Operation of container terminal	RMB8,000,000	23.81%
COSCO-PSA Terminal Private Limited	Singapore	Operation of container terminal	SGD65,900,000	23.33%
Ningbo Yuan Dong Terminals Ltd.	PRC	Operation of container terminal	RMB2,500,000,000	9.52%
Tianjin Port Euroasia International Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB1,260,000,000	14.28%
COSCO-HIT Terminals (Hong Kong) Limited	Hong Kong	Operation of container terminal	HK$20 divided into 2 "A" ordinary shares, HK$20 divided into 2 "B" ordinary shares, and HK$40 divided into 4 non-voting 5% deferred shares	23.81%
Shanghai Pudong International Container Terminals Limited	PRC	Operation of container terminal	RMB1,900,000,000	14.28%
Piraeus Consolidation & Distribution Centre S.A.	Greece	Storage, consolidation and distribution	EURO1,000,000	23.81%
Xiamen Haicang Free Trade Port Zone Container Inspection Co., Ltd.	PRC	Container stevedoring, storage, nspection and auxiliary services	RMB10,000,000	10.66%
Qingdao Port Dongjiakou Ore Terminals Co., Ltd	PRC	Operation of container terminal	RMB1,400,000,000	11.90%
Asia Container Terminals Holdings Limited	Cayman Islands	Investment Holding	HK$1 divided into 1,000 ordinary shares	9.52%
COSCO-HPHT ACT Limited	British Virgin Islands	Investment Holding	1,000 ordinary shares of US $ 1 each	23.81%
Euro-Asia Oceangate S.a.r.l	Luxembourg	Investment Holding	US$30,000	19.04%
Dalian Dagang China Shipping Container Co., Ltd.	PRC	Operation of container terminal	RMB7,500,000	16.66%
Yingkou New Century Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB40,000,000	19.04%

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

(b) Joint ventures (Continued)

Name	Place of incorporation/ establishmen and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2018
Lianyungang Port Railway International Container Multimodal Transport Co., Ltd.	PRC	Logistics	RMB3,400,000	14.28%
Nansha Stevedoring Corporation Limited of Port of Guangzhou	PRC	Operation of container terminal	RMB1,260,000,000	19.04%
Guangxi Qin Zhou International Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB500,000,000	19.04%
Conte-Rail,S.A.	Spain	Operation of rail terminal	45,000 ordinary shares of EURO34.3 each	12.14%
OOCL (Egypt) Shipping Agency S.A.E.	Egypt	Liner agency	7,500 ordinary shares EGP750,000	36.75%
OOCL (UAE) LLC	Dubai	Liner agency	300 ordinary shares AED300,000	36.75%
Tang Cang – OOCL Logistics Company Limited	Vietnam	Container depot	Legal capital US$308,000	37.50%
Qingdao Orient International Container Storage & Transportation Co. Ltd.	China	Container depot	Registered capital RMB69,900,000	41.25%

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

(c) Associates

As at 31 December 2018, the Company had indirect equity interests in the following principal associates:

Name	Place of incorporation/ establishmen and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2018
China Shipping Finance Co., Ltd	PRC	Banking and related financial services	RMB2,800,000,000	11.04%
KTZE-Khorgos Gateway Limited Liability Partnership	Hong Kong	Railway transportation	KZT36,380,315,947	24.50%
Dalian Automobile Terminal Co., Ltd	PRC	Construction and operation of automobile terminals	RMB320,000,000	11.43%
Antwerp Gateway NV	Belgium	Operation of container terminal	EURO17,900,000	9.52%
Dawning Company Limited	British Virgin Islands	Investment Holding	200 "A" shares of US$1 each and 800 "B" shares of US $1 each	9.52%
Suez Canal Container Terminal S.A.E.	Egypt	Operation of container terminal	1,856,250 ordinary shares of US$100 each	9.52%
Wattrus Limited	British Virgin Islands/PRC	Investment holding	32 "A" shares of US$1 each and 593 "B" shares of US$1 each	2.44%
Sigma Enterprises Ltd.	British Virgin Islands/PRC	Investment holding	2,005 "A" shares of US$1 each and 8,424 "B "shares of US$1 each	7.85%
Taicang International Container Terminal Co., Ltd.	PRC	Operation of automobile terminals	RMB450,800,000	18.59%
Tianjin Five Continents International Container Terminal Co., Ltd.	PRC	Operation of container terminals	RMB1,145,000,000	13.33%
Kao Ming Container Terminal Corp.	Taiwan	Operation of container terminals	TWD6,800,000,000	9.52%
COSCO Shipping Terminals (USA) LLC	United States	Investment holding	US$200,000	19.04%
Jiangsu Yantze Petrochemical Co., Ltd.	PRC	Operation of bulk liquid storage	RMB219,635,926	14.47%
Qinhuangdao Port New Habour Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB400,000,000	14.28%
Shanghai Mingdong Container Terminals Limited	PRC	Operation of container terminal	RMB4,000,000,000	9.52%

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

(c) Associates (Continued)

Name	Place of incorporation/ establishmen and operations	Principal activities	Issued/registered and fully paid up capital	Attributable equity interest to the equity holders of the Company 2018
Ningbo Meishan Bonded Port New Habour Terminal Operating Co., Ltd	PRC	Operation of container terminal	RMB200,000,000	9.52%
Nanjing port Longtan Container Co., Ltd.	PRC	Operation of container terminal	RMB1,544,961,839	7.68%
Euromax Terminal Rotterdam B.V	Netherlands	Operation of container terminal	65,000 "A" shares of EURO1 each and 35,000 "B" shares of EURO1 each	16.66%
Damietta International Port Company S.A.E	Egypt	Operation of container terminal	20,000,000 ordinary shares of US$10 each	9.52%
Dalian container terminal Co.,Ltd	PRC	Operation of container terminal	RMB3,480,000,000	9.05%
Qingdao Port International Co.,Ltd	PRC	Operation of container terminal	RMB6,036,724,000	8.77%
Qingdao Qianwan Intelligent Container Terminal Co., Ltd.	PRC	Operation of container terminal	RMB642,000,000	9.52%
Servicios Intermodales Bilbaoport,S.L.	Spain	Container storage and transportation	860,323 ordinary shares of EURO0.57 each	2.63%
APM Terminals Vado Holdings B.V.	Netherlands	Investment holding	10 ordinary shares of EURO100 each	19.04%
Ningbo Yuan Dong Terminal Ltd.	China	Terminal operating	Registered capital RMB2,500,000,000	15.00%
Tianjin Port Alliance International Container Terminal Co. Ltd.	China	Terminal operating	Registered capital US$160,000,000	15.00%

Notes:

(i) The English names of certain subsidiaries, joint ventures and associates referred to in the consolidated financial statements represent management's best efforts at translating the Chinese names of these companies as no English names have been registered.

(ii) Although the Group held less than 50% or 20% effective equity interests in some subsidiaries and associates as disclosed above, respectively, the Group owns indirectly, through its non-wholly owned subsidiaries, more than 50% of the voting power of those subsidiaries and more than or equal to 20% of the voting power of those associates.

(iii) Although the Group's equity interests in some joint ventures as disclosed above are more than 50%, the Group does not have unilateral control over these joint ventures.

47 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	Note	As at 31 December 2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**701**	648
Intangible assets		**2,889**	4,078
Subsidiaries		**32,055,920**	31,671,200
Loans to subsidiaries		**4,996,509**	4,981,420
Total non-current assets		**37,056,019**	36,657,346
Current assets			
Trade and other receivables		**77,987**	76,636
Cash and bank balances		**275,698**	1,124,629
Total current assets		**353,685**	1,201,265
Total assets		**37,409,704**	37,858,611
EQUITY			
Share capital		**10,216,274**	10,216,274
Reserves	Note (a)	**15,708,684**	16,095,486
Total equity		**25,924,958**	26,311,760
LIABILITIES			
Non-current liabilities			
Long-term borrowings		**8,964,940**	4,959,763
Current liabilities			
Trade and other payables		**296,609**	374,784
Short-term borrowings		**1,751,230**	1,751,230
Current portion of long-term borrowings		**–**	3,989,000
Taxes payable		**471,967**	472,074
Total current liabilities		**2,519,806**	6,587,088
Total liabilities		**11,484,746**	11,546,851
Total equity and liabilities		**37,409,704**	37,858,611

The balance sheet of the Company was approved by the Board of Directors on 29 March 2019 and was signed on its behalf.

Mr. Zhang Wei
Director

Mr. Wang Haimin
Director

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

Note:

(a) Reserve movement of the Company

	Capital reserve RMB'000	Statutory reserve fund RMB'000	Retained profit/ (accumulated losses) RMB'000	Exchange reserve RMB'000	Total RMB'000
As at 1 January 2017	39,134,574	913,032	(20,108,415)	(3,342,792)	16,596,399
Loss for the year	–	–	(500,913)	–	(500,913)
As at 31 December 2017	39,134,574	913,032	(20,609,328)	(3,342,792)	16,095,486
As at 1 January 2018	**39,134,574**	**913,032**	**(20,609,328)**	**(3,342,792)**	**16,095,486**
Loss for the year	**–**	**–**	**(386,802)**	**–**	**(386,802)**
As at 31 December 2018	**39,134,574**	**913,032**	**(20,996,130)**	**(3,342,792)**	**15,708,684**

48 Events after the balance sheet date

On 21 January 2019, QPI completed its A share offering and listed on the Shanghai Stock Exchange. As a result, COSCO SHIPPING Ports's 18.41% equity interests in QPI was diluted to 17.12%. As the share of contribution from the A share offer is less than the cost of deemed disposal, COSCO SHIPPING Ports recognised a loss of approximately US$23million (equivalent to approximately RMB151 million) on deemed disposal of partial interest in QPI.

On 23 January 2019, COSCO SHIPPING Ports, COSCO SHIPPING Ports (Chancay) Limited ("CSP (Chancay)", a wholly-owned subsidiary of COSCO SHIPPING Ports), Volcan Compañía Minera S.A.A. ("Volcan") and Terminales Portuarios Chancay S.A. ("TPCH") entered into a subscription and investment agreement pursuant to which TPCH has conditionally agreed to issue, and CSP (Chancay) has conditionally agreed to subscribe for, shares representing 60% of the shares of TPCH at a subscription price of US$225 million (equivalent to approximately RMB1.5 billion), and TPCH will become a subsidiary of COSCO SHIPPING Ports. As at the date of this report, the subscription was not completed.

The Company issued ordinary shares of A-shares in the form of non-public offering to specific investors, with an issue quantity of 2,043,254,870 shares, an issue price of RMB3.78 per share, and A share total raised capital of RMB7,723,503,000. As of 22 January 2019, all raised funds have been received and approved by the capital verification.

Five Year Financial Summary

For the year ended 31 December 2018

	2018	2017	2016	2015 (Restated)	2014
Revenue	**120,342,284**	90,399,078	69,833,164	55,148,297	66,901,438
Profit/(Loss) before tax	**3,649,367**	5,703,036	(5,456,070)	1,742,096	507,287
Income tax	**(818,961)**	(872,351)	(506,439)	(530,884)	1,043,534
Profit/(Loss) from continuing operation for the year	**2,830,406**	4,830,685	(5,962,509)	1,211,212	1,550,821
Profit/(Loss) from discontinued operation for the year	**195,955**	—	(3,138,723)	997,392	—
Profit/(Loss) for the year	**3,026,361**	4,830,685	(9,101,232)	2,208,604	1,550,821
Profit/(Loss) attributable to:	**3,026,361**	4,830,685	(9,101,232)	2,208,604	1,550,821
– Equity holders of the Company	**1,230,026**	2,661,936	(9,906,003)	469,302	362,529
– Non-controlling interests	**1,796,335**	2,168,749	804,771	1,739,302	1,188,292
Total asset	**228,143,805**	133,190,005	119,652,733	160,493,498	148,788,454
Total liabilities	**(171,790,916)**	(89,479,425)	(82,103,864)	(107,322,423)	(105,830,496)
Total equity	**56,352,889**	43,710,580	37,548,869	53,171,075	42,957,958

Notes:

(a) The financial figures for the year 2018 and 2017 were extracted from the Consolidated Financial Statements.

(b) The financial figures for the year 2014 to 2016 were extracted from the 2017 annual report. No retrospective adjustments for the common control combinations in 2016 were made on the financial figures for the year 2014.

COSCO SHIPPING Holdings Co., Ltd.

8F, No.658 Dongdaming Road, Hongkou District, Shanghai
the People’s Republic of China
http://www.chinacosco.com