中遠海運控股股份有限公司

COSCO SHIPPING Holdings Co., Ltd.

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

(Stock Code: 1919)

INTERIM REPORT 2019

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Company Profile

I. The Company's Information

Chinese name	中遠海運控股股份有限公司
Abbreviation of Chinese name	中遠海控
English name	COSCO SHIPPING Holdings Co., Ltd. (the "**Company**" or "**COSCO SHIPPING Holdings**")
Abbreviation of English name	COSCO SHIP HOLD
Legal representative	XU Lirong
Registered address	2nd Floor, 12 Yuanhang Business Centre, Central Boulevard and East Seven Road Junction, Tianjin Port Free Trade Zone, Tianjin, the PRC
Postal code of registered address	300461
Place of business	8/F, No. 658 Dong Da Ming Road, Shanghai City, the PRC
Postal code of place of business	200080
Website	http://hold.coscoshipping.com
Email	investor@coscoshipping.com
Place of business in Hong Kong	48/F, COSCO Tower, 183 Queen's Road Central, Hong Kong

II. Shares of the Company

Shares of the Company (the "Shares")

Class of Shares	Place of listing	Stock short name	Stock code	Stock short name before change
A Shares	Shanghai Stock Exchange	COSCO SHIP HOLD	601919	China COSCO
H Shares	The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")	COSCO SHIP HOLD	01919	China COSCO

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

III. Contact Persons and Methods

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

IV. Other Relevant Information

Domestic auditor engaged by the Company	Name	ShineWing Certified Public Accountants
	Office address	8/F, Block A, Fu Hua Mansion, No.8 Chao Yang Men Beidajie, Dong Cheng District, Beijing
	Signing accountants	WANG Hui, WANG Jinli
International auditor engaged by the Company	Name	PricewaterhouseCoopers
	Office address	22nd Floor, Prince's Building, Central, Hong Kong
	Signing accountant	MANG, Kwong Fung Fredrick

Other information of the Company:

Legal advisers as to Hong Kong law	Name	Paul Hastings
	Office address	21/F-22/F, Bank of China Tower, 1 Garden Road, Hong Kong
Legal advisers as to PRC law	Name	Commerce and Finance Law Offices
	Office address	6th Floor, NCI Tower, A12 Jianguomenwai Avenue, Beijing
Domestic A Share registrar and transfer office	Name	China Securities Depository and Clearing Corporation Limited, Shanghai Branch
	Office address	36th Floor, China Insurance Building, 166 Lujiazui Road East, Pudong New District, Shanghai
Hong Kong H Share registrar and transfer office	Name	Computershare Hong Kong Investor Services Limited
	Office address	17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Major bankers	Name	Bank of China, Agricultural Bank of China, China Merchants Bank, etc.

Financial Summary

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019 (THE "REPORTING PERIOD") PREPARED UNDER THE HONG KONG FINANCIAL REPORTING STANDARDS

Results Highlights:

	Six months ended 30 June		
	2019	2018	Difference
	RMB'000	RMB'000	RMB'000
Revenues	**71,762,486**	45,041,047	26,721,439
Profit attributable to equity holders of the Company	**1,164,386**	40,796	1,123,590
	RMB	RMB	RMB
Basic earnings per share	**0.0977**	0.0040	0.0937

RESULTS FOR THE PERIOD ENDED 30 JUNE 2019 PREPARED UNDER THE HONG KONG FINANCIAL REPORTING STANDARDS

	Period from 1 January to 30 June 2019 RMB'000	Period from 1 January to 30 June 2018 RMB'000	Difference RMB'000
Revenues	**71,762,486**	45,041,047	26,721,439
Operating profit	**3,796,185**	1,148,420	2,647,765
Profit before income tax from continuing operation	**2,223,977**	1,076,781	1,147,196
Profit for the period from continuing operation	**1,864,149**	769,138	1,095,011
Profit for the period from discontinued operation	**150,920**	–	150,920
Profit for the period	**2,015,069**	769,138	1,245,931
Profit attributable to equity holders of the Company	**1,164,386**	40,796	1,123,590
Basic earnings per share (RMB)	**0.0977**	0.0040	0.0937

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

In the first half of 2019, global economy and trade faced relatively severe challenges and increased uncertainties, and the growth in demand for container shipping was slowing down. However, at the same time, pressure on the supply of shipping capacity in the industry eased, newly delivered shipping capacity decreased and scrapped capacity increased as compared to the same period of last year. According to the statistics of relevant institutions, the growth rate of both demand and supply in the global container shipping market in the first half of 2019 was less than 2%. The average China Containerized Freight Index (CCFI) was 828 points, increased by 3.9% as compared to that of the same period of last year.

During the Reporting Period, COSCO SHIPPING Holdings proactively responded to adverse external factors. Under the guiding principle of "outperform the market, drive innovation, and lead the era", COSCO SHIPPING Holdings focused on improving the quality of shipping services, fully leveraged the advantages of scale and synergies after the acquisition of Orient Overseas (International) Limited ("**OOIL**"), and have achieved relatively good results. In accordance with Hong Kong Financial Reporting Standards, in the first half of the year, the Company achieved revenue of RMB 71.8 billion, and recorded net profit attributable to equity holders of the Company of RMB1.16 billion, representing a significant increase from RMB40.796 million for the same period last year. The basic earnings per share amounted to RMB0.0977.

Management Discussion and Analysis

Implementation of globalization strategy, improvement in global routes network and terminal layouts and improvement in service quality

In the first half of the year, leveraging its own advantages of scale, COSCO SHIPPING Holdings continuously upgraded and optimized its global route networks and terminal layouts, and took an active part in the building of the "Belt and Road", continuously expanded its services to emerging markets and regional markets and achieved solid records. During the Reporting Period, in respect of container shipping business, the Company recorded the total shipping volume of 12,459,000 TEUs, representing an increase of 39.8% as compared to the same period of last year, among which, COSCO SHIPPING Lines Co., Ltd ("**COSCO SHIPPING Lines**") recorded the shipping volume of 9,085,000 TEUs, representing an increase of 2.0% as compared to the same period of last year, and Orient Overseas Container Line Limited ("**OOCL**") recorded the shipping volume of 3,374,000 TEUs on a comparable basis (representing an increase of 3.2% as compared to the same period of last year). COSCO SHIPPING Ports Limited ("**COSCO SHIPPING Ports**") recorded the total throughput of 59,764,000 TEUs, representing an increase of 5.4% as compared to the same period of last year.

In respect of container shipping business, the Company's fleet scale was in steady growth. In the first half of the year, a total of eight large container vessels were delivered, with a total shipping capacity of 144,000 TEUs. They were put into operation in Northwest Europe, the U.S. East Coast and the Middle East routes. As at 30 June 2019, the container fleet operated by two liner companies under COSCO SHIPPING Holdings had 493 vessels, with the total shipping capacity reached 2,896,881 TEUs, representing a growth of 5% as compared to the end of 2018.

The Company further implemented the "OCEAN & PLUS" strategy, adhered to its customers-oriented principle, proactively optimized its shipping capacity layout, and upgraded the Ocean Alliance route products. The Company also protectively participated in the "Belt and Road" development, and enhanced its shipping capacity and service input in the markets such as Europe, Southeast Asia, Middle East, West Asia, Latin America and South Africa, and at the same time stepped up its effort in the construction of feeder service network in intra-regional markets.

In early April 2019, OCEAN Alliance, of which COSCO SHIPPING Lines and OOCL are members, launched the DAY3 route products, covering 40 routes and offering 594 port pairs services with a total shipping capacity of 325 vessels and 3.82 million TEUs, representing a leading position in the industry in terms of route networks, scale of service and coverage. As a result, the Company managed to consolidate its competitive edge in the east-west routes.

In respect of the improvement of route network layouts, the two liner companies (COSCO SHIPPING Lines and OOCL) continued to expand its coverage of emerging markets, and accelerate its deployment of regional and non-China routes. In the first half of the year, COSCO SHIPPING Lines sought to optimize Far East to east coast of South America routes and Europe to west coast of South America routes, and OOCL expanded its coverage of the emerging markets by adding new routes between Middle East/India Subcontinent and North Europe, and Asia to Latin America as well. The two liner companies also continued to improve the service in intra-Asia region, and raised its total number of service routes to 42 in Southeast Asia, which effectively captured the growth opportunities of cargo transportation in

Southeast Asia, and provided improved supporting feeder networks for vessels in trunk routes entering and exiting the Southeast Asia region. At the same time, the two liner companies optimised the Middle East regional routes centered on the Abu Dhabi hub port, and enhanced European intra-regional routes, with three new routes with Zeebrugge as port of call added in the first half of the year. Currently, 27 intra-European routes have been put into operation in Europe, providing high-quality transportation services to customers in 25 countries and regions in Europe. The percentage of shipping capacity deployed by the two liner companies in emerging markets and intra-regional markets has increased to 16% and 36% respectively, making the layout of their shipping route network more balanced and globalized. The Company also proactively responded to new shifts in cargo flow brought on by the China-U.S. trade friction, by expanding shipping capacity of Southeast Asia to the United States routes through adjustment of vessel types, and at the same time strived to improve the marketing and service capabilities in Southeast Asia and South Asia. In the first half of the year, the volume of the two liner companies in non-China routes increased by 7.8% as compared to same period of last year, accounting for 37.1% of their total foreign trade cargo volume (i.e. volume excluding China domestic routes).

In respect of the improvement of customer service, the Company constantly optimized transit routes and operation processes, and improved schedule reliability and efficiencies of transfer operation with an emphasis on ensuring operational safety. In the first half of the year, the comprehensive schedule reliability of the Company's self-operated fleet was better than that of the same period of 2018. As a result, the proportion of overtime trans-shipment cargos gradually decreased, with significant improvement in trans-shipment efficiencies.

As for terminal operations, COSCO SHIPPING Ports, a subsidiary of the Company, as a global leading port operator, further improved its global terminal network and improved the operation quality and service level of its controlling terminals with a focus on the "Belt and Road" and emerging markets. CSP Abu Dhabi terminal has successfully commenced commercial trial operation, and the port is to be built as a major container port and an important hub port in the Middle East. In the first half of 2019, COSCO SHIPPING Ports successfully acquired 60% equity interest in Peru's Terminales Portuarios Chancay S.A., which is the Company's first controlled terminal project in South America. In April 2019, COSCO SHIPPING Ports announced its investment in a supply chain base project in Nansha, Guangzhou, to further enhance the port's extended services so as to meet the diversified requirements of customers and actively cultivate new growth points. In July, the resource allocation of "three-in-one" terminal integration project at the Tianjin Port was optimized, the integrated management standards of non-controlled terminals of the Company were improved, which contributed to reducing operating costs and enhancing corporate competitiveness.

In addition, COSCO SHIPPING Ports sought to strengthen its synergies with COSCO SHIPPING Lines and OOCL on port and shipping operations. In the first half of the year, the cargo volume at the controlled terminals of COSCO SHIPPING Ports, COSCO SHIPPING Lines and OOCL increased by 21.7% and 16.8% respectively, as compared to the same period last year. Among them, the volume at Greek PCT terminal increased by 26% and 18.9% respectively compared with the same period last year, while the volume at the Valencia terminal in Spain increased by 39.5% and 23.1% respectively compared with the same period of last year.

Further building-up of digitalization in shipping and enhancing customer experience and operational efficiency

In July 2019, CargoSmart, a subsidiary of OOIL, announced the execution of global shipping business network (GSBN) services agreements with maritime industry operators CMA CGM, COSCO Shipping Lines, COSCO SHIPPING Ports, Hapag-Lloyd, Hutchison Ports, OOCL, Port of Qingdao, PSA International and Shanghai International Port Group. Under these agreements, each signatory commits to provide resources to support preparatory work required to establish the GSBN, a non-profit joint venture to accelerate the digital transformation of the shipping industry. Upon its establishment, the GSBN intends to provide a platform for all shipping supply chain participants to work collaboratively to accelerate technology innovation and develop solutions through trusted and secure data exchange platforms. The GSBN can unlock underlying value and create exciting new opportunities for all shipping supply chain participants in a more open and transparent way. The signatories of the GSBN Services Agreements plan to complete the establishment of the GSBN in early 2020. The initial preparatory efforts to explore and test the feasibility and value of using blockchain technologies are underway and showing promise.

In respect of the implementation of digitalized shipping, the proprietary e-commerce platform of COSCO SHIPPING Lines continued to maintain a solid growth. The volume delivered on the e-commerce platform in domestic routes reached 260,000 TEUs in the first half of the year, with a total transaction amount of RMB540 million, representing an increase of 4% as compared to the same period of last year. Foreign trade e-commerce business continued to develop and has covered all foreign trade routes. At present, customers can enjoy a variety of personalized services on the mobile terminal such as information subscription, to-do items, imported electronic container collection, visible reports, etc., and enjoy one-stop services including centralized cargo booking, centralized customer services, centralized operation, centralized invoicing, centralized settlement, and centralized billing through the e-commerce platform at different ports, which will further enhance the customer experience. OOCL participated in the CargoSmart's Blockchain Pilot in shipping of dangerous goods. It allows customers to benefit by having real-time visibility of their shipments and speeding up of the approval process.

Implementation of end-to-end strategy, strengthening channels construction and provision of value extension services to customers

Leveraging its routes layout, the Company actively promotes the effective docking of shipping and inland transportation channels, and continuously improves its capability in providing end-to-end one-stop transportation services, in order to offer a rich variety of sea-rail intermodal channel product mixes to customers. At present, the Company operates 123 railway routes for foreign trade, and 167 railway routes for domestic trade, and the number of door-to-door service points has exceeded 20,000.

In the first half of the year, the Company further accelerated its construction of the China-European Sea-rail Express. Leveraging the Port of Piraeus in Greece, China-European Sea-rail Express business grow rapidly, with a coverage of more than 1,500 inland points in seven countries in Europe, which achieved a shipping volume of 37,000 TEUs, representing an increase of 28% as compared to the same period of last year. In addition, the Company launched 20 new China-Europe railway container liner service routes in the first half of the year, totaling 25 routes at present. In the first half of the year, the Company completed 211 container freights in China-Europe railway services and a total cargo volume of 16,000 TEUs, about 10 times that of the same period last year. In the first half of the year, the Company also recorded a total volume of 530,000 TEUs in railway services for China domestic and foreign trade, representing an increase of 8% as compared to the same period of last year.

Implementation of the "dual brands" strategy for achieving synergies

During this year, the Company proactively implemented the "dual brands" strategy, focusing on the synergies among routes network optimization, improvement in efficiency on equipment utilisation, centralized procurement, information system construction and other aspects, further explored the potentials of business synergies, leveraged competitive advantages, and expanded the influence of the dual brands.

In the first half of the year, the Company refined its fleet resources to optimise vessel types deployed for each route. Through the exchange of several vessels of different types by chartering under the dual brands, the fleet resources were fully utilized. In terms of routes layout, we continued to promote OOCL's use of COSCO SHIPPING Lines' slots in Africa and South America routes. OOCL has covered seven countries in Africa and nine Far East to Africa routes; eight countries in South America and three Far East to South America routes. At the same time, joint operation was launched under the dual brands in European to West Africa routes. In the first half of the year, the transfer of ship operation rights on the Trans-Atlantic route was successfully completed. After the switch, OOCL operated all vessels of the Trans-Atlantic routes under the dual brands, and COSCO SHIPPING Lines continued to offer the Atlantic route service products by purchasing slots on vessels of OOCL.

Looking forward to the second half of 2019, subject to the influence of multiple factors, relatively large uncertainties persist in global economic growth and trade situation, and China's economy is facing increasing downward pressure. The International Monetary Fund (IMF) has repeatedly lowered the figures in the forecast of the global economic growth in 2019. It is expected that demand in container shipping market will maintain a slow growth. Meanwhile, as the shipping capacity to be delivered during the year will be relatively low, and the new IMO low-sulfur regulation is expected to accelerate the scrapping of old vessels of less operational efficiency and the temporary halt of service of some vessels to be installed with scrubbers, pressure on the supply side of container shipping capacity growth will be relatively low, which serves to maintain the market freight rate at a reasonable level. Meanwhile, China's total trade volume with the countries along the "Belt and Road" is expected to continue to grow rapidly, and the Second China International Import Expo will help China expand the import of consumer goods, which will provide positive impetus in raising backhaul container cargo volume and balancing the volume on both directions.

In future, COSCO SHIPPING Holdings will continue to focus on building itself into a world-class container shipping integrated service provider, and seek to fully promote strategic and business synergy between the two segments of container shipping and terminal operation management, as well as continue to enhance its comprehensive competitiveness and promote high-quality development.

In respect of the container shipping segment, the "OCEAN & PLUS" strategy emphasizing "Globalization, Dual brands, Digitalization and End-to-End" will continue to be fully implemented. Returning from emphasizing development on scale to the essence of shipping, we strive to improve service quality and continue the build-up of a world class shipping company with international competitiveness.

In respect of the terminal operation management segment, we strive to further our three grand strategies of "Global terminal layout, Synergy with the parent company fleet and the Ocean Alliance, Strengthening the management of ports and terminals businesses and efficiency improvement", and continue to improve our global terminal network layout, and to create a holding network that matters to global users, to create a win-win sharing platform that creates the largest value for upstream and downstream industries, and towards the status as the world's leading port operator.

The Company will continue to consolidate and develop its container shipping, terminal operation and management and related businesses, and improve the container shipping value chain. Through synergies and lean management, the Company will continuously improve the comprehensive competitiveness of container shipping and port services, and further promote a healthy, stable and sustainable development of the principal businesses, provide better services to customers, and maximize corporate benefits, corporate value and shareholder's returns.

(II) Major profit or loss items and cashflow analysis

In the first half of 2019, the Group generated revenues of RMB71,762,486,000, representing an increase of RMB26,721,439,000 or 59.33% as compared to the same period of last year. In the first half of 2019, profit attributable to equity holders of the Group was RMB1,164,386,000, as compared to the profit attributable to equity holders of the Company of RMB40,796,000 for the same period of last year.

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

Items	**Six months ended 30 June 2019 RMB' 000**	Six months ended 30 June 2018 RMB' 000	Difference RMB' 000
Revenues	**71,762,486**	45,041,047	26,721,439
Cost of services and inventories sold	**(64,400,210)**	(42,186,575)	(22,213,635)
Other income	**1,031,753**	358,744	673,009
Other expenses	**(216,641)**	(16,663)	(199,978)
Net impairment losses on financial assets	**(25,886)**	(16,859)	(9,027)
Selling, administrative and general expenses	**(4,355,317)**	(2,031,274)	(2,324,043)
Finance income	**431,344**	187,270	244,074
Finance costs	**(3,093,808)**	(1,276,395)	(1,817,413)
Share of profits less losses of			
– joint ventures	**397,120**	330,688	66,432
– associates	**693,136**	686,798	6,338
Income tax expenses	**(359,828)**	(307,643)	(52,185)
Net cash flows generated from operating activities	**9,466,839**	466,261	9,000,578
Net cash flows used in investing activities	**(5,592,115)**	(7,400,763)	1,808,648
Net cash flows (used in)/generated from financing activities	**(5,017,931)**	10,545,294	(15,563,225)

2. Revenues

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

Overview

In the first half of 2019, the revenues of the Group amounted to RMB71,762,486,000, representing an increase of RMB26,721,439,000 or 59.33% as compared to the same period of last year. In the first half of 2019, the revenues of COSCO SHIPPING Holdings increased by 10.19% from the same period of last year on a comparable basis (by including the revenues of OOIL of the same period of last year).

Revenue from container shipping business

In the first half of 2019, revenue from container shipping business amounted to RMB68,907,345,000, representing an increase of RMB26,539,520,000 or 62.64% as compared to the same period of last year, of which COSCO SHIPPING Lines generated revenues of RMB46,941,196,000 from container shipping business, representing an increase of RMB4,573,371,000 or 10.79% as compared to the same period of last year.

Revenue from terminal business

In the first half of 2019, revenue generated from the terminal business amounted to RMB3,566,346,000, representing an increase of RMB388,017,000 or 12.21% as compared to the same period of last year.

3. Costs

Overview

In the first half of 2019, the operating cost of the Group amounted to RMB64,400,210,000, representing an increase of RMB22,213,635,000 or 52.66% as compared to the same period of last year. In the first half of 2019, the operating cost of COSCO SHIPPING Holdings increased by 6.1% as compared to the same period of last year on a comparable basis (including OOIL as the same period of last year).

Container shipping business cost

In the first half of 2019, the container shipping business cost amounted to RMB62,559,853,000, representing an increase of RMB22,111,672,000 or 54.67% as compared to the same period of last year, of which, the container shipping business cost incurred by COSCO SHIPPING Lines in the first half of 2019 amounted to RMB43,305,407,000, representing an increase of RMB2,857,226,000 or 7.06% as compared to the same period of last year.

Terminal business cost

In the first half of 2019, the terminal business cost amounted to RMB2,466,332,000, representing an increase of RMB306,510,000 or 14.19% as compared to the same period of last year.

4. **Other profit or loss items**

Other income

The other income of the Group in the first half of 2019 was RMB1,031,753,000, representing an increase of RMB673,009,000 as compared to the same period of last year. As compared to the same period of last year, the income from changes in fair value of related financial assets, dividend, interest income and income on disposal increased mainly due to the successful acquisition of OOIL.

Other expense

Other expense of the Group in the first half of 2019 was RMB216,641,000, representing an increase of RMB199,978,000 as compared to the same period of last year. During the period, Qingdao Port International Co., Ltd. ("**Qingdao Port International**"), an associate of the Group, issued A shares, which diluted our equity interest in it and resulted in a net loss from dilution of RMB153,015,000.

Selling, administrative and general expenses

In the first half of 2019, the selling, administrative and general expenses of the Group amounted to RMB4,355,317,000, representing an increase of RMB2,324,043,000 as compared to the same period of last year. After completing the acquisition of OOIL, the administrative expenses of the Group included the administrative expenses incurred by OOIL.

Finance income

In the first half of 2019, the finance income of the Group amounted to RMB431,344,000, representing an increase of RMB244,074,000 as compared to the same period of last year. After completing the acquisition of OOIL, the finance income of the Group included the finance income generated by OOIL.

Finance costs

In the first half of 2019, the finance costs of the Group amounted to RMB3,093,808,000, representing an increase of RMB1,817,413,000 as compared to the same period of last year. The finance costs increased as compared to the same period of last year, mainly due to the changes in consolidation scope and increase in the balance of borrowings upon acquisition of OOIL, and the implementation of HKFRS 16 "Leases" since 1 January 2019.

Share of profits of joint ventures and associated companies

In the first half of 2019, the Group's share of profits of joint ventures and associated companies in aggregate amounted to RMB1,090,256,000, representing an increase of RMB72,770,000 as compared to the same period of last year. After completing the acquisition of OOIL, the share of profits of joint ventures and associated companies of the Group included the profit generated by OOIL.

Income tax expenses

In the first half of 2019, the income tax expenses of the Group amounted to RMB359,828,000, representing an increase of RMB52,185,000 as compared to the same period of last year. After completing the acquisition of OOIL, the income tax expenses of the Group included the income tax expenses generated by OOIL.

Analysis of profit from discontinued operation

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 HKFRS 5 "Non-current assets held for sale and discontinued operations", the U.S. terminal business of OOIL upon completion of acquisition should be presented as the discontinued operation of the Group. In the first half of 2019, the Group recorded an after-tax profit of RMB150,920,000 from the discontinued operation, which was the after-tax profit generated from the US terminal business of OOIL in the first half of 2019. The Group did not have any discontinued operation for the same period of last year.

5. Cash flow

As at the end of the first half of 2019, the cash and cash equivalents amounted to RMB31,869,837,000, representing a decrease of RMB967,892,000 or 2.95% 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 the first half of 2019, the cash inflow from operating activities amounted to RMB9,466,839,000, representing an increase of RMB9,000,578,000 as compared to that of the same period of last year. This was mainly due to the increase in performance, changes in the scope of consolidation and the implementation of HKFRS 16 "Leases".

(2) Net cash flow from investing activities

In the first half of 2019, the net cash outflow from investing activities amounted to RMB5,592,115,000, representing a decrease of RMB1,808,648,000 as compared to that of the same period of last year of the Group, which included the cash outflows for the construction of container vessels, the purchase of containers and the terminal construction projects, etc.

(3) Net cash flow from financing activities

In the first half of 2019, the net cash outflow from financing activities amounted to RMB5,017,931,000, representing an increase of RMB15,563,225,000 as compared to that of the same period of last year, which included the net cash inflow of funds raised from the non-public issuance of A Shares of RMB7.702 billion, borrowings from banks and non-bank financial institutions of RMB27.520 billion, repayment of debts to banks and non-bank financial institutions of RMB33.108 billion, and the cash outflow for profit distribution and interest payment, rental paid for asset lease, etc.

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

As at the end of June 2019, the balance of cash and cash equivalents increased by RMB184,793,000, which was primarily due to an appreciation in the USD to RMB exchange rate at the end of June 2019 as compared to the beginning of the year.

(5) Changes in cash and cash equivalents classified as held-for-sale asset disposal group

The changes in cash and cash equivalents classified as held-for-sale asset disposal group for the period amounted to RMB9,478,000, which was the changes in cash and cash equivalents of Long Beach Terminal for the year.

(III) Working Capital, Financial Resources and Capital Structure

Overview

As at the end of June 2019, the assets and liabilities increased as compared to the end of the last year, mainly due to the implementation of HKFRS 16 "Leases" since 1 January 2019. As at 30 June 2019, the total assets of the Group amounted to RMB255,995,058,000, representing an increase of RMB27,851,253,000 or 12.21% as compared to the end of last year. The total liabilities amounted to RMB193,187,353,000, representing an increase of RMB21,396,437,000 or 12.45% as compared to the end of last year.

As at 30 June 2019, the total outstanding borrowings of the Group were RMB115,231,281,000. After deducting the cash and cash equivalents, the net amount was RMB83,361,444,000, representing a decrease of RMB20,996,467,000 or 20.12% as compared to the end of last year. This was mainly due to the repayment of some short-term loans in the first half of 2019. As at 30 June 2019, the Group's net current liabilities were RMB12,878,484,000, representing a decrease of RMB15,959,473,000 from the end of the previous year; mainly due to the increase in performance in the first half of 2019, non-public issuance of A Shares, and repayment of borrowings, etc. As at 30 June 2019, the net debt to equity ratio was 132.72%, representing a decrease of 52 percentage points as compared to the end of last year.

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

Debt analysis

Categories	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Short-term borrowings	**26,050,827**	48,220,619
Long-term borrowings	**89,180,454**	88,975,021
Among which: Less than 1 year	**6,829,369**	8,730,823
One to two years	**14,467,534**	14,102,082
Three to five years	**41,569,889**	41,809,934
Over five years	**26,313,662**	24,332,182
Total of long-term and short-term borrowings	**115,231,281**	137,195,640

Borrowings by categories

As at 30 June 2019, the Group had bank borrowings of RMB85,344,773,000, notes and bonds payable of RMB19,360,585,000 and other borrowings of RMB10,525,923,000, representing 74.06%, 16.80% and 9.14% of the total borrowings, respectively. Of the bank borrowings, secured borrowings amounted to RMB38,209,655,000 and unsecured borrowings amounted to RMB47,135,118,000, representing 33.16% and 40.90% of the total borrowings, respectively. Most of the borrowings of the Group bear interest at floating rate.

Borrowings by currency

As at 30 June 2019, the borrowings of the Group denominated in U.S. dollar were equivalent to RMB75,314,513,000, borrowings denominated in RMB were equivalent to RMB31,733,437,000, borrowings denominated in Euro were equivalent to RMB5,808,253,000, and borrowings denominated in Hong Kong dollar were equivalent RMB2,375,078,000, representing 65.36%, 27.54%, 5.04% and 2.06% of the total borrowings, respectively.

Secured borrowings

As at 30 June 2019, certain properties, plant and equipment of the Group with net book value of RMB57,179,702,000 (as at 31 December 2018: RMB53,203,080,000) were mortgaged to banks and financial institutions as collaterals for borrowings in the total amount of RMB38,278,175,000 (as at 31 December 2018: RMB37,751,000,000), representing 55.65% of the total value of the property, plant and equipment (as at 31 December 2018: 46.11%).

Guarantees (excluding discontinued operation)

As at 30 June 2019, the Group had provided guarantees in the amount of RMB41,216,670,000 to subsidiaries (as at 31 December 2018: RMB44,975,697,000).

Contingent liabilities

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

As at 30 June 2019, the Group was unable to ascertain the likelihood and amounts of the above-mentioned claims. However, based on advice of legal counsel and/or information available to the Group, the Directors were of the opinion that the relevant claims amounts should not have material effect on the Group's consolidated financial statements for the six months ended 30 June 2019.

Foreign exchange risk

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

Capital commitments (excluding discontinued operation)

As at 30 June 2019, the Group had a total of 2 container vessels under construction. The capital commitments for future construction of container vessels amounted to RMB1,909,324,000.

As at 30 June 2019, the Group's containers under construction amounted to 119,000 TEU in aggregate. The capital commitments for future construction of containers amounted to RMB642,149,000.

As at 30 June 2019, the Group's capital commitments for investment in terminals amounted to RMB4,752,017,000 in aggregate, of which the commitments for purchasing fixed assets amounted to RMB2,218,212,000 and the equity investment commitment of terminals amounted to RMB2,533,805,000.

Facilities and financing plans

Facilities

As at 30 June 2019, the unutilized bank loan facilities of the Group were RMB46,252,512,000. 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 2019 into consideration, including the acquisition of equity interests in companies, construction of containers and expenditure for terminal infrastructure projects, to manage financing arrangements, to enhance capital management, to optimize the utilization efficiency of funds and to control the scale of debts effectively.

(IV) Investment analysis

1. Analysis of external equity investments

As at the end of June 2019, the total balance of the Group's investments in associates and joint ventures amounted to RMB28,737 million, and after excluding the effect of adoption of HKFRS 16 "Leases", representing an increase of RMB197 million as compared to the end of last year. During the Reporting Period, the Group made additional capital contribution of RMB235 million to Qingdao Port International, an associate of the Group.

(1) Significant equity investments

Nil.

2. Financial assets at fair value

Unit: RMB'000

Name	Opening investment cost	Shareholding at the end of the period (%)	Opening carrying amount	Closing carrying amount	Impact of profit for the period	Change in carrying amount for the period
Shanghai Cosco Shipping Engineering Co., Ltd. (上海中遠船務工程有限公司)	6,311	5.00	23,574	24,080	0	506
Shanghai Tianhongli Asset Management Co., Ltd.	394,160	19.00	462,448	468,606	0	6,158
Ocean Hotel Shanghai Co., Ltd.	85,255	10.00	111,651	111,826	0	175
Hui Xian Holdings Ltd.	8,039	7.90	158,542	106,491	53,598	(52,051)
Imoto Lines, Ltd.	206	–	206	0	0	(206)
SAGEP Bilbao	397	37.36	397	396	0	(1)
SAGEP Valencia	4,941	28.02	4,941	4,922	0	(19)
TCU Gmbh & Co. KG	28	–	28	0	0	(28)
Shanghai Yuanhong Industrial Co., Ltd. (上海遠虹實業有限公司)	929	5.80	929	929	0	0
Shanghai Tonglian Real Estate Co., Ltd. (上海通聯房地產有限公司)	2,544	2.02	3,422	3,422	0	0
Shanghai Tongda Property Co., Ltd. (上海通達物業有限公司)	157	3.58	157	157	0	0
Northeast Pharmaceutical Group Co., Ltd. (東北製藥集團股份有限公司)	200	0.03	1,267	1,380	0	113
Sichuan Tianhua Co., Ltd. (四川天華股份有限公司)	200	–	200	200	0	0
Tianjin Wanhua Co., Ltd. (天津萬華股份有限公司)	150	–	150	150	0	0
Tianjin Quanyechang (Group) Co., Ltd. (天津勸業場（集團）股份有限公司)	99	0.02	335	347	0	12
Tianjin Hualian Commercial Building Co., Ltd. (天津華聯商廈股份有限公司)	144	–	144	144	0	0
Guangzhou Port Co., Ltd.	498,096	3.98	976,465	1,030,713	8,630	54,248
Wuhan Port Container Co., Ltd.	500	0.13	500	500	0	0
Haitong Securities	7,017	–	42,854	69,102	0	26,248
Yantai Port Co., Ltd.	198,837	3.90	198,837	198,837	0	0
Qinghuangdao Port Co., Ltd.	203,713	0.88	74,132	59,228	0	(14,904)

Name	Opening investment cost	Shareholding at the end of the period (%)	Opening carrying amount	Closing carrying amount	Impact of profit for the period	Change in carrying amount for the period
Lianyungang Electronic Port Information Development Co., Ltd.	3,000	13.47	3,000	3,000	1,800	0
Qingdao Luhai International Freight Group Co., Ltd. (青島陸海國際貨運集團股份有限公司)	4,702	9.08	10,622	10,622	0	0
Beibu Gulf Port Co., Ltd.	471,065	4.34	499,442	638,491	139,049	139,049
Shares, bonds, funds and other investment	2,714,612	–	2,604,890	2,427,417	176,093	(177,473)
Total	4,605,302		5,179,133	5,160,960	379,170	(18,173)

(V) Industry Operation Information

Container shipping business

(1) Shipping volume

Containers shipped by the Group (TEU)

Routes	Six months ended 30 June 2019	Six months ended 30 June 2018	Percentage of change (%)
Trans-Pacific	2,234,613	1,456,468	53.43
Asia and Europe (including the Mediterranean)	2,405,980	1,504,958	59.87
Asia Region (including Australia)	3,848,404	2,307,624	66.77
Other international region (including the Atlantic)	1,221,929	815,740	49.79
Mainland China	2,748,423	2,825,381	(2.72)
Total	12,459,349	8,910,171	39.83

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

Routes	Six months ended 30 June 2019	Six months ended 30 June 2018	Percentage of change (%)
Trans-Pacific	1,290,922	1,456,468	(11.37)
Asia and Europe (including the Mediterranean)	1,714,165	1,504,958	13.90
Asia Region (including Australia)	2,349,792	2,307,624	1.83
Other international region (including the Atlantic)	981,635	815,740	20.34
Mainland China	2,748,423	2,825,381	(2.72)
Total	9,084,937	8,910,171	1.96

(2) Revenue from routes

Revenue from routes by the Group (RMB'000)

Routes	Six months ended 30 June 2019	Six months ended 30 June 2018	Percentage of change (%)
Trans-Pacific	19,063,665	10,895,030	74.98
Asia and Europe (including the Mediterranean)	14,154,435	8,401,989	68.47
Asia Region (including Australia)	16,011,039	8,617,140	85.80
Other international region (including the Atlantic)	8,891,236	5,049,417	76.08
Mainland China	5,712,102	5,504,068	3.78
Total	63,832,477	38,467,644	65.94

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

Routes	Six months ended 30 June 2019	Six months ended 30 June 2018	Percentage of change (%)
Trans-Pacific	11,062,708	10,895,030	1.54
Asia and Europe (including the Mediterranean)	10,028,847	8,401,989	19.36
Asia Region (including Australia)	9,749,443	8,617,140	13.14
Other international region (including the Atlantic)	6,915,062	5,049,417	36.95
Mainland China	5,739,216	5,504,068	4.27
Total	43,495,276	38,467,644	13.07

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

Routes	Six months ended 30 June 2019	Six months ended 30 June 2018	Percentage of change (%)
Trans-Pacific	**2,809,867**	1,700,227	65.26
Asia and Europe (including the Mediterranean)	**2,086,277**	1,311,175	59.12
Asia Region (including Australia)	**2,359,929**	1,344,750	75.49
Other international regions (including the Atlantic)	**1,310,514**	787,988	66.31
Mainland China	**841,929**	858,939	(1.98)
Total	**9,408,516**	6,003,079	56.73

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

Routes	Six months ended 30 June 2019	Six months ended 30 June 2018	Percentage of change (%)
Trans-Pacific	**1,630,575**	1,700,227	(4.10)
Asia and Europe (including the Mediterranean)	**1,478,191**	1,311,175	12.74
Asia Region (including Australia)	**1,437,008**	1,344,750	6.86
Other international regions (including the Atlantic)	**1,019,238**	787,988	29.35
Mainland China	**845,925**	858,939	(1.52)
Total	**6,410,937**	6,003,079	6.79

(3) Major performance indicators

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

Items	Six months ended 30 June 2019	Six months ended 30 June 2018	Difference
Revenue from container shipping business (RMB'000)	**68,907,345**	42,367,825	26,539,520
Including: Revenue from routes (RMB'000)	**63,832,477**	38,467,644	25,364,833
EBIT (RMB'000)	**3,383,425**	511,251	2,872,174
EBIT margin	**4.91%**	1.21%	3.70%
Net profit (RMB'000)	**1,396,370**	(226,773)	1,623,143

Among which: major performance indicators of the container shipping business of COSCO SHIPPING Lines, a subsidiary of the Group (RMB)

Items	Six months ended 30 June 2019	Six months ended 30 June 2018	Difference
Revenue from container shipping business (RMB'000)	**46,941,196**	42,367,825	4,573,371
Including: Revenue from routes (RMB'000)	**43,495,276**	38,467,644	5,027,632
EBIT (RMB'000)	**2,033,643**	511,251	1,522,392
EBIT margin	**4.33%**	1.21%	3.12%
Net profit (RMB'000)	**631,230**	(226,773)	858,003

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

Items	Six months ended 30 June 2019	Six months ended 30 June 2018	Difference
Revenue from container shipping business (USD'000)	**10,156,520**	6,611,722	3,544,798
Including: Revenue from routes (USD'000)	**9,408,516**	6,003,079	3,405,437
Revenue per TEU from international routes (USD/TEU)	**882.16**	845.41	36.75
EBIT (USD'000)	**498,696**	79,783	418,913
Net profit (USD'000)	**205,816**	(35,389)	241,205

Among which: major performance indicators of the container shipping business of COSCO SHIPPING Lines, a subsidiary of the Group (USD equivalent)

Items	Six months ended 30 June 2019	Six months ended 30 June 2018	Difference
Revenue from container shipping business (USD'000)	**6,918,844**	6,611,722	307,122
Including: Revenue from routes (USD'000)	**6,410,937**	6,003,079	407,858
Revenue per TEU from international routes (USD/TEU)	**878.24**	845.41	32.83
EBIT (USD'000)	**299,747**	79,783	219,964
Net profit (USD'000)	**93,039**	(35,389)	128,428

Notes:

(1) OOIL was consolidated into the Group's combined financial statements from 1 July 2018. As such, the shipping volume, revenue from routes and major performance indicators of the container shipping business of the Group are the combined figures of the container shipping businesses of both COSCO SHIPPING Lines (a subsidiary of the Company) and OOIL in the current period (the first half of 2019), while they included the figures of COSCO SHIPPING Lines only in the same period of last year (the first half of 2018).

(2) The EBIT of COSCO SHIPPING Lines (a subsidiary of the Group) amounted to RMB2.779 billion and RMB3.172 billion (equivalent to USD0.419 billion and USD0.469 billion) in 2018 and 2017, respectively.

(3) The revenue from routes and major performance indicators above were translated into US dollars at an average exchange rate of RMB6.7845: USD1, RMB6.4080: USD1, RMB6.6261: USD1 and RMB6.7573: USD1 in the first half of 2019, the first half of 2018, 2018 and 2017, respectively.

Terminal business

The total throughput of the container terminal business of the Group (including discontinued operation)

Location of terminal	Six months ended 30 June 2019 (TEU)	Six months ended 30 June 2018 (TEU)	Percentage of change (%)
Bohai Rim Region	**21,779,319**	18,677,784	16.61
Yangtze River Delta Region	**9,989,132**	9,659,775	3.41
Southeast Coast and others	**2,890,372**	2,812,495	2.77
Pearl River Delta Region	**13,112,675**	12,764,909	2.72
Southwest Coast	**724,795**	643,599	12.62
Overseas	**14,483,682**	12,150,188	19.21
Total	**62,979,975**	56,708,750	11.06
Of which: Controlled terminals	**13,180,245**	10,863,570	21.33
Non-controlled terminals	**49,799,730**	45,845,180	8.63

Notes:

(1) OOIL was consolidated into the Group's combined financial statements from 1 July 2018. As such, the total throughput of the container terminal business of the Group was the combined throughput of the terminal businesses of COSCO SHIPPING Ports (a subsidiary of the Company) and OOIL in the current period (the first half of 2019), while it included the throughput of COSCO SHIPPING Ports only in the same period of last year (the first half of 2018).

(2) In the first half of 2019, the total throughput of COSCO SHIPPING Ports amounted to 59,764,100 TEU, representing an increase of 5.39% as compared to the same period of last year, of which, the throughput of controlled terminals amounted to 12,445,300 TEU, representing an increase of 14.56% as compared to the same period of last year; the throughput of non-controlled terminals amounted to 47,318,800 TEU, representing an increase of 3.21% as compared to the same period of last year.

SIGNIFICANT EVENTS

1. On 23 January 2019, COSCO SHIPPING Ports (a non-wholly owned subsidiary of the Company), and its subsidiary, COSCO SHIPPING Ports (Chancay) Limited entered into a subscription and investment agreement with Volcan Compañía Minera S.A.A. (a company incorporated in Peru) and Terminales Portuarios Chancay S.A. (a company incorporated in Peru, "TPCH") pursuant to which TPCH has conditionally agreed to issue, and COSCO SHIPPING Ports (Chancay) Limited has conditionally agreed to subscribe for, the shares in TPCH (representing 60% of the shares in TPCH immediately after the closing) at a subscription price of US$225,000,000. For details of such transaction, please refer to the announcements of the Company dated 23 January 2019.

   As at the end of the Reporting Period, such transaction was completed.

2. On 29 April 2019, OOCL LLC and Long Beach Container Terminal, Inc. (both wholly beneficially owned subsidiaries of OOIL and therefore non-wholly owned subsidiaries of therefore the Company, as sellers) and OOCL (Assets) Holdings Inc. (a wholly owned subsidiary of OOIL and therefore a non-wholly owned subsidiary of the Company) entered into a sale and purchase agreement with Olivia Holdings LLC (as buyer) relating to the sale and purchase of the entire interests in LBCT LLC (a wholly beneficially owned subsidiary of OOIL and therefore a non-wholly owned subsidiary of the Company) for the consideration of US$1.78 billion (subject to certain post-completion adjustments). For details of such transaction, please refer to the announcement of the Company dated 29 April 2019.

   As at the end of the Reporting Period, such transaction was still in progress.

3. During the Reporting Period, upon completion of the non-public issuance of 2,043,254,870 A Shares in the Company and as authorized by the extraordinary general meeting of the Company and considered and approved by the twenty-third meeting of the fifth session of the Board, the Company made the amendments to the relevant articles of the Articles of Association upon completion of the proposed non-public issuance of A Shares according to the result of issuance under the non-public issuance of A Shares and completed the relevant industrial and commercial registration or filing procedures in respect of the amendments to the articles of association of the Company. The amendments to the Articles of Association of the Company 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 and the overseas regulatory announcement of the Company dated 22 March 2019.

4. As considered and approved by the fifth session of the Board, the supervisory committee and the extraordinary general meeting of the Company, the Company has proposed to apply to the National Association of Financial Market Institutional Investors for the registration and issuance of medium-term notes in the amount of RMB5 billion and super and short-term commercial paper in the amount of RMB10 billion, and has granted the authorization to any Director. On 15 April 2019, the Company issued the first tranche of 2019 super and short-term commercial paper in the amount of RMB1.5 billion. For details, please refer to the announcement of the Company dated 13 July 2018 and the overseas regulatory announcement of the Company dated 18 April 2019.

Events after the balance sheet date

For details of the events after the balance sheet date, please refer to note 23 to the Unaudited Condensed Consolidated Interim Financial Information of this report.

Directors, Supervisors and Senior Management

I. Changes in Equity

(I) Changes in shares held by current Directors, supervisors (the "**Supervisors**") and senior management of the Company and those who resigned during the Reporting Period

Not applicable.

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

For details of the share option incentive scheme of the Company (the "**Share Option Incentive Scheme**") and the change of options granted under the scheme during the Reporting Period, please refer to the subsection headed "A Share Option Incentive Scheme" under the section of "Other Information" in this report.

For details of the share option scheme of COSCO SHIPPING Ports (the "**COSCO SHIPPING Ports Share Option Scheme**") and the change of options granted under the COSCO SHIPPING Ports Share Option Scheme during the Reporting Period, please refer to the subsection headed "COSCO SHIPPING Ports Share Option Scheme" under the section of "Other Information" in this report.

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

Name	Position	Change	Reason for change
FENG Boming	Non-executive Director	Resigned	Work arrangements
ZHANG Wei (張煒)	Non-executive Director	Resigned	Work arrangements
CHEN Dong	Non-executive Director	Resigned	Work arrangements
FU Xiangyang	Supervisor representing Shareholders and Chairman of the Supervisory Committee	Resigned	Work arrangements
HAO Wenyi	Supervisor representing Shareholders	Resigned	Work arrangements
FANG Meng	Supervisor representing staff and workers	Resigned	Retirement
DENG Huangjun	Supervisor representing staff and workers	Elected	Election at the meeting of the representatives of staff and workers of the Company
Stephen NG	Deputy general manager	Resigned	Retirement

1. Appointment and Change of Directors

On 17 April 2019, (1) Mr. Feng Boming resigned as a non-executive Director and a member of the remuneration committee of the Board due to work arrangements; (2) Mr. Zhang Wei (張煒) resigned as a non-executive Director and a member of the risk control committee of the Board due to work arrangements; and (3) Mr. Chen Dong resigned as a non-executive Director and a member of the audit committee of the Board due to work arrangements.

2. Appointment and Change of Supervisors

On 30 January 2019, Mr. Deng Huangjun was appointed as a Supervisor representing staff and workers of the fifth session of the Supervisory Committee.

On 17 April 2019, (1) Mr. Fu Xiangyang resigned as a Supervisor representing the Shareholders and the chairman of the Supervisory Committee due to work arrangements; (2) Mr. Hao Wenyi resigned as a Supervisor representing staff and workers due to work arrangements; and (3) Mr. Fang Meng resigned as a Supervisor due to retirement.

3. Appointment and Change of Senior Management

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

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

On 22 August 2019, Ms. Chen Xiang tendered her resignation as a deputy general manager due to work arrangements.

With effect from 30 August 2019, due to changes in work arrangements, (1) Mr. Huang Xiaowen tendered his resignation as the vice chairman of the Board and an Executive Director; (2) Mr. Wang Haimin tendered his resignation as the general manager of the Company; (3) Mr. Zhang Wei (張為) tendered his resignation as Executive Director and deputy general manager of the Company; and (4) Mr. Zhu Jiandong tendered his resignation as a deputy general manager of the Company.

With effect from 30 August 2019, (1) Mr. Wang Haimin has been elected as the vice chairman of the Board; and (2) Mr. YANG Zhijian has been appointed as the general manager of the Company.

IV. Changes in Information on Directors

The changes in the information on directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are as follows:

- Mr. Huang Xiaowen resigned as an executive director and the chairman of the board of directors of COSCO SHIPPING Energy Transportation Co., Ltd. (a company listed on the Stock Exchange (stock code: 1138) and the Shanghai Stock Exchange (stock code: 600026)) with effect from 23 April 2019; and resigned as a non-executive director and the chairman of the board of directors of COSCO SHIPPING Ports (a subsidiary of the Company listed on the Stock Exchange (stock code: 1199)) with effect from 25 April 2019.

- Mr. Wu Dawei was appointed as an independent director of Jiangsu Zhongtian Technology Co., Ltd. (a company listed on the Shanghai Stock Exchange (stock code: 600522)) with effect from 13 June 2019.

- Mr. Zhou Zhonghui was appointed as an independent non-executive director of CITIC Securities Company Limited (a company listed on the Stock Exchange (stock code: 6030) and the Shanghai Stock Exchange (stock code: 600030)) with effect from 27 May 2019.

Other Information

Employees and Remuneration Policies

As at 30 June 2019, there was no material change in the number of employees of the Group as compared to that as disclosed in the 2018 annual report of the Company published on 24 April 2019. As at 30 June 2019, there was no material change in the total staff costs of the Company (including the Directors' remuneration) and remuneration and training policies as compared to those as disclosed in the 2018 annual report of the Company.

As at 30 June 2019, there were approximately 26,852 employees in the Group. Total staff costs of the Group for the Reporting Period, including Directors' remuneration, amounted to approximately RMB5,442,541,000 in aggregate.

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

A Share Option Incentive Scheme

On 3 December 2018, the Board approved the Company's proposed adoption of the Share Option Incentive Scheme. In order to further optimize the Share Option Incentive Scheme, the Board approved the Company's proposed adoption of the further revised share option incentive scheme (the "**Further Revised Scheme**") on 7 May 2019. Pursuant to the Further Revised Scheme, the total number of underlying A Shares in relation to the share options to be granted shall be not more than exceed 218,236,900 A Shares, representing approximately 2.25% of the existing A share capital of the Company and approximately 1.78% of the existing total issued share capital of the Company as at 30 June 2019.

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

Grant of Share Options under the Further Revised Scheme

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

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

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

Name of Participant	Position of Participant	Number of share options: Outstanding as at 1 January 2019	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 30 June 2019
CHEN Xiang	Deputy General Manager	N/A	754,000	—	—	754,000
YAO Erxin	Deputy General Manager	N/A	754,000	—	—	754,000
ZHU Jiandong	Deputy General Manager	N/A	754,000	—	—	754,000
ZHANG Mingwen	Chief Financial Officer	N/A	754,000	—	—	754,000
Steve SIU	Deputy General Manager	N/A	754,000	—	—	754,000
CHEN Shuai	Deputy General Manager	N/A	754,000	—	—	754,000
GUO Huawei	Secretary to the Board	N/A	573,000	—	—	573,000

(2) Share options granted to all participants

Participants	Number of Participants	Number of share options: Outstanding as at 1 January 2019	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at 30 June 2019
Senior management of the Company	7	N/A	5,097,000	—	—	5,097,000
Senior management personnel of the subsidiaries of the Company	13	N/A	10,166,000	—	—	10,166,000
Other key business personnel and management personnel of the Company[(1)]	445	N/A	177,028,000	—	—	177,028,000
Total[(1)]	**465**	**N/A**	**192,291,000**	—	—	**192,291,000**

Note:

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

On 24 July 2019, COSCO SHIPPING Holdings completed the registration in respect of the grant of the share options in the first batch with 190,182,200 share options and 460 participants registered. For details, please refer to the overseas regulatory announcement of the Company dated 25 July 2019.

Validity Period

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

Exercise Period

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

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

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

Fair Value of Share Options

The Company has selected the Black-Scholes model to calculate the fair value of share options and has adopted 3 June 2019 (i.e. the Date of Grant) as the benchmark date to determine the fair value of the share options. According to the preliminary calculation by the Company, the fair value of each share option is RMB2.00 and the aggregate value of the first batch of 192,291,000 share options (excluding the Reserved Share Options) is RMB384,582,000. The details of the reference factors are set out below:

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

Notes:

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

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

(3) On 24 July 2019, COSCO SHIPPING Holdings completed the registration in respect of the grant of the share options in the first batch with 190,182,200 share options and 460 participants registered. For details, please refer to the overseas regulatory announcement of the Company dated 25 July 2019.

COSCO SHIPPING Ports Share Option Scheme

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

Other Information

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

Category	Exercise price per share (HK$)	Number of share options: Outstanding as at 1 January 2019	Granted during the period	Exercised during the period	Transferred (to)/from other categories during the period	Lapsed during the period	Outstanding as at 30 June 2019	Percentage of the total issued shares of COSCO SHIPPING Ports	Exercisable period	Notes
Directors of the Company										
Mr. ZHANG Wei (張為)	7.27	1,500,000	–	–	–	–	1,500,000	0.05%	19.6.2020-18.6.2023	(1)
Other director(s) or former director(s) of COSCO SHIPPING Ports	7.27	3,900,000	–	–	(1,500,000)	–	2,400,000	0.08%	19.6.2020-18.6.2023	(1)
Sub-total		5,400,000	–	–	(1,500,000)	–	3,900,000			
Continuous contract employees	7.27	46,015,948	–	–	–	(962,603)	45,053,345	1.45%	19.6.2020-18.6.2023	(1), (2)
	8.02	851,966	–	–	–	–	851,966	0.03%	29.11.2020-28.11.2023	(3)
	8.48	–	848,931	–	–	–	848,931	0.03%	29.03.2021-28.03.2024	(4)
	7.27	–	666,151	–	–	–	666,151	0.02%	23.05.2021-22.05.2024	(5)
	7.57	–	1,273,506	–	–	–	1,273,506	0.04%	17.06.2021-16.06.2024	(6)
Others	7.27	–	–	–	1,500,000	–	1,500,000	0.05%	19.6.2020-18.6.2023	(1)
Sub-total		46,867,914	2,788,588	–	1,500,000	(962,603)	50,193,899			
Total		52,267,914	2,788,588	–	–	(962,603)	54,093,899			

Notes:

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

(2) The 962,603 share options lapsed due to resignation of the relevant employees.

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

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

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

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

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

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

	Fair value per share option HK$	Closing price as at the date of grant HK$	Exercise price HK$	Standard deviation of expected share price return	Expected term of share option	Expected dividend paid out rate	Risk-free interest rate
Granted on 29 March 2019: 848,931 share options (outstanding as at 30 June 2019)	1.395	8.48	8.48	30.18%	4 years	4.30%	1.44%
Granted on 23 May 2019: 666,151 share options (outstanding as at 30 June 2019)	1.154	7.16	7.27	29.94%	4 years	4.30%	1.68%
Granted on 17 June 2019: 1,273,506 share options (outstanding as at 30 June 2019)	1.187	7.45	7.57	29.84%	4 years	4.30%	1.60%

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

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

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

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

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

As at the end of June 2017, COSCO SHIPPING Lines, Shanghai Pan Asia, Shanghai Fosun Industrial Investment Company Limited (上海復星產業投資有限公司) (a strategic investor) ("**Fosun Industrial Investment**") and Ningbo Hongyang Investment and Management LLP (寧波洭陽投資管理合夥企業(有限合夥)) (the employees' participation platform) ("**Hongyang**") signed an agreement on capital increase and completed the change of industrial and commercial registration. As at 30 June 2019, Shanghai Pan Asia was owned by COSCO SHIPPING Lines, Shanghai International Port (Group) Co., Ltd., Fosun Industrial Investment and Hongyang as to 62%, 20%,10% (contributing approximately RMB427 million) and 8% (contributing approximately RMB341 million), respectively. The participating employees, of a total number of 154, are core management personnel of Shanghai Pan Asia, accounting for 35.73% of its total headcount.

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

As at 30 June 2019, the interests of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") were as follows:

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

Name of Director	Capacity	Nature of interest	Number of H shares	Approximate percentage of total issued H share capital	Approximate percentage of total issued share capital
TEO Siong Seng	Beneficial owner	Personal	161,000	0.00624%	0.00131%

(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 Co., Ltd.	FENG Boming	Beneficial owner	Personal	29,100	0.00025%
	TEO Siong Seng	Beneficial owner	Personal	200,000	0.00172%
	DENG Huangjun	Spouse's interest	Spouse	38,000	0.00033%
COSCO SHIPPING Ports	ZHANG Wei (張為)	Beneficial owner	Personal	1,806,896(1)	0.058%
	DENG Huangjun	Beneficial owner	Personal	1,250,000(2)	0.040%

Notes:

(i) As at 30 June 2019, Mr. Zhang Wei (張為) was interested in 1,500,000 share options under the COSCO SHIPPING Ports Share Option Scheme and 306,896 ordinary shares of COSCO SHIPPING Ports.

(ii) As at 30 June 2019, Mr. Deng Huangjun was interested in 1,200,000 share options under the COSCO SHIPPING Ports Share Option Scheme and 50,000 ordinary shares of COSCO SHIPPING Ports.

Save as disclosed above, as at 30 June 2019, none of the Directors, Supervisors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2019, so far as was known to the Directors, Shareholders having interests in the A Shares and H Shares which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, were as follows:

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

Save as disclosed above, as at 30 June 2019, so far as was known to the Directors, there was no person (other than a Director, Supervisor or chief executive of the Company) who had any other interest or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

Use of Proceeds Raised from the Non Public Issuance of A Shares

After consideration and approval by the fifth meeting of the fifth session of the Board and after approval by the third extraordinary general meeting, the first A Share class meeting and the first H Share class meeting of the Company in 2017, the Company proposed the non-public issuance of a maximum of 2,043,254,870 A Shares (the "**Non-public Issuance of A Shares**") to not more than 10 specific investors (including COSCO SHIPPING) at a price not lower than 90% of the average trading price of the 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.

On 24 January 2019, the Company completed the procedures for registration of 2,043,254,870 new A Shares issued under the Non-Public Issuance of A Shares with China Securities Depository and Clearing Company Limited (Shanghai Branch). The Company issued 2,043,254,870 A Shares to nine investors (including COSCO SHIPPING). Other than COSCO SHIPPING, all the other eight subscribers under the Non-public Issuance of A Shares and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons. The nominal value per A Share is RMB1.00 and the issue price is RMB3.78 per A Share. The gross proceeds raised from the Non-Public Issuance of A Shares were RMB7,723,503,408.60. The net proceeds (after deducting the costs of the issuance) raised from the Non-Public Issuance of A Shares were RMB7,702,574,083.11, which were intended to be used for the payment of the consideration for 20 container vessels under construction as disclosed in the announcement of the Company dated 30 October 2017 and the circular of the Company dated 1 December 2017. The amount invested are as follows:

Project Name	Amount Invested from Proceeds Raised from Non-Public Issuance of A Shares (RMB'000)
Five 13,800 TEU container vessels under construction	RMB1,738,542.5
Four 14,568 TEU container vessels under construction	RMB1,841,638.9
Five 20,119 TEU container vessels under construction	RMB2,543,697.5
Six 21,237 TEU container vessels under construction	RMB1,578,695.2
Total	**RMB7,702,574.1**

As at 30 June 2019, the Company had fully utilized RMB7,702,574,083.11 of the net proceeds in the payment of consideration for the aforementioned projects.

Other Information

Audit Committee

The Company has established the audit committee of the Company (the "**Audit Committee**") in compliance with Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The primary duties of the Audit Committee are to review the financial reporting process and the systems of internal controls of the Group (including the adequacy of resources, staff qualifications and experience, effectiveness of internal audit, corporate governance and control, and the training programs and budget of the Company's accounting and financial reporting function), the completeness and accuracy of its accounts and to liaise on behalf of the Directors with external auditors. The Audit Committee consists of three independent non-executive Directors, namely Mr. Zhou Zhonghui (chairman of the Audit Committee), Mr. Yang, Liang Yee Philip, and Mr. Wu Dawei. The Audit Committee meets regularly with management of the Company and the Company's external auditors, and reviews external auditors' review and audit reports (as applicable) of the Group and the interim and annual financial statements, as the case may be. The Audit Committee has reviewed the unaudited interim financial information for the Reporting Period, and recommended its adoption by the Board.

Corporate Governance

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

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

Model Code for Securities Transactions by Directors

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

Purchase, Sale or Redemption of Listed Securities

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

Interim Dividend

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

Other Information

Investor Relations

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

In the first half of the year, the Group had extensive communication with the capital market by organizing domestic and overseas road shows, reverse road shows, results press release, domestic and overseas investor meetings, providing hospitality to visitors and organizing telephone conferences. The Group had held a total of over 127 personal or group meetings, made contact with 480 investors, and actively made responses to the questions of numerous medium and small investors through telephone, email, designated network platforms and other channels.

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

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

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

The investor relations section on the website of the Company (http://hold.coscoshipping.com) addresses investor enquiries.

Corporate Culture

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

Condensed Consolidated Interim Balance Sheet (Unaudited)

As at 30 June 2019

	Note	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**102,744,554**	115,385,537
Right-of-use assets	6	**36,885,549**	–
Investment properties	6	**2,363,758**	2,372,369
Leasehold land and land use rights	6	**–**	2,273,525
Intangible assets	6	**5,710,310**	5,406,925
Goodwill		**5,866,533**	5,785,808
Joint ventures		**9,974,447**	9,886,112
Associates		**18,762,982**	18,991,354
Financial assets at fair value through other comprehensive income		**2,095,053**	2,083,638
Financial assets at fair value through profit or loss		**638,491**	499,442
Financial assets at amortised cost		**1,260,167**	1,299,828
Restricted bank deposits		**395,632**	398,072
Deferred income tax assets		**1,096,714**	1,060,469
Loans to joint ventures and associates		**1,191,157**	1,194,537
Other non-current assets		**661,249**	1,490,185
Total non-current assets		**189,646,596**	168,127,801
Current assets			
Inventories		**4,100,769**	4,100,906
Trade and other receivables and contract assets	7	**16,011,131**	14,852,027
Financial assets at fair value through profit or loss		**2,427,415**	2,596,055
Financial assets at amortised cost		**277,513**	230,380
Taxes recoverable		**56,249**	47,809
Restricted bank deposits		**1,152,977**	759,171
Cash and bank balances		**31,869,837**	32,837,729
Assets classified as held for sale	20	**10,452,571**	4,591,927
Total current assets		**66,348,462**	60,016,004
Total assets		**255,995,058**	228,143,805

Condensed Consolidated Interim Balance Sheet (Unaudited)

As at 30 June 2019

	Note	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	8	12,259,529	10,216,274
Reserves		17,153,963	12,669,939
		29,413,492	22,886,213
Non-controlling interests		33,394,213	33,466,676
Total equity		62,807,705	56,352,889
LIABILITIES			
Non-current liabilities			
Long-term borrowings	9	82,351,085	80,244,198
Lease liabilities		27,092,815	–
Provisions and other liabilities	10	346,089	351,172
Put option liability	17	1,470,038	–
Pension and retirement liabilities		289,340	305,517
Derivative financial liabilities		73,958	50,499
Deferred income tax liabilities		2,337,082	1,985,569
Total non-current liabilities		113,960,407	82,936,955
Current liabilities			
Trade and other payables and contract liabilities	11	31,435,878	29,698,425
Derivative financial liabilities		21,504	59,786
Short-term borrowings	9	26,050,827	48,220,619
Current portion of long-term borrowings	9	6,829,369	8,730,823
Current portion of lease liabilities		7,390,963	–
Current portion of provisions and other liabilities	10	1,151	2,393
Taxes payable		978,168	897,482
Liabilities directly associated with assets classified as held for sale	20	6,519,086	1,244,433
Total current liabilities		79,226,946	88,853,961
Total liabilities		193,187,353	171,790,916
Total equity and liabilities		255,995,058	228,143,805
Net current liabilities		12,878,484	28,837,957
Total assets less current liabilities		176,768,112	139,289,844

Condensed Consolidated Interim Income Statement (Unaudited)

For the six months ended 30 June 2019

	Note	Six months ended 30 June 2019 RMB'000	 2018 RMB'000
Continuing operation			
Revenues	5	**71,762,486**	45,041,047
Cost of services and inventories sold		**(64,400,210)**	(42,186,575)
Gross profit		**7,362,276**	2,854,472
Other income		**1,031,753**	358,744
Other expenses		**(216,641)**	(16,663)
Net impairment losses on financial assets		**(25,886)**	(16,859)
Selling, administrative and general expenses		**(4,355,317)**	(2,031,274)
Operating profit	12	**3,796,185**	1,148,420
Finance income	13	**431,344**	187,270
Finance costs	13	**(3,093,808)**	(1,276,395)
Net finance costs	13	**(2,662,464)**	(1,089,125)
		1,133,721	59,295
Share of profits less losses of			
– joint ventures		**397,120**	330,688
– associates		**693,136**	686,798
Profit before income tax from continuing operation		**2,223,977**	1,076,781
Income tax expenses	14	**(359,828)**	(307,643)
Profit for the period from continuing operation		**1,864,149**	769,138
Discontinued operation			
Profit for the period from discontinued operation	20	**150,920**	–
Profit for the period		**2,015,069**	769,138
Profit attributable to:			
– Equity holders of the Company		**1,164,386**	40,796
– Non-controlling interests		**850,683**	728,342
		2,015,069	769,138
Profit attributable to equity holders of the Company arising from:			
– Continuing operation		**1,051,196**	40,796
– Discontinued operation		**113,190**	–
		1,164,386	40,796

Condensed Consolidated Interim Income Statement (Unaudited)

For the six months ended 30 June 2019

	Note	Six months ended 30 June 2019 RMB	2018 RMB
Earnings per share attributable to equity holders of the Company:			
Basic earnings per share			
– From continuing operation	15	**0.0882**	0.0040
– From discontinued operation	15	**0.0095**	–
		0.0977	0.0040
Diluted earnings per share			
– From continuing operation	15	**0.0882**	0.0040
– From discontinued operation	15	**0.0095**	–
		0.0977	0.0040

Condensed Consolidated Interim Statement of Comprehensive Income (Unaudited)

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Profit for the period	**2,015,069**	769,138
Other comprehensive (loss)/income		
Items that will be reclassified or may be reclassified subsequently to profit or loss		
Cash flow hedges, net of tax	**(14,512)**	(2,077)
Share of other comprehensive (loss)/income of joint ventures and associates	**(4,608)**	28,330
Release of reserve upon deemed disposal of an associate	**(163)**	–
Currency translation differences	**31,578**	65,856
Items 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	**(4,275)**	(87,993)
Remeasurements of post-employment benefit obligations	**(4,278)**	(6,480)
Share of other comprehensive income/(loss) of an associate-other reserves	**13,318**	(26,774)
Other comprehensive income/(loss) for the period, net of tax	**17,060**	(29,138)
Total comprehensive income for the period	**2,032,129**	740,000
Total comprehensive income for the period attributable to:		
– Equity holders of the Company	**1,181,310**	99,319
– Non-controlling interests	**850,819**	640,681
	2,032,129	740,000
Total comprehensive income attributable to equity holders of the Company arising from:		
– Continuing operation	**1,063,276**	99,319
– Discontinued operation	**118,034**	–
	1,181,310	99,319

Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2019

	Equity holders of the Company RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 31 December 2018, as previously reported	22,886,213	33,466,676	56,352,889
Change in accounting policy (note 2)	(1,738,644)	(541,083)	(2,279,727)
Balance at 1 January 2019	21,147,569	32,925,593	54,073,162
Comprehensive income			
Profit for the period	1,164,386	850,683	2,015,069
Other comprehensive (loss)/income:			
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	(3,942)	(333)	(4,275)
Cash flow hedges, net of tax	(3,080)	(11,432)	(14,512)
Share of other comprehensive income of joint ventures and associates	5,151	3,559	8,710
Release of reserve upon deemed disposal of an associate	(81)	(82)	(163)
Currency translation differences	22,087	9,491	31,578
Remeasurements of post-employment benefit obligations	(3,211)	(1,067)	(4,278)
Total other comprehensive income	16,924	136	17,060
Total comprehensive income for the period	1,181,310	850,819	2,032,129
Transactions with owners:			
Issue of A-shares	7,702,574	–	7,702,574
Acquisition of a subsidiary	–	967,747	967,747
Acquisition of additional interest in a subsidiary	52,749	(119,726)	(66,977)
Dividends paid to minority shareholders of subsidiaries	–	(472,426)	(472,426)
Fair value of share options granted	13,784	3,574	17,358
Recognition of put option liability arising from acquisition of a subsidiary	(695,502)	(755,255)	(1,450,757)
Others	11,008	(6,113)	4,895
Total transactions with owners	7,084,613	(382,199)	6,702,414
As at 30 June 2019	29,413,492	33,394,213	62,807,705

Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2019

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

Condensed Consolidated Interim Cash Flows Statement (Unaudited)

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Cash flows from operating activities		
Cash generated from operations	**9,421,988**	555,167
Interest received	**384,062**	187,678
Income tax paid	**(339,211)**	(276,584)
Net cash generated from operating activities	**9,466,839**	466,261
Cash flows from investing activities		
Purchase of property, plant and equipment, investment properties, leasehold land and land use rights and intangible assets	**(6,262,322)**	(7,771,241)
Acquisition of a subsidiary, net of cash acquired	**6,947**	–
Investments in jointly ventures and associates	**(237,318)**	(152,172)
Proceeds from disposal of property, plant and equipment, investment properties, leasehold land and land use rights and intangible assets	**52,392**	53,718
Cash received from disposal of financial assets through profit or loss	**290,283**	–
Repayments of loans granted to jointly ventures	**–**	122,662
Dividends received from jointly ventures	**292,825**	208,318
Dividends received from associates	**119,004**	135,805
Dividends received from financial assets	**69,419**	2,147
Interest income from financial assets	**79,529**	–
Others	**(2,874)**	–
Net cash used in investing activities	**(5,592,115)**	(7,400,763)
Cash flows from financing activities		
Proceeds from borrowings	**27,520,259**	21,818,692
Repayments of borrowings	**(33,107,549)**	(10,279,322)
Dividends paid to non-controlling interests	**(86,267)**	(106,367)
Interest paid	**(2,462,642)**	(893,898)
Issue of A-shares	**7,704,128**	–
Payment of leased liabilities	**(3,995,561)**	–
Increase in restricted bank balances	**(385,922)**	–
Others	**(204,377)**	6,189
Net cash (used in)/generated from financing activities	**(5,017,931)**	10,545,294
Net (decrease)/increase in cash and bank balances	**(1,143,207)**	3,610,792
Cash and cash equivalents as at 1 January	**32,837,729**	25,738,526
Net increase in cash and cash equivalents of disposal group classified as held for sale	**(9,478)**	–
Exchange differences	**184,793**	210,942
Cash and bank balances as at 30 June	**31,869,837**	29,560,260

Notes to the Unaudited Condensed Consolidated Interim Financial Information

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") mainly include 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 ("China COSCO SHIPPING"), a state-owned enterprise established in the PRC, as being the Company's ultimate parent company (note 22). China COSCO SHIPPING and its subsidiaries (other than the Group) are collectively referred to as "China COSCO SHIPPING Group". The Directors regard China Ocean SHIPPING Company Limited ("COSCO") as the immediate parent company.

On 6 July 2018, Orient Overseas (International) Limited ("OOIL") and Faulkner Global Holdings Limited ("Faulkner Global"), which are subsidiaries of the Company amongst others entered into the National Security Agreement pursuant to which OOIL and Faulkner Global committed to divest the subsidiaries which directly or indirectly operate the Long Beach Container Terminal ("OOIL U.S. Terminal Business"). On 29 April 2019, OOIL entered into the Sale and Purchase Agreement with Olivia Holdings LLC relating to the sale and purchase of the entire interests in LBCT LLC, a wholly owned subsidiary of OOIL which operates the OOIL U.S. Terminal Business, for the consideration of US$1,780 million (equivalent to approximately RMB11,977 million) (subject to certain post-completion adjustments). As at 30 June 2019, this transaction has not been completed. Hence, the sale of the OOIL U.S. Terminal Business is accounted for as discontinued operation under HKFRS 5 "Non-current assets held for sale and discontinued operations".

On 24 January 2019, the Company has completed the procedures for registration of the new A-shares issued under the Proposed Non-public Issuance of A Shares with China Securities Depository and Clearing Company Limited (Shanghai Branch). Upon completion of the Proposed Non-public Issuance of A Shares, the total number of Shares increased from 10,216,274,357 shares to 12,259,529,227 shares, and the total number of A-shares increased from 7,635,674,357 A-shares to 9,678,929,227 A-shares.

This unaudited interim financial information for the six months ended 30 June 2019 (the "Interim Financial Information") is presented in Renminbi ("RMB'') and all values are rounded to the nearest thousand except when otherwise indicated. The Interim Financial Information was approved by the Board of Directors for issue on 30 August 2019.

2 Basis of preparation and significant accounting policies

The Interim Financial Information has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

The Interim Financial Information should be read in conjunction with the annual audited financial statements for the year ended 31 December 2018 (the "2018 Annual Financial Statements") which were prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA.

Except as described below and for the estimation of income tax using the tax rate that would be applicable to expected total annual earning, the significant accounting policies and methods of computation used in the preparation of the Interim Financial Information are consistent with the 2018 Annual Financial Statements.

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

The following new standard and amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2019:

New standards and amendments	
HKFRS 16	Leases
HKFRS 9 (Amendment)	Financial instruments – Prepayment features with negative compensation
HKAS 28 (Amendment)	Long term interests in associates and joint ventures
HKAS 19	Employee benefits – Plan amendment, curtailment or settlement
HK(IFRIC) 23	Uncertainty over income tax

Annual Improvements 2015 – 2017	
HKFRS 3	Business combinations
HKFRS 11	Joint arrangements
HKAS 12	Income taxes
HKAS 23	Borrowing costs

2 Basis of preparation and significant accounting policies (Continued)

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

The adoption of the above new standards, amendments, improvement and interpretation to existing HKFRSs do not have a material impact on the Group, except for HKFRS 16 "Leases" as set out below.

The Group has adopted HKFRS 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

(i) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.84%.

For leases previously classified as finance leases the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of HKFRS 16 are only applied after that date.

At 31 December 2018, the Group had non-cancellable operating lease commitments for continuing operations of RMB51,313,312,000. As part of the transition, the Group assessed and applied following adjustments before discounting lease payments at the lessee's incremental borrowing rate:

- Service components included in vessels' time charter rates are not included as part of the lease liability. These costs will be recognised in the income statement as incurred.
- Low value leases which will continue to be recognised on straight-line basis as expenses.
- Short-term leases which will continue to be recognised on straight-line basis as expenses.
- Changes in the index or rate affecting variable payments.

The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

2 Basis of preparation and significant accounting policies (Continued)

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

(i) Adjustments recognised on adoption of HKFRS 16 (Continued)

The recognised right-of-use assets relate to the following types of assets:

	As at 30 June 2019 RMB'000	As at 1 January 2019 RMB'000
Container vessels	**27,987,789**	31,488,247
Concession rights	**4,503,200**	4,625,523
Land use rights	**2,266,485**	2,273,525
Others	**2,128,075**	2,281,468
Total right-of-use assets	**36,885,549**	40,668,763

The adjustments on the condensed consolidated balance sheet as at 1 January 2019 are summarised below:

Condensed consolidated balance sheet (extract)	**31 December 2018 As originally presented RMB'000**	**Effect of adoption of HKFRS 16 RMB'000**	**1 January 2019 RMB'000**
ASSETS			
Non-current assets			
Property, plant and equipment	**115,385,537**	**(18,809,124)**	**96,576,413**
Right-of-use assets	**–**	**40,668,763**	**40,668,763**
Leasehold land and land use rights	**2,273,525**	**(2,273,525)**	**–**
Associates	**18,991,354**	**(337,129)**	**18,654,225**
Deferred income tax assets	**1,060,469**	**250**	**1,060,719**
Other non-current assets	**1,490,185**	**(288,668)**	**1,201,517**
Total non-current assets	**168,127,801**	**18,960,567**	**187,088,368**
Current assets			
Trade and other receivables and contract assets	**14,852,027**	**(18,657)**	**14,833,370**
Assets classified as held for sale	**4,591,927**	**5,621,877**	**10,213,804**
Total current assets	**60,016,004**	**5,603,220**	**65,619,224**
Total assets	**228,143,805**	**24,563,787**	**252,707,592**

2 Basis of preparation and significant accounting policies (Continued)

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

(i) Adjustments recognised on adoption of HKFRS 16 (Continued)

Condensed consolidated balance sheet (extract)	31 December 2018 As originally presented RMB'000	Effect of adoption of HKFRS 16 RMB'000	1 January 2019 RMB'000
EQUITY			
Reserves	12,669,939	(1,738,644)	10,931,295
Non-controlling interests	33,466,676	(541,083)	32,925,593
Total equity	56,352,889	(2,279,727)	54,073,162
LIABILITIES			
Non-current liabilities			
Long-term borrowings	80,244,198	(15,358,963)	64,885,235
Lease liabilities	–	30,524,325	30,524,325
Total non-current liabilities	82,936,955	15,165,362	98,102,317
Current liabilities			
Trade and other payables and contract liabilities	29,698,425	(75,128)	29,623,297
Current portion of long-term borrowings	8,730,823	(1,449,455)	7,281,368
Current portion of lease liabilities	–	7,420,420	7,420,420
Liabilities directly associated with assets classified as held for sale	1,244,433	5,782,315	7,026,748
Total current liabilities	88,853,961	11,678,152	100,532,113
Total liabilities	171,790,916	26,843,514	198,634,430
Total equity and liabilities	228,143,805	24,563,787	252,707,592

2 Basis of preparation and significant accounting policies (Continued)

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

(i) Adjustments recognised on adoption of HKFRS 16 (Continued)

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Reliance on previous assessments on whether leases are onerous;
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- The use of recognition exemption to leases for which the underlying asset is of low value.
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 Determining whether an Arrangement contains a Lease.

(ii) The Group's leasing activities and how these are accounted for

The Group leases various container vessels, concession rights, land use rights, containers, buildings and others. Rental contracts are typically made for fixed periods of 1 to 40 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

2 Basis of preparation and significant accounting policies (Continued)

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

(ii) The Group's leasing activities and how these are accounted for (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payment that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees;
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise containers, IT-equipment, small items of office furniture and others.

Some leases on concession rights contain variable payment terms that are linked to revenue generated from a port. For individual ports, lease payments are on the basis of variable payment terms with a wide range of percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for port operations. Variable lease payments that depend on revenue are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

2 Basis of preparation and significant accounting policies (Continued)

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

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

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

The adoption of HKAS 1 and HKAS 8 (Amendments), HKFRS 3 (Amendment), HKFRS 17 and HKFRS 10 and HKAS 28 (Amendments) are not expected to have a significant effect on the consolidated financial statements of the Group.

3 Financial risk management

(a) Financial risk factors

All aspects of the Group's financial risk management objectives and practices are consistent with those disclosed in the 2018 Annual Financial Statements.

As at 30 June 2019, the Group's current liabilities exceeded its current assets by approximately RMB12,878 million. As at 30 June 2019, the Group (excluding COSCO SHIPPING Ports Limited ("COSCO SHIPPING Ports") and OOIL) has total unutilised uncommitted and committed credit facilities of approximately RMB37,429 million from banks. The Board believes that, based on experience to date, it is likely that the Group will continue to be able to drawdown loans from these facilities in the foreseeable future if required. In preparing the financial statements, the Directors consider the adequacy of cash inflows from operations and financing activities to meet its financial obligations as and when they fall due and prepared a cash flow forecast for the Group for the coming 12 months. With the cash inflows from operations and available credit facilities and other sources of financing, the Board considers that the Group will be able to obtain sufficient financing to enable it to operate, meet its liabilities as and when they become due, and satisfy its capital expenditure requirements at least for the coming 12 months. Accordingly, the Board believes that it is appropriate to prepare the Interim Financial Information on a going concern basis.

(b) 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).

3 Financial risk management (Continued)

(b) Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value as at 30 June 2019:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss at ("FVPL")				
– Equity securities	**895,900**	**–**	**–**	**895,900**
– Debt securities	**2,127,541**	**–**	**–**	**2,127,541**
– Funds and other investments	**–**	**42,465**	**–**	**42,465**
Financial assets at fair value through other comprehensive income ("FVOCI")	**1,160,764**	**–**	**934,289**	**2,095,053**
Derivative financial instruments	**–**	**95,462**	**–**	**95,462**
Put option liability	**–**	**–**	**1,470,038**	**1,470,038**

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				
– 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	1,095,048	–	988,590	2,083,638
Derivative financial instruments	–	110,285	–	110,285

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

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.

3 Financial risk management (Continued)

(b) Fair value estimation (Continued)

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

Specific valuation techniques used to value financial instruments include:

– Quoted market prices or dealer quotes for similar instruments.

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

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

	Financial assets at FVOCI RMB'000	Put option liability RMB'000
Six months ended 30 June 2019		
As at 1 January 2019	988,590	-
Addition	-	1,442,089
Fair value change	(48,079)	8,671
Currency translation differences	(6,222)	19,278
As at 30 June 2019	934,289	1,470,038

	Financial assets at FVOCI RMB'000
Six months ended 30 June 2018	
As at 31 December 2017	697,738
Change in accounting policy	64,747
As at 1 January 2018	762,485
Fair value change	11,234
Currency translation differences	(6)
As at 30 June 2018	773,713

As at 30 June 2019, description of the valuation techniques and the inputs used in the fair value measurement in level 3 include:

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

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

– The fair value of the put option liability is determined based on discounted cash flow prepared by management.

3 Financial risk management (Continued)

(b) Fair value estimation (Continued)

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

4 Critical accounting estimates and judgements

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

In preparing the Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were basically the same as those that applied to the 2018 Annual Financial Statements.

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 business

– Container terminal business

– Corporate and other operations that primarily comprise investment holding, management services and financing

Segment assets are those operating assets that are employed by a segment in its operating activities. They exclude joint ventures, associates, loans to joint ventures and associates, financial assets at FVOCI, financial assets at FVPL, financial assets at amortised cost and assets classified as held for sale not related to the segment and unallocated assets. Segment liabilities are these operating liabilities that result from the operating activities of a segment.

Unallocated assets consist of taxes recoverable and deferred income tax assets. Unallocated liabilities consist of taxes payables and deferred income tax liabilities.

Addition to non-current assets comprises additions to property, plant and equipment, investment properties, intangible assets and right-of-use assets.

5 Revenues and segment information (Continued)

Operating segments (Continued)

	Six months ended 30 June 2019							
	Continuing operation							
	Container shipping business[#] RMB'000	Container terminal business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Sub-total RMB'000	Discontinued operation RMB'000	Elimination RMB'000	Group RMB'000
Income statement								
Total revenues	68,907,345	3,566,346	–	(711,205)	71,762,486	896,321	(557,645)	72,101,162
Comprising:								
– Inter-segment revenues	3,047	708,158	–	(711,205)	–	557,645	(557,645)	–
– Revenues (from external customers)	68,904,298	2,858,188	–	–	71,762,486	338,676	–	72,101,162
Revenues from contracts with customers:								
At a point in time	4,742,875	–	–	–	4,742,875	–	–	4,742,875
Over time	64,164,470	3,566,346	–	(711,205)	67,019,611	896,321	(557,645)	67,358,287
	68,907,345	3,566,346	–	(711,205)	71,762,486	896,321	(557,645)	72,101,162
Segment operating profit	3,016,930	690,820	88,435	–	3,796,185	298,004	–	4,094,189
Finance income	299,568	36,287	186,533	(91,044)	431,344	6,839	–	438,183
Finance costs	(1,879,780)	(329,786)	(975,286)	91,044	(3,093,808)	(153,923)	–	(3,247,731)
Share of profits less losses of								
– joint ventures	60,495	336,625	–	–	397,120	–	–	397,120
– associates	49,159	643,977	–	–	693,136	–	–	693,136
Profit/(loss) before income tax	1,546,372	1,377,923	(700,318)	–	2,223,977	150,920	–	2,374,897
Income tax expenses	(150,002)	(209,826)	–	–	(359,828)	–	–	(359,828)
Profit/(loss) for the period	1,396,370	1,168,097	(700,318)	–	1,864,149	150,920	–	2,015,069
Gain/(loss) on disposals of property plant and equipment, net	32,593	(6,147)	–	–	26,446	–	–	26,446
Depreciation and amortisation	5,220,929	654,008	1,689	–	5,876,626	–	–	5,876,626
Additions to non-current assets	6,683,165	2,208,900	5,379	–	8,897,444	24,160	–	8,921,604

(#) Revenues for container shipping business, include respective service income and other related income, and are recognised at a point in-time or over-time.

5 Revenues and segment information (Continued)

Operating segments (Continued)

	Six months ended 30 June 2018				
	Container shipping business[#] RMB'000	Container terminal business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Income statement					
Total revenues	42,367,825	3,178,329	–	(505,107)	45,041,047
Comprising:					
– Inter-segment revenues	3,087	502,020	–	(505,107)	–
– Revenues (from external customers)	42,364,738	2,676,309	–	–	45,041,047
Revenues from contracts with customers:					
At a point in time	3,829,422	–	–	–	3,829,422
Over time	38,538,403	3,178,329	–	(505,107)	41,211,625
	42,367,825	3,178,329	–	(505,107)	45,041,047
Segment operating profit/(loss)	427,651	750,325	(29,556)	–	1,148,420
Finance income	118,215	36,405	100,966	(68,316)	187,270
Finance costs	(710,591)	(291,435)	(342,685)	68,316	(1,276,395)
Share of profits less losses of					
– joint ventures	30,597	300,091	–	–	330,688
– associates	13,487	673,311	–	–	686,798
(Loss)/profit before income tax	(120,641)	1,468,697	(271,275)	–	1,076,781
Income tax expenses	(90,840)	(216,803)	–	–	(307,643)
(Loss)/profit for the period	(211,481)	1,251,894	(271,275)	–	769,138
Gain on disposals of property plant and equipment, net	20,270	1,481	–	–	21,751
Depreciation and amortisation	867,743	495,691	818	–	1,364,252
Additions to non-current assets	7,297,847	708,403	4,376	–	8,010,626

[#] Revenues for container shipping business include respective service income and other related income, and are recognised at a point in-time or over-time.

5 Revenues and segment information (Continued)

Operating segments (Continued)

	As at 30 June 2019				
	Container shipping business RMB'000	Container terminal business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Balance sheet					
Segment operating assets	167,773,606	38,716,022	13,516,225	(12,243,554)	207,762,299
Joint ventures	1,140,854	8,833,593	–	–	9,974,447
Associates	1,280,275	17,482,707	–	–	18,762,982
Loans to joint ventures and associates	–	1,191,157	–	–	1,191,157
Financial assets at FVOCI	797,955	1,297,098	–	–	2,095,053
Financial assets at FVPL	2,427,415	638,491	–	–	3,065,906
Financial assets at amortised cost	1,537,680	–	–	–	1,537,680
Assets classified as held for sale	–	10,452,571	–	–	10,452,571
Unallocated assets					1,152,963
Total assets					255,995,058
Segment operating liabilities	118,400,553	28,296,156	48,120,223	(11,463,915)	183,353,017
Liabilities directly associated with assets classified as held for sale	–	7,298,725	–	(779,639)	6,519,086
Unallocated liabilities					3,315,250
Total liabilities					193,187,353

5 Revenues and segment information (Continued)

Operating segments (Continued)

	As at 31 December 2018				
	Container shipping business RMB'000	Container terminal business RMB'000	Corporate and other operations RMB'000	Inter-segment elimination RMB'000	Total RMB'000
Balance sheet					
Segment operating assets	151,173,935	31,980,354	12,846,864	(10,338,900)	185,662,253
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	825,867	1,257,771	–	–	2,083,638
Financial assets at FVPL	2,596,055	499,442	–	–	3,095,497
Financial assets at amortised cost	1,530,208	–	–	–	1,530,208
Assets classified as held for sale	–	4,641,462	–	(49,535)	4,591,927
Unallocated assets					1,108,279
Total assets					228,143,805
Segment operating liabilities	107,559,286	21,290,002	48,739,119	(9,924,975)	167,663,432
Liabilities directly associated with assets classified as held for sale	–	1,707,893	–	(463,460)	1,244,433
Unallocated liabilities					2,883,051
Total liabilities					171,790,916

Geographical information

(a) Revenues

The Group's businesses are managed on a worldwide basis. The revenues generated from the world's major trade lanes for container shipping business mainly include Trans-Pacific, Asia-Europe, Intra-Asia, within Mainland China, Trans- Atlantic and others which are reported as follows:

Geographical	**Trade lanes**
America	Trans-Pacific
Europe	Asia-Europe (including Mediterranean)
Asia Pacific	Intra-Asia (including Australia)
Mainland China	Within Mainland China
Other international market	Trans-Atlantic and others

5 Revenues and segment information (Continued)

Geographical information (Continued)

(a) Revenues (Continued)

For the geographical information, freight revenues from container shipping are analysed based on trade lanes for container shipping operations.

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

	Six months ended 30 June 2019		
	Total revenues RMB'000	Inter-segment revenues RMB'000	External revenues RMB'000
Continuing operation			
Container shipping business			
– America	19,466,235	–	19,466,235
– Europe	14,967,414	–	14,967,414
– Asia Pacific	16,634,695	–	16,634,695
– Mainland China	8,958,778	(3,047)	8,955,731
– Other international market	8,880,223	–	8,880,223
Container shipping business	68,907,345	(3,047)	68,904,298
Container terminal business, corporate and other operations			
– Europe	1,926,300	(321,369)	1,604,931
– Mainland China	1,640,046	(386,789)	1,253,257
Container terminal business, corporate and other operations	3,566,346	(708,158)	2,858,188
Total	72,473,691	(711,205)	71,762,486
Discontinued operation			
– America	896,321	(557,645)	338,676

5 Revenues and segment information (Continued)

Geographical information (Continued)

(a) Revenues (Continued)

	Six months ended 30 June 2018		
	Total revenues RMB'000	Inter-segment revenues RMB'000	External revenues RMB'000
Container shipping business			
– America	10,968,497	–	10,968,497
– Europe	8,894,194	–	8,894,194
– Asia Pacific	8,783,484	–	8,783,484
– Mainland China	8,624,358	(3,087)	8,621,271
– Other international market	5,097,292	–	5,097,292
Container shipping business	42,367,825	(3,087)	42,364,738
Container terminal business, corporate and other operations			
– Europe	1,677,021	(219,657)	1,457,364
– Mainland China	1,501,308	(282,363)	1,218,945
Container terminal business, corporate and other operations	3,178,329	(502,020)	2,676,309
Total	45,546,154	(505,107)	45,041,047

The Group's revenues are mainly with contract period of less than one year. So, the Group takes the expedient not to disclose the unsatisfied performance obligation under HKFRS 15.

5 Revenues and segment information (Continued)

Geographical information (Continued)

(b) Non-current assets

The Group's non-current assets, other than financial instruments and deferred income tax assets ("Geographical Non-Current Assets"), consist of its property, plant and equipment, investment properties, intangible assets, right-of-use assets, 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 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
China	**41,824,606**	40,959,523
Outside China	**29,210,096**	24,013,741
Unallocated	**111,934,680**	96,618,551
Total	**182,969,382**	161,591,815

6 Tangible and intangible assets

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Property, plant and equipment(#)	102,744,554	115,385,537
Right-of-use assets	36,885,549	–
Investment properties	2,363,758	2,372,369
Leasehold land and land use rights	–	2,273,525
Intangible assets	5,710,310	5,406,925
Total tangible and intangible assets	147,704,171	125,438,356

(#) As at 30 June 2019, property, plant and equipment included container vessels, buildings, containers, trucks, chassis and motor vehicles, computer, office and other equipment, assets under construction.

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

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
As at 31 December of previous year	125,438,356	62,776,603
Change in accounting policy (Note 2(a))	19,586,114	–
As at 1 January	145,024,470	62,776,603
Currency translation differences	191,728	454,039
Acquisition of a subsidiary	1,239,923	–
Additions	7,657,543	8,010,626
Disposals/write-off	(532,867)	(35,849)
Depreciation/amortisation	(5,876,626)	(1,358,747)
Closing net book value as at 30 June	147,704,171	69,846,672

7 Trade and other receivables and contract assets

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Trade receivables (note a)		
– third parties	**8,597,662**	8,161,389
– fellow subsidiaries	**200,253**	140,135
– joint ventures	**21,801**	29,922
– other related companies	**147,249**	113,346
	8,966,965	8,444,792
Bills receivables (note a)	**332,773**	289,594
Contract assets (note a)	**159,589**	161,769
	9,459,327	8,896,155
Prepayments, deposits and other receivables		
– third parties	**4,494,002**	4,776,775
– fellow subsidiaries (note b)	**794,071**	379,704
– joint ventures (note b)	**326,329**	202,207
– associates (note b)	**773,342**	407,322
– other related companies (note b)	**164,060**	189,864
	6,551,804	5,955,872
Total	**16,011,131**	14,852,027

7 Trade and other receivables and contract assets (Continued)

Notes:

(a) Trade receivables with related parties are unsecured and have similar credit periods as third party customers. The normal credit period granted to the trade receivables of the Group is generally within 90 days. Trade and bill receivables and contract assets primarily consisted of voyage-related receivables. As at 30 June 2019, the aging analysis of trade and bills receivables and contract assets on the basis of the date of relevant invoice or demand note is as follows:

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
1-3 months	**9,150,090**	8,470,666
4-6 months	**253,477**	384,713
7-12 months	**215,793**	180,032
Over 1 year	**172,004**	152,267
Trade, bills receivables and contract assets, gross	**9,791,364**	9,187,678
Less: provision for impairment	**(332,037)**	(291,523)
	9,459,327	8,896,155

(b) Prepayments,deposits and other receivables due from related companies are unsecured, interest free and have no fixed terms of repayment.

8 Share capital and equity linked benefits

(a) Share capital

	As at 30 June 2019		As at 31 December 2018	
	Number of shares (thousands)	**Nominal value RMB'000**	Number of shares (thousands)	Nominal value RMB'000
Registered, issued and fully paid:				
H-Shares of RMB1.00 each	**2,580,600**	**2,580,600**	2,580,600	2,580,600
A-Shares of RMB1.00 each	**9,678,929**	**9,678,929**	7,635,674	7,635,674
	12,259,529	**12,259,529**	10,216,274	10,216,274

On 24 January 2019, the Company has completed the procedures for registration of the new A-shares issued under the Proposed Non-public Issuance of A Shares with China Securities Depository and Clearing Company Limited (Shanghai Branch). Upon completion of the Proposed Non-public Issuance of A Shares, the total number of Shares increased from 10,216,274,357 shares to 12,259,529,227 shares, and the total number of A-shares increased from 7,635,674,357 A-shares to 9,678,929,227 A-shares.

(b) Share options of the Company

The Company operates share option schemes whereby options are granted to eligible employees or any participants (as defined in the relevant share option schemes) of the Group, to subscribe for its shares. No outstanding options were vested and exercisable as at 30 June 2019. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

At a special general meeting of the Company held on 30 May 2019, the shareholders of the Company approved the adoption of a share option scheme (the "2019 Share Option Scheme"). The purposes of the 2019 share option scheme are to enable the Company to establish and cultivate a performance-oriented culture, under which value is created for the Shareholders, and to establish an interests-sharing and restraining mechanism between the Shareholders and the Company's management. No consideration was paid by the grantees for the acceptance of share options.

8 Share capital and equity linked benefits (Continued)

(b) Share options of the Company (Continued)

Under the 2019 Share Option Scheme, the exercises of the options of three batches are subject to two-year, three-year and four-year vesting periods respectively during which a participant is not allowed to exercise any option granted. After the expiration of each vesting period, the participant may exercise the options in three batches in the one year, one year and three years after the expiration of each vesting period respectively. Within the exercise period of the share options, and subject to the fulfilment of the vesting conditions and the exercise arrangement of the share options, grant of each share option entitles the grantee to subscribe for one A share at relevant exercise price in three batches evenly after the expiry of each vesting period.

Movements of the share options granted by the Company during the six months ended 30 June 2019 are set out below:

			Six months ended 30 June 2019 Number of share options					
Date of grant	Exercisable period	Exercise price	Outstanding as at 1 January 2019	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited during the period	Outstanding as at 30 June 2019
03 June 2019	Note (i)	RMB4.10	–	192,291,000	–	–	–	192,291,000

Notes:

(i) The share options were granted on 3 June 2019 under the 2019 Share Option Scheme at an exercise price of RMB4.10. According to the provisions of the 2019 Share Option Scheme, share options under each grant have a validity period of ten years commencing from the date of grant and cannot be exercised evenly during the two-year, three-year and four-year period commencing from the date of grant (the "Restriction Period"). Besides, subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of one year, one year and three years after the expiry of each Restriction Period, i.e. 33%, 33% and 34%.

In the process of registration after 3 June 2019, five participants (not being senior management of the Company) did not accept the Share Option granted to them due to personal reasons. Under the Further Revised Scheme, the number of the Share Options granted in the first batch has been adjusted from 192,291,000 to 190,182,200. For details, please refer to the overseas regulatory announcement of the Company dated 19 July 2019.

On 24 July 2019, the Company completed the registration in respect the grant of the Share Option in the first batch 190,182,200 share options. For details, please refer to the overseas regulatory announcement of the Company dated 25 July 2019.

8 Share capital and equity linked benefits (Continued)

(c) 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 participant of the Group to subscribe for its share.

Movements of the share options granted by COSCO SHIPPING Ports during the six months ended 30 June 2019 and 2018 are set out below:

		Six months ended 30 June 2019 Number of share options					
Date of grant	**Exercise price**	**Outstanding as at 1 January 2019**	**Granted during the period**	**Exercised during the period**	**Cancelled during the period**	**Forfeited during the period**	**Outstanding as at 30 June 2019**
19 June 2018	HK$7.27	**51,415,948**	**–**	**–**	**–**	**(962,603)**	**50,453,345**
29 November 2018	HK$8.02	**851,966**	**–**	**–**	**–**	**–**	**851,966**
29 March 2019	HK$8.48	**–**	**848,931**	**–**	**–**	**–**	**848,931**
23 May 2019	HK$7.27	**–**	**666,151**	**–**	**–**	**–**	**666,151**
17 June 2019	HK$7.57	**–**	**1,273,506**	**–**	**–**	**–**	**1,273,506**
		52,267,914	**2,788,588**	**–**	**–**	**(962,603)**	**54,093,899**

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

9 Borrowings

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Long-term borrowings		
Bank loans		
– secured (note c)	37,909,655	37,409,002
– unsecured (note d)	26,214,291	16,607,979
Loans from China Shipping Finance Company Limited ("CS Finance")/ COSCO Finance Co., Ltd. ("COSCO Finance") (note a)		
– unsecured	248,000	248,503
Loans from CS Finance		
– secured	68,520	72,000
Notes/bonds (note e)	17,860,585	17,828,855
Loans from non-controlling shareholders of subsidiaries	4,703	4,715
Loans from a fellow subsidiary (note f)	–	60,877
Finance lease obligations	–	16,743,090
Loan from COSCO Shipping (HK) Co., Ltd.		
– unsecured	6,874,700	–
Total long-term borrowings	89,180,454	88,975,021
Current portion of long-term borrowings	(6,829,369)	(8,730,823)
	82,351,085	80,244,198

9 Borrowings (Continued)

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Short-term borrowings		
Bank loans		
– secured (note c)	300,000	269,998
– unsecured (note d)	20,920,827	35,054,871
Loans from CS Finance		
– unsecured	3,000,000	3,986,320
Loans from COSCO		
– unsecured	–	563,110
Loans from China COSCO SHIPPING		
– unsecured	–	1,188,120
Loans from COSCO Shipping (HK) Co., Ltd.		
– unsecured	–	6,863,200
Other loans		
– unsecured	330,000	295,000
Notes/bonds (note e)	1,500,000	–
	26,050,827	48,220,619

9 Borrowings (Continued)

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.

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

	RMB'000
Six months ended 30 June 2019	
As at 31 December 2018	**88,975,021**
Change in accounting policy (Note 2(a))	**(16,808,418)**
As at 1 January 2019	**72,166,603**
Repayments of borrowings	**(6,796,719)**
Reclass from short-term borrowings to long term borrowings	**6,874,700**
Drawdown of borrowings	**16,732,672**
Currency translation differences	**172,513**
Amortised amount of transaction costs on long-term borrowings	**13,901**
Amortised amount of discount on issue of notes	**16,784**
As at 30 June 2019	**89,180,454**
Six months ended 30 June 2018	
As at 1 January 2018	52,449,945
Repayments of borrowings	(3,347,596)
Drawdown of borrowings	7,435,524
Currency translation differences	368,745
Amortised amount of transaction costs on long-term borrowings	22,662
Amortised amount of discount on issue of notes	13,437
As at 30 June 2018	56,942,717

(c) The secured bank loans as at 30 June 2019 are secured, inter alia, by one or more of the following:

(i) First legal mortgages over certain vessels, property, plant and equipment with aggregate net book value of RMB57,179,702,000 (31 December 2018: RMB53,203,080,000);

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

(iii) Shares of certain subsidiaries;

(iv) Bank accounts of certain subsidiaries; and

(v) A financial asset at FVOCI.

(d) As at 30 June 2019, unsecured bank loans of RMB23,614,661,000 (31 December 2018: RMB23,636,573,000) are guaranteed by China COSCO SHIPPING.

9 Borrowings (Continued)

Notes: (Continued)

(e) Notes issued by the Company and its subsidiaries

(i) Notes issued by the Company

Notes with principal amount of RMB5,000,000,000, RMB4,000,000,000 and RMB1,500,000,000, which bear interest at a fixed rate of 4.35%, 4.05% and 2.80% per annum, were issued by the Company to investors on 3 September 2010, 22 November 2018 and 15 April 2019 respectively at a price equal to the principal amount. The notes with principal amount of RMB5,000,000,000, RMB4,000,000,000 and RMB1,500,000,000 would mature on 6 September 2020, 22 November 2021 and 14 October 2019 respectively.

(ii) Notes issued by subsidiaries

On 3 December 2012, COSCO Finance (2011) Limited, a subsidiary of the Company, issued bonds with an aggregate principal amount of US$1,000,000,000 (equivalent to approximately RMB6,493,600,000). 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.

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 % 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.

(f) Loans from a fellow subsidiary

As at 31 December 2018, the Group entered finance lease contracts for leasing of terminal equipment with a fellow subsidiary. The balance in respect of such finance lease arrangements of approximately RMB60,877,000 was included in loans from a fellow subsidiary for the non-current portion and of approximately RMB54,212,000 was included in trade and other payables due to fellow subsidiaries for the current portion. The average term of the finance lease contracts is 8 years, and bear interest ranging from 2% above to 11% below the RMB five-year benchmark lending rate, or 5.98%. The cost of assets acquired under the finance lease amounted to RMB338,617,000 as at 31 December 2018. The carrying values of the loan were not materially different from their fair values.The relevant balances were reclassified to lease liabilities upon adoption of HKFRS 16 on 1 January 2019.

10 Provisions and other liabilities

	Provision for one-off housing subsidies RMB'000	Deferred income and others RMB'000	Total RMB'000
Six months ended 30 June 2019			
As at 1 January 2019	**39,982**	**313,583**	**353,565**
Decrease during the period	**–**	**(6,346)**	**(6,346)**
Provisions for the period	**–**	**2,364**	**2,364**
Currency translation differences	**–**	**(2,343)**	**(2,343)**
As at 30 June 2019	**39,982**	**307,258**	**347,240**
Less: current portion of provisions and other liabilities	**–**	**1,151**	**1,151**
Non-current portion of provisions and other liabilities	**39,982**	**306,107**	**346,089**
Six months ended 30 June 2018			
As at 1 January 2018	39,982	328,953	368,935
Decrease during the period	–	(8,907)	(8,907)
Provisions for the period	–	1,082	1,082
Currency translation differences	–	116	116
As at 30 June 2018	39,982	321,244	361,226
Less: current portion of provisions and other liabilities	–	–	–
Non-current portion of provisions and other liabilities	39,982	321,244	361,226

11 Trade and other payables and contract liabilities

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Trade payables (note a)		
– third parties	**8,614,869**	7,473,217
– fellow subsidiaries	**1,483,045**	1,480,888
– joint ventures	**167,685**	178,891
– associates	**60,698**	108,183
– other related companies	**110,618**	101,949
	10,436,915	9,343,128
Bills payables (note a)	**400,000**	57,500
	10,836,915	9,400,628
Other payables and accruals	**17,926,916**	17,748,736
Contract liabilities	**512,644**	366,069
Due to related companies		
– fellow subsidiaries	**237,565**	269,095
– joint ventures (note b)	**253,681**	246,069
– associates (note b)	**106,134**	104,777
– other related companies (note c)	**1,562,023**	1,563,051
	2,159,403	2,182,992
Total	**31,435,878**	29,698,425

Notes:

(a) As at 30 June 2019, the aging analysis of trade and bills payables on the basis of the date of relevant invoice or demand note is as follows:

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
1-6 months	**10,669,261**	9,155,770
7-12 months	**113,612**	152,697
1-2 years	**32,623**	25,983
2-3 years	**5,560**	13,553
Above 3 years	**15,859**	52,625
	10,836,915	9,400,628

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

(b) The balance includes loans from a joint venture and an associate that are unsecured, bear interest at 2.3% per annum and repayable within twelve months.

11 Trade and other payables and contract liabilities (Continued)

Notes: (Continued)

(c) The balance includes loans from non-controlling shareholders of subsidiaries that are unsecured and repayable within twelve months. Balance of US$2,082,000 (equivalent to approximately RMB14,313,000) (31 December 2018: US$2,082,000, equivalent to approximately RMB14,289,000) bears interest at 0.3% (31 December 2018: 0.3%) above 1-year US dollar London Interbank Offered Rate ("LIBOR") per annum. Balance of US$49,681,000 (equivalent to approximately RMB341,542,000) (31 December 2018: approximately US$49,681,000, equivalent to approximately RMB340,971,000) is interest free. Balances of US$43,638,000 and US$43,638,000 (equivalent to approximately RMB299,998,000 and RMB299,998,000) (31 December 2018: US$43,711,000 and US$43,711,000, equivalent to approximately RMB299,997,000 and RMB299,997,000) bear interest at 4.35% and 4.75% respectively (31 December 2018: 4.35% and 4.75% respectively) per annum.

12 Operating profit

Operating profit is stated after crediting/charging the following:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Crediting:		
Gain on disposals of property, plant and equipment		
– others	**32,810**	21,913
Reversal of provision for impairment of trade and other receivables and contract assets	**8,034**	1,474
Dividend income from listed and unlisted investments	**69,419**	11,131
Net exchange gain	**269,011**	93,930
Charging:		
Loss on disposals of property, plant and equipment		
– others	**6,364**	162
Cost of bunkers consumed	**10,292,323**	6,542,807
Provision for impairment of trade and other receivables and contract assets	**49,253**	18,333

13 Finance income and costs

	Six months ended 30 June 2019 RMB'000	2018 RMB'000
Finance income		
Interest income from:		
– deposits in COSCO Finance (note 9(a))	**–**	41,623
– deposits in CS Finance	**51,899**	43
– loans to joint ventures and associates	**15,924**	16,558
– banks	**363,521**	129,046
	431,344	187,270
Finance costs		
Interest expenses on:		
– bank loans	**(1,717,588)**	(678,761)
– other loans	**(3,727)**	(3,316)
– loans from China COSCO SHIPPING (note 9)	**(13,901)**	(21,585)
– loans from COSCO (note 9)	**(6,588)**	(10,192)
– loans from COSCO Shipping (HK) Co., Ltd. (note 9)	**(125,334)**	(5,927)
– loans from COSCO Finance (note 9(a))	**–**	(49,709)
– loans from CS Finance (note 9)	**(68,848)**	(1,596)
– loans from a joint venture (note 11(b))	**(2,604)**	(3,221)
– loans from an associate (note 11(b))	**(1,153)**	(1,156)
– lease liabilities (note 2(a))	**(628,799)**	(4,438)
– loans from non-controlling shareholders of subsidiaries (note 9 and note 11(c))	**(14,024)**	(15,339)
– notes/bonds (note 9(c))	**(377,038)**	(386,175)
	(2,959,604)	(1,181,415)
Amortised amount of transaction costs on long-term borrowings	**(96,366)**	(22,662)
Amortised amount of discount on issue of notes	**(13,956)**	(13,437)
Other incidental borrowing costs and charges	**(84,596)**	(82,279)
Less: amount capitalised in construction in progress	**66,044**	104,894
	(3,088,478)	(1,194,899)
Net related exchange loss	**(5,330)**	(81,496)
Net finance costs	**(2,662,464)**	(1,089,125)

14 Income tax expenses

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Current income tax (note a)		
– PRC enterprise income tax	**179,842**	181,900
– Hong Kong profits tax	**8,945**	4,676
– Overseas taxation	**133,461**	93,198
Under provision in prior years	**5,292**	597
	327,540	280,371
Deferred income tax (note b)	**32,288**	27,272
	359,828	307,643

Notes:

(a) Current income tax

Taxation has been provided at the appropriate rate of taxation prevailing in the countries in which the Group operates. These rates range from 3% to 46% (Six months ended 30 June 2018: 12.5% to 39.83%).

The statutory rate for PRC enterprise income tax is 25% and certain PRC companies enjoy preferential tax treatment with the reduced rates ranging from 0% to 20% (Six months ended 30 June 2018: 0% to 20%).

Hong Kong profits tax has been provided at the rate of 16.5% (Six months ended 30 June 2018: 16.5%) on the estimated assessable profits derived from or arising in Hong Kong for the period.

(b) Deferred income tax

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

As at 30 June 2019, the unrecognised deferred income tax liabilities were RMB9,284,927,000 (31 December 2018: RMB9,025,027,000) relating to income tax and withholding tax that would be payable for undistributed profits of certain overseas subsidiaries, as the Directors considered that the timing for the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. The total undistributed profits of these overseas subsidiaries as at 30 June 2019 amounted to RMB39,187,109,000 (31 December 2018: RMB37,554,812,000).

As at 30 June 2019, the Group had tax losses of RMB35,780,745,000 (31 December 2018: RMB35,355,409,000), which were not recognised for deferred tax assets as the Directors considered that the utilisation of these tax losses in the foreseeable future is not probable, of which an amount of RMB35,239,062,000 (31 December 2018: RMB34,807,446,000) will expire within five years.

15 Earnings per share

(a) Basic

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

	Six months ended 30 June	
	2019	2018
Profit from continuing operation attributable to equity holders of the Company (RMB)	**1,051,196,000**	40,796,000
Profit from discontinued operation attributable to equity holders of the Company (RMB)	**113,190,000**	–
	1,164,386,000	40,796,000
Weighted average number of ordinary shares in issue	**11,918,986,749**	10,216,274,357
Basic earnings per share (RMB)		
– From continuing operation	**0.0882**	0.0040
– From discontinued operation	**0.0095**	–
	0.0977	0.0040

15 Earnings per share (Continued)

(b) Diluted

Diluted earnings per share is calculated based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares in issue during the year, after adjusting for the number of dilutive potential ordinary shares deemed to be issued at no considerations as if all outstanding dilutive share options granted by the Company had been exercised.

For the six months ended 30 June 2019 and 2018, the outstanding share options granted by COSCO SHIPPING Ports Limited ("COSCO SHIPPING Ports") did not have any dilutive effect on the earnings per share.

	Six months ended 30 June	
	2019	2018
Profit from continuing operation attributable to equity holders of the Company (RMB)	**1,051,196,000**	40,796,000
Profit from discontinued operation attributable to equity holders of the Company (RMB)	**113,190,000**	–
	1,164,386,000	40,796,000
Weighted average number of ordinary shares in issue	**11,918,986,749**	10,216,274,357
Adjustments for assumed issuance of shares on exercise of dilutive share options	**5,207,081**	–
Weighted average number of ordinary shares for diluted earnings per share	**11,924,193,830**	10,216,274,357
Diluted earnings per share (RMB)		
– From continuing operation	**0.0882**	0.0040
– From discontinued operation	**0.0095**	–
	0.0977	0.0040

16 Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: Nil).

17 Put option liability

During the period, the Group recognised a financial liability of US$212.6 million (equivalent to RMB1,470 million) in relation to the put option granted to the non-controlling shareholder of Terminales Portuarias Chancay S.A. (Chancay Terminal) to sell 40% interests in Chancay Terminal to the Group. Such put option is exercisable any time during a 5-year period from the commercial operation date of phase one.

Such financial liability is initially recognised at their fair value, which is the present value of the estimated redemption amount. The put option liability is denominated in U.S. dollars.

18 Acquisition of a subsidiary

On 10 May 2019, COSCO SHIPPING Ports subscribed shares representing 60% equity interests in Chancay Terminal, which is currently engaged in the design, development and construction of terminal at port of Chancay and will be engaged in its operation and management after the completion of construction, for a consideration of US$225,000,000 (equivalent to approximately RMB1,526,522,000). US$56,250,000 (equivalent to approximately RMB381,631,000) of the subscription consideration was settled in cash upon completion and US$168,750,000 (equivalent to approximately RMB1,144,891,000) will be settled within 12 months. Fair value of net assets and goodwill arising from the acquisition has been provisionally determined by management's assessment and is subjected to changes.

Details of net assets acquired are as follows:

	RMB'000
Purchase consideration	1,526,522
Fair value of net assets acquired shown as below	(1,451,621)
Total Goodwill	74,901

The assets and liabilities of the acquired container terminal operations as at the date of acquisition were as follow:

	Fair value RMB'000
Property, plant and equipment	920,514
Intangible assets	319,409
Deferred income tax assets	7,259
Other non-current assets	16,927
Trade and other receivables and contract assets	1,145,035
Cash and bank balances	388,578
Deferred income tax liabilities	(293,119)
Trade and other payables and contract liabilities	(85,235)
Total identifiable net assets acquired	2,419,368
Less: non-controlling interests	(967,747)
	1,451,621
Purchase consideration settled in cash	(381,631)
Cash and bank balances in acquired terminal operation	388,578
Net cash inflow on acquisition	6,947

18 Acquisition of a subsidiary (Continued)

Notes:

(i) The goodwill is attributable to the anticipated profitability of the acquired business. It will not be deductible for tax purposes.

(ii) Acquired receivables

There are no acquired trade receivables.

(iii) Non-controlling interests

The Group recognises the non-controlling interests in Chancay Terminal at its proportionate share of the acquired net identifiable assets.

(iv) Profit contribution

The acquired terminal operations contributed approximately net loss of approximately RMB583,000 for the period ended 30 June 2019 since the date of acquisition. If the acquisitions had occurred on 1 January 2019, the Group's profit for the period ended 30 June 2019 would have been decreased by approximately RMB760,000.

(v) Acquisition-related costs

Acquisition-related costs of RMB6,140,000 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.

19 Contingent liabilities

(a) As at 30 June 2019, the Group was involved in a number of claims. The Group is unable to ascertain the likelihood and amounts of these claims. However, based on advice of legal counsel and/or information available to the Group, the Directors are of the opinion that the related claims amounts should not be material to the Group's Interim Financial Information.

(b) Guarantee

As at 30 June 2019, the Company provided guarantees for credit facilities and notes granted to its subsidiaries of RMB41,216,670,000 (31 December 2018: RMB44,975,697,000).

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

20 Discontinued operation

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

(a) Discontinued operation

	Six months ended 30 June 2019 RMB'000
Results	
Revenues	338,676
Other operating expense	(40,672)
Operating profit	298,004
Finance income	6,839
Finance costs	(153,923)
Profit before income tax	150,920
Profit for the period	150,920
Total comprehensive income	157,379
Cash flows	
Operating cash flows	545,179
Investing cash flows	(17,321)
Financing cash flows	(518,380)
Total cash flows	9,478

Note:

The OOIL U.S. Terminal Business was classified as discontinued operation as at 13 July 2018 pursuant to the divestment mentioned in note 1.

The Directors consider it is more appropriate to reflect only the revenue and the results arising from transactions with third parties under the discontinued operation and the inter-company profits are under continuing operations in 2019.

20 Discontinued operation (Continued)

(b) Assets classified as held for sale

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Assets		
Non-current assets		
Goodwill	**402,060**	401,387
Property, plant and equipment	**2,449,614**	2,598,222
Intangible assets	**–**	944,644
Right-of-use assets (note d)	**6,978,095**	–
	9,829,769	3,944,253
Current assets		
Inventories	**43,943**	36,787
Trade and other receivables and contract assets	**199,857**	291,642
Cash and bank balances	**379,002**	368,780
	622,802	697,209
Total assets (before intra-group elimination)	**10,452,571**	4,641,462
Less: Intra-group elimination	**–**	(49,535)
Total assets	**10,452,571**	4,591,927

20 Discontinued operation (Continued)

(c) Liabilities directly associated with assets classified as held for sale

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Liabilities		
Non-current liabilities		
Long-term borrowings	**–**	630,193
Lease liabilities (note d)	**5,929,951**	–
Deferred income tax liabilities	**278,267**	277,802
Other non-current liabilities	**26,179**	72,153
	6,234,397	980,148
Current liabilities		
Trade and other payables and contract liabilities	**951,720**	619,457
Short-term borrowings	**–**	108,288
Current portion of lease liabilities (note d)	**112,608**	–
	1,064,328	727,745
Total liabilities (before intra-group elimination)	**7,298,725**	1,707,893
Less: Intra-group elimination	**(779,639)**	(463,460)
Total liabilities	**6,519,086**	1,244,433

Note:

Assets held for sale and liabilities directly associated with assets held for sale above are presented before elimination of intra-group balances of RMBnil (31 December 2018: RMB49,535,000) and RMB779,639,000 (31 December 2018: RMB463,460,000) respectively. The aggregate net book amount of assets pledged as securities for loans and finance leases amounted to RMB400,795,000 (31 December 2018:RMB940,945,000).

20 Discontinued operation (Continued)

(d) Right-of-use assets and lease liabilities

OOIL and its subsidiaries 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 30 April 2012. The term of the Agreement is 40 years commencing on 1 July 2011, OOIL signed several Amendments to Preferential Assignment Agreement (the “Amendment”) with COLB, which has amended certain terms within the Agreement and has altered the expected guaranteed minimum annual compensation to be made for the relevant period of the lease term.

On adoption of HKFRS 16, OOIL U.S. Terminal recognised lease liabilities of RMB6,042,861,000 and right-of-use assets of RMB6,031,862,000 as at 30 June 2019 in relation to the Agreement and certain terminal equipment which had previously been classified as operating leases or finance leases under the principles of HKAS 17. During the six months ended 30 June 2019, OOIL U.S. Terminal recognised finance costs of RMB145,189,000 on lease liabilities under discontinued operation.

21 Commitments

(a) Capital commitments

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Contracted but not provided for		
Containers	642,149	886,476
Container vessels	1,909,324	6,506,863
Terminal equipment	2,218,212	2,712,750
Other property, plant and equipment	530,386	667,158
Investments in terminals and other companies	2,533,805	2,648,224
Intangible assets	21,314	7,732
	7,855,190	13,429,203

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

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Contracted but not provided for	100,769	90,224

21 Commitments (Continued)

(b) Lease commitments

The future aggregate minimum lease rental expenses under non-cancellable short-term leases are payable in the following years:

	As at 30 June 2019				
	Container vessels RMB'000	Port concession rights RMB'000	Containers RMB'000	Leasehold land, buildings and other property, plant and equipment RMB'000	Total RMB'000
– not later than one year	**1,406,014**	**–**	**–**	**132,965**	**1,538,979**

As previously disclosed in the 2018 Annual Report and under previous lease standard, future aggregate minimum lease rental expenses under noncancellable operating leases are payable in the following years:

	As at 31 December 2018				
	Container vessels RMB'000	Port concession rights RMB'000	Containers RMB'000	Leasehold land, buildings and other property, plant and equipment RMB'000	Total RMB'000
– not later than one year	10,489,885	76,842	1,193,330	687,698	12,447,755
– later than one year and no later than five years	19,585,503	416,841	2,387,744	1,330,143	23,720,231
– later than five years	7,754,129	4,313,362	79,117	2,998,718	15,145,326
	37,829,517	4,807,045	3,660,191	5,016,559	51,313,312

22 Significant related party transactions

The Company is controlled by China COSCO SHIPPING, the parent company and a state-owned enterprise established in the PRC.

China 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 China 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 China 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 China 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 Interim Financial Information, the following is a summary of significant related party transactions entered into the ordinary course of business between the Group and its related parties during the period.

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Continuing operation		
Transactions with subsidiaries of China COSCO SHIPPING and its related entities (including joint ventures and associates of China COSCO SHIPPING)		
Revenues		
Container shipping income	**458,651**	170,713
Freight forwarding income	**132,131**	21,840
Vessel services income	**45,566**	11,196
Crew service income	**508**	19,357
Expenses		
Vessel costs		
Sub-charter expenses	**249,754**	85,249
Vessel leasing expenses	**1,872,149**	1,943,063
Vessel services expenses	**351,938**	202,159
Crew expenses	**488,245**	298,581
Voyage costs		
Bunker costs	**6,986,404**	5,844,459
Port charges	**1,037,966**	908,964
Equipment and cargo transportation costs		
Commission and rebates	**78,549**	24,745
Cargo and transhipment and equipment and repositioning expenses	**96,747**	25,407
General services expenses	**17,467**	14,555
Management fee expenses	**–**	895
Rental expenses	**308,337**	93,520
Container leasing expense	**618,841**	627,932
Concession fee expense	**202,684**	167,262
Purchase of containers	**365,248**	585,561

22 Significant related party transactions (Continued)

	Six months ended 30 June 2019 RMB'000	2018 RMB'000
Continuing operation		
Transactions with joint ventures of the Group		
Revenues		
Management fee and service fee income	**10,335**	11,482
Crew service income	**614**	–
Expenses		
Port charges	**778,447**	551,032
Transactions with associates of the Group		
Expenses		
Port charges	**279,334**	160,024
Transactions with non-controlling shareholders of subsidiaries		
Revenues		
Terminal handling and storage income	**292,179**	302,685
Expenses		
Container handling and logistics services fee	**531,990**	22,902
Electricity and fuel expenses	**32,094**	24,649
Transactions with other related party		
Revenues		
Shipping service income	**40,473**	89,897
Expenses		
Vessel leasing expenses	**75,223**	57,429

These transactions were conducted either (i) based on terms as governed by the master agreements and subsisting agreements entered into between the Group and COSCO and its subsidiaries (other than the Group) ("COSCO Group") or between the Group and China 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.

22 Significant related party transactions (Continued)

Balances with related parties

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

	As at 30 June 2019 RMB'000	As at 31 December 2018 RMB'000
Balances placed in CS Finance (note a)	**5,421,794**	9,509,212

Notes:

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

(b) As at 30 June 2019 and 31 December 2018, majority of the Group's bank balances and bank borrowings are in state-owned banks.

Key management compensation

	Six months ended 30 June	
	2019 RMB'000	2018 RMB'000
Salaries, bonuses and other allowances	**10,337**	10,142
Contribution to retirement benefit scheme	**272**	143
Share-based payments	**597**	–
	11,206	10,285

23 Events after the balance sheet date

As announced by the Company on 23 August 2019, Shanghai China Shipping Terminal Development Co., Ltd. ("Shanghai Terminal"), a wholly-owned subsidiary of COSCO SHIPPING Ports and consequently, a non-wholly owned subsidiary of the Company, proposed to enter into a Consortium Agreement with COSCO SHIPPING (Tianjin) Company Limited, a wholly-owned subsidiary of China COSCO SHIPPING (which is in turn the ultimate controlling shareholder of the Company) and independent third party investor(s) (the "Consortium Agreement"), pursuant to which the consortium to be formed thereunder (the "Consortium") would seek to acquire a maximum of 5,519,895,784 shares of CCCC Dredging (Group) Co., Ltd. ("CCCC Dredging") (representing approximately 40% of the enlarged issued share capital of CCCC Dredging) from China Communications Construction Company Limited ("CCCC") on an equity exchange in the PRC by way of participation in a public tender process (the "Joint Acquisition"). Under the Consortium Agreement, if the Consortium is successful in the tender process, amongst others, Shanghai Terminal will acquire 1,379,973,946 shares of CCCC Dredging (representing approximately 10% of the enlarged issued share capital of CCCC Dredging) (the "ST Acquisition"). Unless agreed otherwise by all members of the Consortium, the consideration for the ST Acquisition will not exceed RMB2.47 per share of CCCC Dredging, and accordingly the consideration payable by Shanghai Terminal will not exceed approximately RMB3,409 million. Under the the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as the entering into of the Consortium Agreement will be subject to Independent Shareholders' approval and approval of the independent shareholders of the Company and COSCO SHIPPING Ports. Shanghai Terminal intended to enter into the Consortium Agreement upon approval of the independent shareholders of the Company and COSCO SHIPPING Ports.

As at the date of this announcement, no binding sale and purchase agreement has been entered into between members of the Consortium and CCCC in relation to the Joint Acquisition. Upon successful bidding by the Consortium in the tender process, members of the Consortium will enter into a formal sale and purchase agreement with CCCC to implement the Joint Acquisition.

For details of the transaction, please refer to the announcement of the Company dated 23 August 2019.

Report on Review of Interim Financial Information

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 38 to 91, which comprises the condensed consolidated interim balance sheet of COSCO SHIPPING Holdings Co., Ltd. (the "Company") and its subsidiaries (together the "Group") as at 30 June 2019 and the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity and the condensed consolidated interim cash flows statement for the six–month period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of this Interim Financial Information in accordance with HKAS 34. Our responsibility is to express a conclusion on this Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 August 2019

COSCO SHIPPING Holdings Co., Ltd.

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