中遠海運發展股份有限公司

COSCO SHIPPING Development Co.,Ltd.

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

Stock Code: 2866

SHIPPING FINANCIAL SERVICE PLATFORM

ANNUAL REPORT 2019

Company Profile

COSCO SHIPPING Development Co., Ltd. (the "Company" or "COSCO SHIPPING Development"), formerly known as China Shipping Container Lines Company Limited, is a subsidiary of China COSCO SHIPPING Corporation Limited ("China COSCO SHIPPING" or "COSCO SHIPPING") specialized in supply-chain financial services. The Company was established in 1997, with head office in Shanghai, the People's Republic of China (the "PRC"), and is listed in both Hong Kong and Shanghai. The registered capital of the Company is RMB11,608 million.

The Company aims to bring into play the advantages in shipping logistics industry and integrated shipping industry chain resources with shipping finance as the foundation; to develop industrial cluster with shipping and leasing, container manufacturing, investment and services for the related industries as the core; and to develop into a "one-stop" shipping financial service platform by combining industry with finance, integrating various financial functions, and synergy of various businesses, featuring market mechanism, differentiated advantages and international vision.

The Company is among the top global players in the industry with the shipping capacity of its container fleet and the scale of its container leasing business. As at 31 December 2019, the Company's container fleet had 87 container vessels, with a total capacity of 609,400 TEU; 4 bulk cargo vessels of 64,000 DWT each; over 80 LNG vessels, heavy crane vessels and oil tankers; and an inventory of containers of approximately 3.66 million TEU. In terms of other industry leasing businesses, the Company focuses on the development of financial leasing businesses in the areas of medical services, education, new energy, construction and industrial equipment. In terms of container manufacturing business, Shanghai Universal Logistics Equipment Co., Ltd., a subsidiary of the Company, attained an annual manufacturing capacity of 550,000 TEU. The Company also focuses on the development of investment and service business, takes good advantage of its experience in the shipping industry as well as the existing resources of the financial service industry to promote the integration of industry and finance, optimize its business models and achieve the synergetic development of its shipping finance business.

Guided by the concept of "Excellence" and followed the mission of "Finance aids industry and development creates value", the Company will strive to become an outstanding industry financial services provider with "Integrity, efficiency, proactiveness and mutual benefit" as its core values.

Contents

2 Corporate Information

4 Financial Highlights

5 Corporate Structure

6 Chairman's Statement

12 Management Discussion and Analysis

28 Biographies of Directors, Supervisors and Senior Management

35 Report of the Board of Directors

60 Corporate Governance Report

87 Report of the Supervisory Committee

91 Independent Auditors' Report

96 Consolidated Statement of Profit or Loss

97 Consolidated Statement of Comprehensive Income

98 Consolidated Statement of Financial Position

100 Consolidated Statement of Changes in Equity

102 Consolidated Statement of Cash Flows

104 Notes to Consolidated Financial Statements

219 Five Years Financial Summary

Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Wang Daxiong *(Chairman)*
Mr. Liu Chong
Mr. Xu Hui

NON-EXECUTIVE DIRECTORS

Mr. Feng Boming
Mr. Huang Jian
Mr. Liang Yanfeng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cai Hongping
Ms. Hai Chi Yuet
Mr. Graeme Jack
Mr. Lu Jianzhong
Ms. Zhang Weihua

SUPERVISORS

Mr. Ye Hongjun *(Chairman)*
Mr. Hao Wenyi
Mr. Zhu Donglin

EXECUTIVE COMMITTEE

Mr. Wang Daxiong *(Chairman)*
Mr. Liu Chong
Mr. Xu Hui

INVESTMENT STRATEGY COMMITTEE

Mr. Wang Daxiong *(Chairman)*
Mr. Liu Chong
Mr. Feng Boming
Mr. Huang Jian
Mr. Liang Yanfeng
Mr. Cai Hongping
Ms. Hai Chi Yuet

RISK CONTROL COMMITTEE

Ms. Zhang Weihua *(Chairman)*
Mr. Cai Hongping
Mr. Lu Jianzhong

AUDIT COMMITTEE

Mr. Lu Jianzhong *(Chairman)*
Mr. Cai Hongping
Mr. Huang Jian

REMUNERATION COMMITTEE

Mr. Cai Hongping *(Chairman)*
Ms. Hai Chi Yuet
Mr. Graeme Jack

NOMINATION COMMITTEE

Ms. Hai Chi Yuet *(Chairman)*
Mr. Wang Daxiong
Mr. Cai Hongping

CHIEF ACCOUNTANT

Mr. Lin Feng

BOARD SECRETARY

Mr. Cai Lei

COMPANY SECRETARY

Mr. Yu Zhen

AUTHORISED REPRESENTATIVES

Mr. Wang Daxiong
Mr. Yu Zhen

LEGAL ADDRESS IN THE PRC

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The PRC

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

INTERNATIONAL AUDITOR

Ernst & Young

DOMESTIC AUDITOR

ShineWing Certified Public Accountants LLP

LEGAL ADVISERS

Paul Hastings (As to Hong Kong law)
Grandall Law Firm (As to PRC law)

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China
Industrial and Commerce Bank of China
China Development Bank
Agricultural Bank of China
China Everbright Bank
China Merchants Bank
Shanghai Pudong Development Bank
The Export-Import Bank of China
ING Bank
Standard Chartered Bank

TELEPHONE NUMBER

86 (21) 6596 6105

FAX NUMBER

86 (21) 6596 6813

COMPANY WEBSITE

http://development.coscoshipping.com

H SHARE LISTING PLACE

Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange")

LISTING DATE

16 June 2004

NUMBER OF H SHARES IN ISSUE

3,676,000,000 H Shares

BOARD LOT (H SHARES)

1,000 Shares

HONG KONG STOCK EXCHANGE STOCK CODE

02866

A SHARE LISTING PLACE

Shanghai Stock Exchange

LISTING DATE

12 December 2007

NUMBER OF A SHARES IN ISSUE

7,932,125,000 A Shares

BOARD LOT (A SHARES)

100 Shares

SHANGHAI STOCK EXCHANGE STOCK CODE

601866

* The Company is a registered non-Hong Kong company as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and it is registered under its Chinese name and under the English name "COSCO SHIPPING Development Co., Ltd."

COMPARISON OF 2019 AND 2018 KEY FINANCIAL FIGURES BY CHART FORM

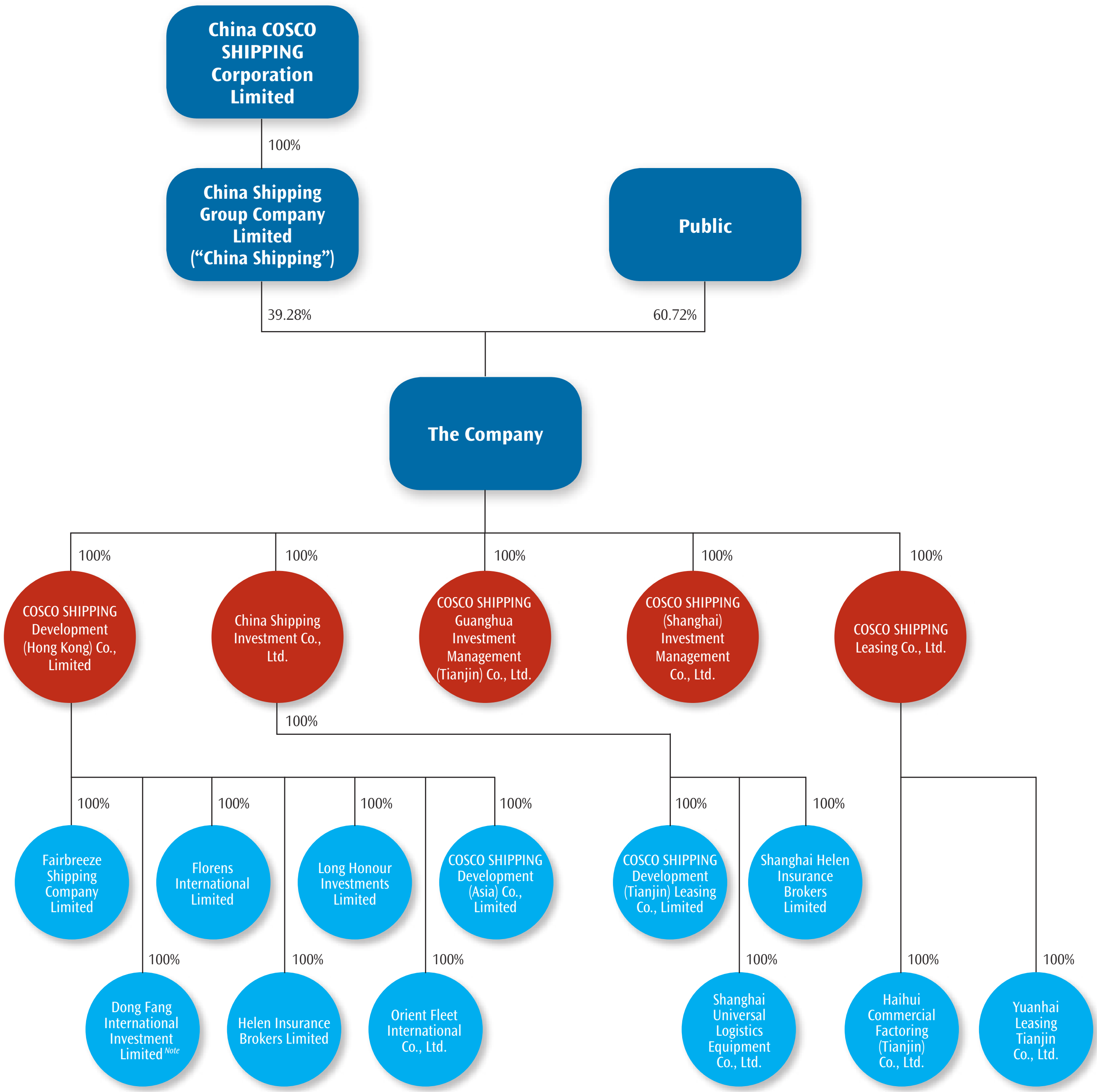
Consolidated Results
(Under Hong Kong Financial Reporting Standards ("HKFRS"))

	2019 RMB'000	2018 RMB'000	Change (%)
Revenue	**14,155,859**	16,242,002	-13%
Operating profit	**3,193,503**	2,801,235	14%
Profit before income tax from continuing operations	**1,944,482**	1,715,605	13%
Profit for the year from a discontinued operation	**–**	76,878	-100%
Profit for the year attributable to owners of parent	**1,744,733**	1,384,257	26%
Basic earnings for the year per share	**RMB0.1285**	RMB0.1135	13%
Gross profit margin (continuing operations)	**25%**	24%	4%
Profit margin before income tax (continuing operations)	**14%**	11%	27%
Gearing ratio	**416%**	533%	-22%

Consolidated Assets and Liabilities
(Under HKFRS)

	2019 RMB'000	2018 RMB'000	Change (%)
Total assets	**144,494,119**	137,837,422	5%
Non-current assets	**114,693,373**	107,595,913	7%
Current assets	**29,800,746**	30,241,509	-1%
Total liabilities	**120,286,401**	119,797,287	0%
Current liabilities	**54,271,559**	54,892,564	-1%
Net current liabilities	**(24,470,813)**	(24,651,055)	-1%
Net assets	**24,207,718**	18,040,135	34%

The following chart shows the simplified corporate and shareholding structure of the Company and its principal subsidiaries as at 31 December 2019:



Particulars of the subsidiaries, associated companies and joint ventures of the Company are contained in Note 1 to the consolidated financial statements.

Note: Dong Fang International Investment Limited was deregistered in March 2020.

Chairman's Statement


COSCO SHIPPING PANAMA

In 2019, given the uncertainties from the macroeconomic environment and global trade frictions, the growth in global demand for transportation slowed down amid the ongoing trend of ships becoming larger, and in the shipping market, where the overall supply and demand imbalance saw no significant improvement, remained in the doldrums.

Faced with the complex market environment and against the backdrop of tightening financial policies and increasing market uncertainties, the Group stayed united to forge ahead with high-quality development focusing on the shipping business, actively implemented the strategy of industry-finance integration, and constantly explored new business models and areas. As a result, the Company achieved good operating results, with all business segments maintaining a sound development momentum.

For 2019, the Company's revenue was RMB14.156 billion, a decrease of 13% compared with 2018; net profit attributable to owners of the parent amounted to RMB1.745 billion, up 26% from 2018; and basic earnings per share amounted to RMB0.1285.

The Board proposed a final dividend of RMB0.045 per share.

REVIEW OF OPERATIONS

In 2019, with the strategic objective to build an integrated supply chain financial service platform featuring shipping logistics and through ongoing exploration and innovation, the Company initially built up a one-stop shipping financial service platform with the theme of "combining industry with finance and boosting industry development with finance", a market-oriented, diversified, professional team, and a corporate culture of pursuing excellence and seeking practical results. Focusing on its principal shipping business, the Company explored market opportunities and expanded the growth potential of various segments in an effort to grow stronger and better.

I. THE LEASING SEGMENTS ACHIEVED STEADY GROWTH THROUGH INWARD AND OUTWARD EFFORTS

1. *Vessel Leasing Business Deepened Internal Coordination and Developed External Leasing Business*

Focusing on the strategic requirements of industry-finance integration, the Company strengthened internal coordination and flexibly designed various business models such as operating lease, second-hand vessel financing and long-term leaseback to provide high-quality leasing services for upstream and downstream players in the shipping industry chain. The Company opportunistically made a breakthrough in the cruise leasing business, helping China's cruise industry to sail to the world. In addition, the Company vigorously developed external leasing business (covering various vessels such as chemical vessels, refined oil tankers and bulk carriers) and expanded the coverage of customers and business, in a drive to continuously enhance its competitiveness and brand influence in the industry. As at 31 December 2019, the Company had a fleet of 87 container vessels with a total capacity of 609,400 TEU, 4 bulk carriers of 64,000 DWT each, a total of over 80 LNG vessels, heavy lift vessels, oil tankers and other vessels, and over 30 projects regarding terminals, terminal equipment and major transportation.

2. *Container Leasing Business Reinforced Industry Chain Synergy and Made Multiple Breakthroughs*

In an overall challenging industry environment, the Company made strategic adjustments in a timely manner and better leveraged its synergistic advantages to seek breakthroughs in the container leasing business and related innovative business lines. Specifically, the Company advanced the big customer strategy, built an extensive regional customer base, and captured the market demand for reefer containers and special containers to promote the development of non-dry container business. Meanwhile, the Company developed new container trading business, scaled up mobile warehousing and leasing projects, and explored finance lease business, thus improving the overall return on investment. As at 31 December 2019, the container fleet of Florens International Limited ("FIL"), an affiliate of the Company, boasted a total capacity of about 3.66 million TEU, ranking second in the world.

3. *Other Leasing Businesses Explored New Business Areas While Developing Steadily*

In the face of the increasingly fierce competition in the industry, the Company explored new business areas to seek new profit growth drivers while consolidating its existing development advantages; accelerated the disposal of existing risk projects and improved asset disposal and operation capabilities; launched asset-backed schemes to expand financing channels and constantly optimized the financing structure to reduce financing costs.

II. CONTAINER MANUFACTURING SEGMENT ACHIEVED ECONOMIES OF SCALE AND ENHANCED RESEARCH AND INNOVATION CAPABILITIES

In 2019, given the weak demand for containers, the Company faced up to the market challenges and actively sought business breakthroughs, optimized service quality, and innovated in service models to further enhance the synergy of shipping business. Meanwhile, the elite assets of Singamas Container Holdings Limited acquired by COSCO SHIPPING had been entrusted to Shanghai Universal Logistics Equipment Co., Ltd., a subsidiary of the Company, for management, pushing up the market share of the Group's container manufacturing segment to rank second in the world. The acquisition also made up for certain weaknesses of the Group, such as insufficient production capacity, lack of presence in key regions, and lack of reefer containers. In addition, the Group continuously improved its research and innovation capabilities and concentrated on upgrading technical management, with a view to enhancing the core competitiveness of its container manufacturing segment.

III. INVESTMENT AND SERVICES SEGMENT DEEPENED INDUSTRY-FINANCE INTEGRATION TO FACILITATE THE DEVELOPMENT OF THE SHIPPING BUSINESS AND NEW BUSINESS LINES

With a focus on the shipping industry chain, the Company constantly optimized its investment portfolio and successfully implemented sizeable financial and other equity investment projects, buffering the fluctuations in the shipping market. The Company further promoted the launch of "Yuan Hai" (遠海) series of industry funds and searched high-quality industry-finance integration projects to build up a characteristic industry brand, and achieved breakthroughs in multiple projects. In addition, the Company expanded the scope of supply chain financial services, enhanced service capacity and leveraged the strengths of its service portfolio to increase customer stickiness in different industries.

IV. IMPROVING THE RETURN ON INVESTMENT AND SAFEGUARDING THE INTERESTS OF INVESTORS

On 14 May 2019, the Company completed its share buybacks in the A-share and H-share markets by repurchasing a total of approximately 155 million A and H shares, representing approximately 1.32% of its total share capital. By doing so, the Company became the first listed company in the capital market to successfully implement share buybacks in two stock exchanges, winning wide recognition in the capital market and increasing the Company's market influence. The move also enhanced investors' investment confidence, safeguarded the interests of investors, and promoted the Company's long-term sustainable development. In the second half of the year, the Company completed the dividend distribution to A-share and H-share investors, distributing a total cash dividend of approximately RMB380 million to all shareholders. The generous dividend distribution heaped praise from investors.

V. CARRYING OUT COMPREHENSIVE RISK MANAGEMENT AND IMPROVING INTERNAL CONTROL CAPABILITIES

In 2019, on the basis of building a favorable environment and developing measures for risk management, the Company systematically performed risk monitoring and dynamically reinforced risk limit management. Based on the requirements of its risk management system, the Company intensified the measures for the management of liquidity risk, credit risk and operational risk, improved liquidity risk monitoring, and promoted the integration of risk management into production and operation through risk limits, risk assessment, risk reporting, etc. The Company also strengthened the construction of risk management information system, improved the professionalism in risk management, and carried out comprehensive risk management to ensure that no major risk events occurred throughout the year.

VI. PROMOTING THE "EXCELLENCE" CORPORATE CULTURE AND HONORING SOCIAL RESPONSIBILITY

The Company upholds the philosophy of sustainable development and actively fulfills its social responsibility. The Company constantly strengthened environment management to minimize its environment impact, adopted various measures to pursue sustainable development, and worked with China Development Bank to promote tourism poverty alleviation and practice financial poverty alleviation in an effort to contribute to poverty alleviation. Meanwhile, the Company centered on the corporate mission of "boosting industry development with finance and creating value through development" to greatly promote the "excellence" corporate culture, thus providing strong cultural power and value support for the development and management of the Company. This can gather strength to drive the Company to grow faster and better.

OUTLOOK

In 2020, as the world's two largest economies reached the Phase 1 trade agreement, it is widely expected that the downward pressure on the global economy will be relieved to a certain extent. However, the intensifying international geopolitical turmoil, rising oil price volatility, and the global spread of the COVID-19 outbreak have brought great uncertainties to the global economic development. In particular, the recent huge volatility in global financial markets, especially the stock markets of major world economies, has pushed up the external pressure to an extraordinarily high level. Furthermore, the overall over-supply in the shipping market will persist in 2020. As such, the Company will face certain challenges in 2020.

The Company will strengthen macro analysis and market research, promote reform and transformation, develop new competitive strengths focusing on industry-finance integration, continuously improve high-quality development, and seek breakthroughs in distinctive shipping financial services.

In terms of shipping and industry-related leasing segments, the Company will continue to strengthen the combination of industry and finance, reinforce the collaboration among internal industry chains, and steadily expand external business. In terms of business model, the Company will step up efforts to develop leasing business for special containers and reefer containers, and study and explore smart container leasing, in a bid to build a shipping leasing company with unique competitive strengths. Meanwhile, the Company will uphold the strategy of organic, sustainable, high-quality development to promote the development of other industry-related leasing business, expand financing channels, and develop value-added leasing services, in an effort to become a leader in the leasing industry.

In terms of container manufacturing segment, the Company will steadily advance the multi-dimensional integration of its entrusted container manufacturing assets into the Company's existing business, and enhance its overall competitiveness through technological upgrading, management improvement, process promotion and cultural integration; strengthen communication with industry peers to maintain a healthy business environment of the industry; enhance customer service awareness and seize opportunities to develop the market, so as to enable the industrial chain to grow stronger and better; reinforce the concept of green environmental protection, deepen fine management, continuously improve research and innovation capabilities, in an effort to build a world-class container manufacturing company.

In terms of investment and services segment, the Company will focus on upstream and downstream customers in the industrial chain, constantly optimize its investment portfolio, and seek a balance between strategic value and financial returns; gather external capital, talents and technology through industry funds and other models to boost the development of shipping business and new business lines; improve professional service capabilities and vigorously explore the market to build up a shipping insurance expert platform; combine industry with finance and provide one-stop supply chain financial services covering logistics, financing and risk management, in a great effort to build a supply chain financial ecosystem featuring shipping logistics.

The year 2020 is a new beginning. In this era where challenges and opportunities coexist, COSCO SHIPPING Development will adhere to its original objective of developing shipping finance, and ride on the deepening reform of state-owned enterprises to set sail towards high-quality development, so as to achieve its corporate vision of "building an excellent industry financial services provider".

Chairman
Wang Daxiong

Shanghai, the People's Republic of China
27 March 2020

Management Discussion and Analysis


COSCO SHIPPING

OPERATING ENVIRONMENT

In 2019, amid the increasing trade barriers and economic and geopolitical uncertainties, the growth of manufacturing and international trade slowed down globally. Overall, China's economy was running smoothly with improving quality of development. In 2019, China's GDP grew at a rate of 6.1%, maintaining a medium-to-high growth rate. The supply-side structural reform achieved remarkable results, further optimizing the economic structure.

In 2019, the global shipping market was sluggish due to the slowdown in world economic growth and global trade frictions. Global financial markets were rather volatile. In a complex and challenging global environment, China adopted a series of policies and measures for stable growth, structural adjustment, reform, and risk prevention, and hence its financial market remained stable.

FUTURE DEVELOPMENT STRATEGY OF THE COMPANY

1. STRATEGIC POSITION

As a shipping financing platform, COSCO SHIPPING Development will integrate premium resources and give full play to its advantages in the shipping industry. Synergic development will be pursued for various financial businesses in an attempt to become China's leading and the world's first-class player boasting an integrated supply-chain financial service platform with distinct shipping logistics features.

2. DEVELOPMENT GOALS

To bring into play the advantages in shipping logistics industry and integrated shipping industry chain with shipping finance as the foundation; to develop industrial cluster with shipping and industry-related leasing, container manufacturing, investment and service business as the core; and to develop into a "one-stop" shipping financial service platform by combining industry with finance, facilitating industry development with finance and taking advantage of the synergy of various businesses, featuring market-oriented mechanism, differentiated advantages and international vision.

3. DEVELOPMENT PLANS

(1) Shipping and Industry-related Leasing Business

The vessel leasing business focuses on the operating lease or finance lease of various vessels, such as container vessels and dry bulk cargo vessels. The Company will, based on its existing business, gradually set up a high-level professional investment and financing team, so as to become a first-class domestic ship owner leasing enterprise. In a short-term view, the Group is to mobilize its current fleet resources to revive its internal business; in the long run, it is to gradually increase the proportion of external business and work out a "one-stop" business model leveraging COSCO SHIPPING's advantages of full industrial chain deployment, in an attempt to establish a unique competitive edge in the industry.

The container leasing business, as an integral part of the container industry chain, mainly involves container leasing and trading of various kinds. The Group will strive to develop a world-class leasing company with unique competitive edges on the back of the current leasing business of FIL. In a short-term view, the Company will follow the guideline of "consolidating core businesses while seizing market opportunities", strengthen the development on special container and reefer container business, improve the synergy in the coordinated industry chain comprising manufacturing, leasing and shipping of containers, promote the duel model of lease and sale, and study the leasing of smart containers. In a long-term view, the Company will strive to seize market opportunities, actively enhance asset quality, optimize its contract portfolios and improve its capital structure so as to enhance the rate of return.

Other industry leasing businesses mainly focus on areas with development potential such as medical services, education, new energy, intelligent manufacturing and automobile finance. The Company sets its focus on the small and medium enterprise clients and small to medium-sized projects, leverages on its existing business strength, experience and capital to promote the integration of industry and finance, conducts refined risk controls, adheres to organic and sustainable high-quality development strategy, supports customer-oriented industry development needs, and provides value-added leasing services, striving to become a leading company in the financial leasing industry.

(2) Container manufacturing business

We will enhance our comprehensive competitiveness through technology upgrading, management improvement and accelerating the promotion and upgrading of environmental protection technology. We will improve the synergy in the container industry chain, strengthen dry container manufacturing, enhance the development on special container and reefer container business, and explore the research and development of smart containers. We will improve and maintain a healthy operating environment of the industry, with an aim to develop ourselves into a world-class container manufacturing company with strong technological edge and high capacity utilization and profitability.

(3) Investment and service business

We give equal weight to strategic value and financial returns, adhere to the core business of shipping logistics, continuously focus on investment areas, constantly optimize investment portfolios, strengthen asset operation, reduce the fluctuation risks of portfolios and increase the investment gains. We will also tap into external resources of capital, talent and technology through various models such as industry fund to support the development of the shipping industry and emerging sectors and promote the integration of industry and finance, paving the way for the development of the Company's financial investment business in the future while achieving desirable financial returns.

We constantly explore the financial services business opportunities in the supply chain, seize opportunities to expand the market share of international commercial factoring business, integrate resources to establish a professional expert platform for shipping insurance, make full use of integrated service advantages, focus on the small and medium-sized customers in the upstream and downstream industry chain of the core companies under the Group, strive to improve the financial ecology of the shipping logistics supply chain for smooth integration of industry and finance and capital operation, provide one-stop supply chain finance services covering logistics, finance and risk management to boost industry stickiness and improve bargaining power.

MAJOR RISKS AND COUNTERMEASURES

1. MACROECONOMIC RISKS

At present, although China's macro economy remains stable as a whole, there are still many uncertainties such as economic slowdown and structural imbalances. The global economy recovers at a slow pace yet with significantly divergent recovery progress among different economies and there are uncertainties on economic recovery due to the issues such as debt crisis, trade imbalances and exchange rate disputes. The Company is an integrated financial service platform that leverages its experience in the shipping industry to focus on developing diversified leasing business. The Company has a broad business network at home and abroad, which will expose it to macroeconomic environment both domestically and globally. To tackle the macroeconomic uncertainties, the Company has built and has kept improving its risk prediction and management system to guarantee operation and asset security.

2. MARKET RISK

This refers to the risk of unexpected losses arising from movements in interest rates, exchange rates, equity prices, etc. While building up and improving its market risk management mechanism, the Company has formulated market risk management policy, qualitative and quantitative monitoring standards, determined market risk limits, and defined the management responsibilities and functional division for departments responsible for market risk.

3. LIQUIDITY RISK

This refers to the risk of failure to obtain sufficient funds in a timely manner or failure to do so at reasonable cost in order to repay debt upon maturity or fulfill other payment obligations. Depending on factors such as strategies, business structure, risk situation and market environment, and taking full account of the impact of other risks on liquidity and its overall risk appetite, the Company will determine its liquidity risk appetite and risk tolerance, and gradually build up a liquidity risk limit management system. The Company will take measures such as regular assessment, monitoring and establishment of firewalls to effectively prevent liquidity risk.

4. STRATEGY RISK

This refers to the risk caused by a mismatch between the Company's strategies and the market environment or its capabilities as a result of ineffective procedures for strategy formulation and implementation or changes in business environment. The Company has set up and continually improved its working procedures for strategy risk management to identify, analyze and monitor strategy risk. The Company makes strategic planning after taking full consideration of factors such as market environment, its risk appetite and capital position.

5. COMPANY-WIDE CONCENTRATION RISK

The fact that the individual risks or risk portfolios of the Company's business units are concentrated within the Company may directly or indirectly trigger the risk that the Company's capital adequacy ratio might fail to meet regulatory requirements. The Company will set its company-wide concentration risk limits based on factors such as its overall risk appetite and tolerance, size of capital, assets and liabilities, transaction types (e.g. investment asset classes, etc.), counterparty characteristics, trading risk rating (e.g. credit rating, etc.), and perform concentration risk limit management.

6. RISK OF INDUSTRY COMPETITION

The leasing industry in which the Company operates after its transformation is known for fierce competition in terms of rent, leasing terms, customer services and reliability. With its market-oriented system, differentiated strengths and international vision, the Company will focus on shipping finance and give full play to its advantages in shipping logistics to establish a "one-stop" financial service platform which combines industry with finance, facilitates industry development with finance and seeks synergy of multiple businesses, so as to cope with market competition in an active manner.

FINANCIAL REVIEW OF THE GROUP

The Group recorded operating revenue of RMB14,155,859,000 for 2019, representing a decrease of 13% as compared with RMB16,242,002,000 of last year; total profit before income tax from continuing operations amounted to RMB1,944,482,000, representing an increase of 13% as compared with RMB1,715,605,000 of last year; profit attributable to owners of the parent of the Company for the year amounted to RMB1,744,733,000, representing an increase of 26% as compared with RMB1,384,257,000 of last year, mainly attributable to active stock markets. For the year ended 31 December 2019 (the "Period"), the gains derived from fair value changes of financial assets amounted to RMB663,115,000.

Analysis of segment results is as follows:

Unit: RMB'000

	Revenue			Cost		
Segment	**2019**	**2018**	**Change** *(%)*	**2019**	**2018**	**Change** *(%)*
Shipping and industry-related leasing business	**11,039,639**	10,374,657	6%	**7,471,383**	6,903,133	8%
Container manufacturing business	**4,582,700**	7,831,850	-41%	**4,582,348**	7,295,222	-37%
Investment and service business	**47,993**	46,804	3%	**591**	497	19%
Other businesses	**–**	–	–	**79,587**	17,449	356%
Offset amount	**(1,514,473)**	(2,011,309)	-25%	**(1,518,425)**	(1,873,540)	-19%
Total	**14,155,859**	16,242,002	-13%	**10,615,484**	12,342,761	-14%

1. ANALYSIS OF SHIPPING AND INDUSTRY-RELATED LEASING BUSINESS

1) *Operating Revenue*

The Group recorded a revenue from its leasing business of RMB11,039,639,000 for 2019, maintaining almost the same level as compared with RMB10,374,657,000 of last year, which accounted for 70.5% of the total revenue of the Group.

Revenue from vessel leasing business amounted to RMB5,085,227,000, representing a decrease of 1% as compared with RMB5,122,696,000 of last year. Of which, revenue from vessel operating leasing amounted to RMB4,579,715,000, revenue from vessel finance leasing amounted to approximately RMB505,512,000. The decrease in revenue from vessel leasing was mainly due to the decrease in rental income arising from vessel leasing cancellations and the increase in the number of days of suspension and maintenance as compared with last year. In 2019, the Group leased out 91 vessels (2018: 94 vessels).

Revenue from container leasing business amounted to RMB3,405,190,000, representing an increase of 6% as compared with RMB3,201,872,000 of last year, which was mainly due to the effect that the number of leased containers maintained a steady growth this year.

Revenue from other industry-related finance leasing amounted to RMB2,549,222,000, representing an increase of 24% as compared with RMB2,050,089,000 of last year, which was mainly due to further expansion of our finance leasing business scale this year.

2) *Operating Costs*

Operating costs for leasing business mainly include the depreciation and maintenance costs for self-owned vessels, depreciation of self-owned containers, staff salaries, and rental expense of the leased-in vessels and containers. Operating costs for the leasing business in 2019 was RMB7,471,383,000, representing a year-on-year increase of 8% as compared with RMB6,903,133,000 of last year, which was mainly due to the further expansion of finance leasing business and exchange rate movements.

2. ANALYSIS OF CONTAINER MANUFACTURING BUSINESS

1) *Operating Revenue*

In 2019, the Group's container manufacturing business realized operating revenue of RMB4,582,700,000, representing a decrease of 41% as compared with RMB7,831,850,000 of last year, which accounted for 29.2% of the total revenue of the Group. Such substantial decrease in revenue was mainly due to the continued economic slowdown trend worldwide, weak performance on global trade, low demand for containers arising from changes in macro supply and demand relations and repercussions of global trade friction during the Period, which resulted in significant decrease in volume and price of the container manufacturing segment as compared with last year. The Group's accumulated container sales amounted to 402,943 TEU during the year, representing a decrease of 35% as compared with 615,600 TEU of last year.

2) Operating Costs

The operating costs of the container manufacturing business mainly consist of raw material costs, shipping costs, employee compensation and depreciation expenses. The operating costs amounted to RMB4,582,348,000 in 2019, representing a decrease of 37% as compared with RMB7,295,222,000 of last year. Such decrease in costs was mainly due to the decline in the sales volume of containers this year, leading to a corresponding decrease in production costs, including the material and labour costs.

3. ANALYSIS OF INVESTMENT AND SERVICE BUSINESS

1) Operating Revenue

In 2019, the Group's financial services business realized revenue of RMB47,993,000, representing an increase of 3% as compared with RMB46,804,000 of last year and accounting for 0.3% of the Group's total revenue.

2) Operating Costs

The operating costs in 2019 were RMB591,000, representing an increase of 19% as compared with RMB497,000 of last year.

3) Investment Income

In 2019, the income from investment business was RMB3,038,796,000, representing an increase of 66% as compared with RMB1,830,751,000 of last year. Such increase in income was mainly attributable to the increase in fair value of investments at fair value through profit or loss for the Period held by the Group as a result of market conditions.

GROSS PROFIT

Due to the above reasons, the Group recorded gross profit of RMB3,540,375,000 for 2019 (2018: RMB3,899,241,000).

SIGNIFICANT SECURITIES INVESTMENT

During the year ended 31 December 2019, the Company's equity investments in associates and joint ventures generated a profit of RMB2,291,763,000, which was mainly attributable to the profits from China Everbright Bank Co., Ltd., China International Marine Containers (Group) Co., Ltd. and China Bohai Bank Co., Ltd. for the Period.

1. Shareholdings in Other Listed Companies

Stock code	Company name	Initial investment cost (RMB)	Number of shares held at the end of the period	Shareholding at the beginning of the period (%)	Shareholding at the end of the period (%)	Fair value at the end of the period (RMB)	Gain during the reporting period (RMB)	Changes in other reserve during the reporting period (RMB)	Gain from disposal (RMB)	Dividends received during the reporting period (RMB)	Proportion of fair value at the end of the Period relative to the total assets of the Company (%)	Accounting ledger	Sources of the shareholding
000039/ 02039	China International Marine Containers (Group) Ltd.	6,338,818,000	813,616,829	22.71	22.70	7,889,213,000	262,604,000	463,192,000	–	372,908,000	5.5%	Investment in associates	Purchase
601818/ 06818	China Everbright Bank Co., Ltd.	3,398,255,000	723,999,875	1.379	1.379	3,192,839,000	484,414,000	14,921,000	–	116,564,000	2.2%	Investment in associates	Purchase
600643	Shanghai AJ Group Co., Ltd.	25,452,000	3,534,965	0.22	0.22	33,936,000	3,924,000	–	–	424,000	0.0%	Financial assets at fair value through profit or loss	Purchase
000617	CNPC Capital Company Limited	950,000,000	87,881,591	0.97	0.97	1,010,695,000	198,230,000	–	–	21,179,000	0.7%	Financial assets at fair value through profit or loss	Purchase
688009	China Railway Signal & Communication Corporation Limited	69,258,000	11,839,000	–	0.11	74,553,000	5,294,000	–	–	–	0.1%	Financial assets at fair value through profit or loss	Purchase
600390	Minmetals Capital Co., Ltd.	1,500,000,000	177,339,901	3.94	3.94	1,376,938,000	482,081,000	–	–	26,749,000	1.0%	Financial assets at fair value through profit or loss	Purchase
Total		12,281,783,000	/	/	/	13,578,174,000	1,436,547,000	478,113,000	–	537,824,000	9.4%		

2. *Shareholdings in Financial Enterprises*

Name of investee	Initial investment cost *(RMB)*	Shareholding at the beginning of the period *(%)*	Shareholding at the end of the period *(%)*	Carrying amount at the end of the period *(RMB)*	Gain during the reporting period *(RMB)*	Changes in other reserve during the reporting period *(RMB)*	Gain from disposal *(RMB)*	Dividends received during the reporting period *(RMB)*	Proportion of carrying amount at the end of Period relative to the total assets of the Company *(%)*	Accounting ledger	Sources of the shareholding
China Bohai Bank Co., Ltd.	5,749,379,000	13.67	13.67	8,587,463,000	1,170,658,000	93,787,000	–	313,038,000	5.9%	Investment in associates	Purchase
Bank of Kunlun Co., Ltd.	838,959,000	3.74	3.74	1,319,727,000	132,137,000	2,335,000	–	48,845,000	0.9%	Investment in associates	Purchase
Shanghai Life Insurance Co., Ltd.	320,000,000	16	16	988,072,000	38,475,000	66,464,000	–	–	0.7%	Investment in associates	Purchase
CIB Fund Management Co., Ltd.	50,000,000	10	10	316,506,000	41,567,000	231,000	–	–	0.2%	Investment in associates	Purchase
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd.	125,000,000	25	25	134,038,000	390,000	–	–	–	0.1%	Investment in joint ventures	Purchase
Chinese Enterprise Elephant Financial Information Services Company Limited	20,000,000	12.5	12.5	18,898,000	-494,000	1,244,000	–	–	0.0%	Investment in associates	Purchase
Shanghai COSCO SHIPPING Microfinance Company Limited	90,000,000	45	45	91,536,000	1,509,000	–	–	–	0.1%	Investment in associates	Purchase
COSCO SHIPPING Finance Company Limited	1,186,390,000	23.38	23.38	1,336,082,000	153,183,000	5,672,000	–	70,070,000	0.9%	Investment in associates	Purchase
Total	8,379,728,000	/	/	12,792,322,000	1,537,425,000	169,733,000	–	431,953,000	8.9%		

(a) Summary of principal businesses of the investees in the investment

Name of Investee	Exchange	Principal businesses
China Bohai Bank Co., Ltd.	/	Banking business
Bank of Kunlun Co., Ltd.	/	Banking business
Shanghai Life Insurance Co., Ltd.	/	Insurance business
CIB Fund Management Co., Ltd.	/	Fund management business
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd.	/	Leasing business
Chinese Enterprise Elephant Financial Information Services Company Limited	/	Financial information service
Shanghai COSCO SHIPPING Microfinance Company Limited	/	Loan extending and other businesses
COSCO SHIPPING Finance Company Limited	/	Banking business
China International Marine Containers (Group) Co., Ltd.	Shenzhen Stock Exchange/ Hong Kong Stock Exchange	Manufacturing and sales of containers
Shanghai AJ Group Co., Ltd.	Shanghai Stock Exchange	Investment in industries and other financial businesses
China Everbright Bank Co., Ltd.	Shanghai Stock Exchange/ Hong Kong Stock Exchange	Banking business
China Railway Signal & Communication Corporation Limited	Shanghai Stock Exchange/ Hong Kong Stock Exchange	Provision of railway traffic control system services
Minmetals Capital Co., Ltd.	Shanghai Stock Exchange	Integrated finance business
CNPC Capital Company Limited	Shenzhen Stock Exchange	Integrated finance business

The stock market was volatile in 2019. The Company expects that the investment portfolio of the Group (including the above major investments) will be subject to, among other things, the movement of interest rates, market factors and macroeconomic factors. Moreover, the market value of individual shares will be affected by relevant companies' financial results, development plan as well as the prospects of the industry where they operate. To mitigate relevant risks, the Group will take appropriate measures in due course and adjust its investment strategies in response to the changes in market conditions.

INCOME TAX

From 1 January 2019 to 31 December 2019, the corporate income tax ("CIT") rate applicable to the Company and its other subsidiaries in the PRC was 25%.

Pursuant to the relevant new CIT regulations, the profits derived from the Company's offshore subsidiaries shall be subject to applicable CIT when dividends were declared by such offshore subsidiaries. The Company uses an applicable tax rate in accordance with relevant CIT regulations to pay CIT on profits of the offshore subsidiaries.

SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

For the year ended 31 December 2019, the Group's selling, administrative and general expenses were RMB1,178,677,000, representing an increase of 27% as compared with 2018.

OTHER GAINS/(LOSSES), NET

For the year ended 31 December 2019, other gains of the Group were RMB835,317,000, representing an increase in gains of approximately RMB1,108,012,000 as compared with other losses of RMB272,695,000 for 2018, which was mainly attributable to the appreciation of fair value of the securities held by the Company.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT FOR THE YEAR

In 2019, the profit attributable to owners of the parent of the Company for the year was RMB1,744,733,000, representing an increase of 26% as compared with RMB1,384,257,000 for 2018.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

ANALYSIS OF LIQUIDITY AND BORROWINGS

The Group's principal sources of liquidity are cash flow from operating business and short-term bank borrowings. The Group's cash is mainly used for expenses of operating cost, repayment of loans, construction of new vessels, procurement of containers, and support of the Group's financial leasing business. During the Period, the Group's net operating cash inflow was RMB8,424,065,000. As at 31 December 2019, the Group's cash and bank balances were RMB9,635,096,000.

As at 31 December 2019, the Group's total bank loans and other borrowings were RMB97,919,728,000, of which RMB43,066,519,000 is repayable within one year. The Group's long-term bank loans are mainly used to finance the procurement of containers, the acquisition of financial lease assets and replenishment of liquidity.

As at 31 December 2019, the Group's RMB-denominated bonds payable amounted to RMB12,544,867,000, and all proceeds raised from the bonds were used for the replenishment of liquidity and the repayment of loans.

The Group's RMB borrowings at fixed interest rates amounted to RMB34,882,196,000. USD borrowings at fixed interest rates amounted to USD496,970,000 (equivalent to approximately RMB3,466,961,000), RMB borrowings at floating interest rates amounted to RMB746,334,000, and USD borrowings at floating interest rates amounted to USD8,432,132,000 (equivalent to approximately RMB58,824,237,000). The Group's borrowings are settled in RMB or USD while its cash and cash equivalents are also primarily denominated in RMB and USD.

It is expected that capital needs for regular liquidity and capital expenditure can be funded by the internal cash flow of the Group or external financing. The Board will review the operating cash flow of the Group from time to time. It is the intention of the Group to maintain an appropriate composition of equity and debt to constantly achieve an effective capital structure.

NET CURRENT LIABILITIES

As at 31 December 2019, the Group's net current liabilities amounted to RMB24,470,813,000. Current assets mainly include: the current portion of the finance lease receivables of RMB15,532,797,000, inventories of RMB881,129,000, trade and notes receivables of RMB1,111,000,000, prepayments and other receivables of RMB458,969,000, the current portion of factoring receivables of RMB1,123,489,000, the current portion of financial assets at fair value through profit or loss of RMB490,967,000, cash and cash equivalents of RMB9,635,096,000, and pledged deposits of RMB566,339,000. Current liabilities mainly include: trade payables of RMB2,553,700,000, other payables and accruals of RMB3,658,271,000, tax payables of RMB174,881,000, the current portion of bank and other borrowings of RMB43,066,519,000, the current portion of corporate bonds of RMB4,273,467,000, contract liabilities of RMB150,194,000, and current portion of lease liabilities of RMB391,082,000.

CASH FLOWS

For the year of 2019, the Group's net cash inflow generated from operating activities was RMB8,424,065,000, denominated principally in RMB and USD, representing an increase of RMB2,006,088,000 as compared with the net cash inflow generated from operating activities of RMB6,417,977,000 in 2018. Cash and cash equivalents balances at the end of 2019 decreased by RMB5,614,098,000 year-on-year, mainly reflecting the fact that the net cash inflow generated from operating activities was less than the net cash outflow used in financing activities and the net cash outflow used in investing activities. The cash inflow generated from financing activities of the Group during the year was mainly derived from bank loans and issuance of commercial bills and such proceeds were used mainly for the purposes of short-term operation and purchase and construction of containers.

The following table provides the information regarding the Group's cash flow for the years ended 31 December 2019 and 31 December 2018:

Unit: RMB

	2019	2018
Net cash generated from operating activities	**8,424,065,000**	6,417,977,000
Net cash used in investing activities	**(10,383,969,000)**	(17,788,636,000)
Net cash (used in)/generated from financing activities	**(3,715,251,000)**	3,227,502,000
Impact of exchange rate movement on cash	**61,057,000**	199,051,000
Net decrease in cash and cash equivalents	**(5,614,098,000)**	(7,944,106,000)

NET CASH GENERATED FROM OPERATING ACTIVITIES

For the year ended 31 December 2019, the net cash inflow generated from operating activities was RMB8,424,065,000, representing an increase of RMB2,006,088,000 as compared with that of RMB6,417,977,000 for 2018. Overall, cash flow of operating activities maintains a stable and positive trend.

NET CASH USED IN INVESTING ACTIVITIES

For the year ended 31 December 2019, the net cash outflow used in investing activities was RMB10,383,969,000, decreased by RMB7,404,667,000 as compared with that of RMB17,788,636,000 for 2018, which remained broadly stable on a year-on-year basis, excluding the effect of the disposal of China Shipping Finance Co., Ltd. last year. During the year, the Company effectively controlled its investment scale and pace, which accelerated the strong investment returns and increased its funds utilization efficiency, and in turn maintained a reasonable investment level according to the macro economic landscape.

NET CASH GENERATED FROM FINANCING ACTIVITIES

For the year ended 31 December 2019, the net cash outflow used in financing activities was RMB3,715,251,000, representing a decrease of RMB6,942,753,000 as compared with the net cash inflow generated from financing activities of RMB3,227,502,000 for 2018. For the year of 2019, the Group's new bank and other borrowings, perpetual debts, and corporate bonds amounted to RMB73,198,431,000, repayment of bank and other borrowings, corporate bonds and lease obligation principal amounted to RMB71,641,780,000, and the payment of interest amounted to RMB4,844,875,000.

TRADE AND NOTES RECEIVABLES

As at 31 December 2019, the balance of trade and notes receivables by the Group amounted to RMB1,111,000,000, representing an increase of RMB76,128,000 as compared with last year. Of which note receivables increased by RMB9,521,000 while trade receivables increased by RMB66,607,000.

ANALYSIS OF GEARING RATIO

As at 31 December 2019, the Company's net gearing ratio (i.e. net debts over shareholders' equity) was 416%, which was lower than 533% of last year. The net gearing ratio decreased slightly as compared with last year.

ANALYSIS OF FOREIGN EXCHANGE RISK

Revenues and costs of the Group's shipping-related leasing business and container manufacturing operations are settled or denominated in USD. As a result, the impact on the net operating revenue due to RMB exchange rate fluctuation can be offset by each other to a certain extent. During the Period, the Group recorded a net exchange gain of RMB57,448,000 which was mainly due to fluctuations in the exchange rates of the USD and Euro in 2019; the decrease in exchange difference which was charged to equity attributable to shareholders of the parent amounted to RMB187,211,000. The Group will continue to closely monitor the exchange rate fluctuation of RMB and major international currencies, minimize the loss arising from exchange rate fluctuation, and take appropriate measures to mitigate the Group's foreign exchange exposure when necessary.

CAPITAL EXPENDITURES

For the year ended 31 December 2019, the Group's expenditures on the acquisition of containers and other expenditures amounted to RMB2,828,747,000, and expenditures on the acquisition of finance lease assets amounted to RMB21,542,542,000.

CAPITAL COMMITMENTS

As at 31 December 2019, the Group had RMB67,665,000 in capital commitments which had been contracted but not provided for in relation to property, plant and equipment. Equity investment commitment was RMB757,005,000.

PLEDGE

As at 31 December 2019, certain container vessels and containers with net carrying value of approximately RMB25,765,286,000 (2018: RMB22,735,030,000), finance lease receivables of RMB24,015,141,000 (2018: RMB18,018,213,000) and pledged deposits of RMB237,539,000 (2018: RMB597,465,000) of the Group were pledged to banks for the grant of credit facilities and issuance of bonds.

SUBSEQUENT EVENTS

On 27 March 2020, the Board proposed the payment of a final dividend of RMB0.045 per share (inclusive of applicable tax), totaling approximately RMB518,782,000 calculated based on 11,528,497,997 shares, being the result of deducting 79,627,003 A shares repurchased by the Company for the year ended 31 December 2019 from 11,608,125,000 shares in issue of the Company as at 27 March 2020, which is subject to the approval of shareholders of the Company at the forthcoming annual general meeting of the Company (the "AGM").

On 5 March 2020, the extraordinary general meeting and the class meetings of the Company approved the A Share Option Incentive Scheme of the Company. Pursuant to the A Share Option Incentive Scheme, certain directors, core management and business personnel of the Group will be granted up to a total of 88,474,448 A shares options in respect of their services to the Group in the forthcoming year.

CONTINGENT LIABILITIES

As at 31 December 2019, there were no significant contingent liabilities for the Group.

EMPLOYEES, TRAINING AND BENEFITS

As at 31 December 2019, the Group had a total of 7,325 employees, and the total staff costs for the Period (including staff remuneration, welfare expenses and social insurance fees) amounted to approximately RMB1,812,679,000 (including outsourced labour costs).

Remuneration management, as one of the most effective incentives means and a form of enterprise value distribution, was carried out on the principles of total budget control, value creation, internal fairness, market competition and sustainable development. Based on the principle of "contractualized management and differential compensation", the management of the Company has introduced and implemented the professional manager system and strengthened the incentive and restraint mechanism based on performance management. The Company's overall remuneration system mainly consists of: (1) salaries, including remuneration, title salary, performance salary, special incentives, bonus and allowances; and (2) benefits, including social insurance required by the state, provident housing fund and corporate welfares.

To support human resources management reform, talent development and cultivation, the Company has developed its employee training system to make it base on identification of demand, with the support of clear defined responsibilities and list-based management. We have optimized the training content and implementation system, and improved the effectiveness of training resource allocation, staff training participation and satisfaction. Based on training system, various training programmes were designed and implemented to address different types of business and positions, covering topics such as transformation and innovation, industry development, management capability, financial business, risk management, safety and individual caliber.

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2019, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

DIVIDEND

The Board proposed the payment of a final dividend of RMB0.045 per share (inclusive of applicable tax) for the year ended 31 December 2019 (2018: RMB0.033 per share), which is subject to the approval of the shareholders of the Company at the forthcoming AGM. The final dividend will be denominated and declared in RMB and payable in RMB to the holders of the A shares of the Company, and in Hong Kong dollars to the holders of the H shares of the Company within two months after the approval at the AGM.

Further details of the proposed payment of the final dividend including, among other things, the expected timetable and the arrangement for closure of register of H shares members of the Company will be disclosed in due course.

EXECUTIVE DIRECTORS

MR. WANG DAXIONG (王大雄), AGED 59

Chairman of the Company and Chairman of COSCO SHIPPING Financial Holdings Co., Ltd. (formerly known as China Shipping (Hong Kong) Holdings Co., Ltd.), Mr. Wang served as a non-executive director of the Company from June 2004 to June 2014, concurrently as chairman of COSCO Shipping Captive Insurance Co., Ltd. from October 2017 to February 2020, as a non-executive director of China Merchants Securities Co., Ltd. (listed on the Shanghai Stock Exchange under the stock code of 600999 and on the Hong Kong Stock Exchange under the stock code of 6099) from September 2016, as a non-executive director of China Merchants Bank Co., Ltd. (listed on the Shanghai Stock Exchange under the stock code of 600036 and on the Hong Kong Stock Exchange under the stock code of 3968) from November 2016. He served as the deputy general manager and a member of the Party leadership group of China Shipping (Group) Company Limited from May 2010 to March 2014, as the vice president, a member of the Party leadership group and the chief accountant of China Shipping Group Company Limited from April 2005 to May 2010, as vice president and chief accountant of China Shipping Group Company Limited from December 2004 to April 2005, as vice president of China Shipping Company Limited from February 2001 to December 2004; as the chief accountant of China Shipping Company Limited from August 2000 to 2001 February, as the chief accountant and member of Party Committee of China Shipping Company Limited from January 1998 to August 2000, and as the chief of the finance department and chief accountant of Guangzhou Maritime Transport (Group) Co., Ltd. from January 1996 to January 1998. Mr. Wang began his career in the shipping industry in 1983 after he graduated from Shanghai Maritime University majoring in shipping finance. Mr. Wang holds an EMBA degree from Shanghai University of Finance and Economics and is a senior accountant.

MR. LIU CHONG (劉沖), AGED 49

Executive Director and general manager of the Company, a non-executive director of China Everbright Bank Co., Ltd. (listed on the Hong Kong Stock Exchange under the stock code of 6818 and listed on the Shanghai Stock Exchange under the stock code of 601818), vice-chairman of China International Marine Containers (Group) Co., Ltd (listed on the Hong Kong Stock Exchange under the stock code of 2039 and listed on the Shenzhen Stock Exchange under the stock code of 000039), and a non-executive director of China Cinda Asset Management Co., Ltd. (listed on the Hong Kong Stock Exchange under the stock code of 1359), Mr. Liu previously served as the deputy general manager of China Shipping Investment Co., Ltd. and China Shipping Logistics Co., Ltd., and chief accountant of China Shipping (Hainan) Haisheng Shipping Co., Ltd., the chief of capital management division of China Shipping Group Company Limited, the chief accountant of China Shipping Container Lines Co., Ltd. and general manager of China Shipping Investment Co., Ltd. Mr. Liu graduated from Sun Yat-sen University majoring in economics, and is a senior accountant.

MR. XU HUI (徐輝), AGED 57

Deputy general manager and Party secretary of the Company, Mr. Xu started his shipping career in 1982, and was appointed as a non-executive Director of the Company from October 2005 to June 2013. Mr. Xu held the posts of chief engineer of Oil Tanker Company of Shanghai Shipping (Group) Company, assistant to general manager and guidance chief director of Shanghai Haixing Shipping Company, deputy director of the technical department of Shanghai Haixing Shipping Company, director of the technical department of Shanghai Shipping (Group) Company, deputy general manager and member of the Party leadership group of Oil Tanker Company of China Shipping Development Company Limited, deputy general manager, member of the Party leadership group, general manager and Party secretary of Shanghai Shipping (Group) Company, and general manager and Party secretary of China Shipping & Sinopec Suppliers Co., Ltd. He served as the deputy general manager and Party secretary of China Shipping Tanker Company Limited from August 2015 to March 2016. Mr. Xu graduated from Jimei Navigation College majoring in ship management, and is a senior political engineer and chief engineer.

NON-EXECUTIVE DIRECTORS

MR. FENG BOMING (馮波鳴), AGED 50

Non-executive director of the Company, chairman and executive director of COSCO Shipping Ports Co., Ltd. (listed on the Hong Kong Stock Exchange under the stock code of 1199), non-executive director of COSCO Shipping Energy Transportation Co., Ltd. (listed on the Shanghai Stock Exchange under the stock code of 600026 and on the Hong Kong Stock Exchange under the stock code of 1138), a non-executive director of COSCO SHIPPING International (Hong Kong) Co., Ltd. (listed on the Hong Kong Stock Exchange under the stock code of 0517) and a non-executive director of Piraeus Port Authority S.A. Mr. Feng previously served as the deputy chief of the commerce section of the liner department and insurance settlement manager of COSCO Container Lines Co., Ltd. ("COSCO Container Lines"), and the manager of the commerce section of the trade protection department of COSCO Container Lines, the general manager of COSCO's Mercury Co., Ltd. in Hong Kong, general manager of the operations management (HK) department of COSCO SHIPPING Holdings Co., Ltd., general manager of the corporate management department of COSCO Container Lines (Hong Kong) Co., Limited since October 2005; the general manager of the Wuhan branch/COSCO Freight Wuhan (武漢中貨)/COSCO Logistics Wuhan (武漢中遠物流) of COSCO Container China since January 2012, and the director of the strategic management implementation office of COSCO (Group)/China Ocean Shipping (Group) Company/China COSCO since August 2015; the general manager of the strategy and corporate management department of China Ocean Shipping Group Co., Ltd. from February 2016, and chairman of the board of directors of COSCO Shipping Ports Co., Ltd. from September 2019. Mr. Feng graduated from Wuhan University of Technology majoring in transportation administrative engineering with a bachelor's degree, and from The University of Hong Kong majoring in business administration with a master's degree.

MR. HUANG JIAN (黃堅), AGED 50

Non-executive director of the Company, Mr. Huang has been serving as the general manager of the capital operation department of China COSCO Shipping Corporation Ltd. since September 2016. He previously held positions at the financial department and administrative department of a number of companies, and has financial-related management experience. His experience includes: serving as a director of Shanghai Rural Commercial Bank Co., Ltd from June 2018, as a director of COSCO Marine Property Captive Insurance Co., Ltd. from August 2017; a director of Lanhai Medical Investment Co., Ltd. (listed on the Shanghai Stock Exchange under the stock code of 600896) from May 2017, as a non-executive director of China Merchants Securities Co., Ltd. (listed on the Shanghai Stock Exchange under the stock code of 600999 and on the Hong Kong Stock Exchange under the stock code of 6099) from August 2012, as a director of COSCO Shipping Technology Co., Ltd. (listed on the Shenzhen Stock Exchange under the stock code of 002401) from December 2017 to March 2019; as deputy general manager (in charge of work) of the capital operations department of China COSCO Shipping Corporation Ltd. from February to August 2016; as deputy general manager of the finance department of COSCO Group from February 2012 to February 2016; as the chief financial officer and general manager of the finance department of COSCO Americas from November 2006 to February 2012; as the vice president and the general manager of the finance department of COSCO Logistics (Americas) Inc. (formerly known as Intermodal Bridge Services Inc.) from September 2004 to November 2006. He worked at COSCO Group, and the last position was the chief of capital office and the finance department from July 1996 to September 2004. He worked at the finance department of Shenzhen Ocean Shipping Co., Ltd. from July 1993 to July 1996. He obtained a bachelor of economics with a major in auditing from the Capital University of Economics and Business (formerly known as Beijing Institute of Finance and Trade) and a master's degree in business administration from Beijing University of Technology respectively in July 1992 and March 2002. He was qualified as an accountant and senior accountant by the Ministry of Finance in May 1997 and December 2015 respectively.

MR. LIANG YANFENG (梁岩峰), AGED 54

Non-executive director of the Company, chairman and deputy secretary of the Party Committee of COSCO SHIPPING Heavy Industry Co., Ltd., Mr. Liang graduated from Tsinghua University with a master's degree in law and an executive master of business administration (EMBA) degree. He is a senior economist and a member of the Senior Professional and Technical Qualification Examination Committee for Economics of the Ministry of Transport. Mr. Liang previously served as the deputy general manager of the human resources department and the director of staff management of China Ocean Shipping (Group) Company; the general manager, a member of Party Committee and the director of COSCO Talent Service Centre of COSCO Human Resources Development Company. He also served as the general manager of capital operations division of China Ocean Shipping (Group) Company. He was the standing committee member of Luzhou Municipal Committee of the Communist Party of China and the deputy mayor (temporary) of Luzhou Municipal Government, Sichuan Province; the deputy general manager and general manager of COSCO SHIPPING International Holdings Limited, the vice president and a member of Party Committee of COSCO (Hong Kong) Group Limited; secretary of Party Committee and the deputy general manager of Dalian Ocean Shipping Company Limited; and the general manager and deputy secretary of Party Committee of COSCO Shipyard Group Co., Ltd.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. CAI HONGPING (蔡洪平), AGED 65

Born in 1954, currently a non-executive director of the Company, an independent non-executive director of China Eastern Airlines Corporation Ltd. (listed on the Shanghai Stock Exchange under the stock code of 600115 and on the Hong Kong Stock Exchange under the stock code of 0670), an independent non-executive director of Shanghai Pudong Development Bank Co., Ltd. (listed on the Shanghai Stock Exchange under the stock code of 600000), external director of China National Machinery Industry Corporation and Chairman of AGIC Capital, Mr. Cai worked for the Industrial and Transportation Management Committee of the Shanghai Government and Shanghai Petrochemical (Sinopec Shanghai Petrochemical Company Limited, listed on the Hong Kong Stock Exchange under the stock code of 338, listed on the Shanghai Stock Exchange under the stock code of 600688 and listed on the New York Stock Exchange under the stock code of SHI) from 1987 to 1991, and participated in the entire process of the listing of the first batch of H shares of Shanghai Petrochemical in Hong Kong and the United States. From 1992 to 1996, he served as a member of the Overseas Listing Team for Chinese Enterprises under the Economic Restructuring Committee of the State Council and the chairman of the Joint Committee of Board Secretaries for H Share Companies in China. From 1996 to 1997, he was the general manager of the investment banking division of Peregrine Asia. He served as a joint director of the investment banking division of Peregrine Asia from 1997 to 2006, the chairman of the investment banking division of UBS AG in Asia from 2006 to 2010, and the executive chairman of Deutsche Bank in the Asia Pacific region from 2010 to 2015. Mr. Cai served as an independent director of Minmetals Development Co., Ltd. (listed on the Shanghai Stock Exchange under the stock code of 600058) and China Oceanwide Holdings Limited (listed on the Hong Kong Stock Exchange under the stock code of 0715). Mr. Cai, a Hong Kong citizen, is a holder of a bachelor's degree and graduated from Fudan University in Shanghai majoring in journalism.

MS. HAI CHI YUET (奚治月), AGED 65

Independent non-executive Director of the Company, Ms. Hai has more than 30 years of work experience in the shipping logistics industry. She has served as the advisor to Hutchison Port Holdings Limited since 2016. Ms. Hai served as the managing director of COSCO-HIT Terminals (Hong Kong) Limited, the managing director of Yantian International Container Terminals Limited, the chief executive officer of Hutchison Port Holdings Trust and the advisor to Hutchison Port Holdings Trust. Ms. Hai also participates in public service, including being a member of the Election Committee for the Chief Executive of Hong Kong Special Administrative Region, Transport Subsector. She also served as a member of Hong Kong Port Development Advisory Group and the president of Shenzhen Ports Association. In 2011, Ms. Hai was awarded as Shenzhen Honourable Citizen. Ms. Hai graduated from York University, Toronto, Canada and The University of Hong Kong, obtaining a bachelor's degree in business administration and a master's degree in Buddhism studies respectively.

MR. GRAEME JACK, AGED 69

Independent non-executive Director of the Company, Mr. Graeme Jack has over 40 years' experience in finance and auditing. He worked at PricewaterhouseCoopers for 33 years and retired as a partner. In addition to the Company, he is currently an independent non-executive director of The Greenbrier Companies Inc., Hutchison Port Holdings Trust and Hutchison China MediTech Ltd. He holds a bachelor's degree in commerce, and is a fellow member of the Hong Kong Institute of Certified Public Accountants – Practising and an associate member of The Institute of Chartered Accountants in Australia and New Zealand.

MR. LU JIANZHONG (陸建忠), AGED 65

Independent non-executive Director of the Company, Mr. Lu graduated from the department of accounting of Shanghai University of Finance and Economics with a bachelor's degree in economics in January 1983. He started his career in the field of finance in the same year. Mr. Lu was a lecturer and an Associate Professor of Finance and Accounting at the Shanghai Maritime University from September 1986 to August 1997. He served as a certified accountant and a partner of the audit department of PricewaterhouseCoopers Zhong Tian LLP from September 1997 to June 2012. From July 2012 to September 2016, Mr. Lu served as a partner of Shanghai De'an Certified Public Accountants LLP, the marketing director of Daxin Certified Public Accountants LLP and a partner of Zhongxinghua Certified Public Accountants LLP. Mr. Lu has served as a certified accountant at Da Hua Certified Public Accountants LLP since October 2016. Mr. Lu is also an independent director of each of Hangzhou Hikvision Digital Technology Co., Ltd. (listed on the Shenzhen Stock Exchange under the stock code of 002415), Changshu Fengfan Power Equipment Co., Ltd. (listed on the Shanghai Stock Exchange under the stock code of 601700) and Ningbo Lehui International Engineering Equipment Co., Ltd. (listed on the Shanghai Stock Exchange under the stock code of 603076) and Shanghai Xinnanyang Only Education & Technology Co., Ltd. (listed on the Shanghai Stock Exchange under the stock code of 600661), an enterprise mentor for the Master of Professional Accounting (MPACC)/ the Master of Auditing programs (Maud) of Antai College of Economics and Management of Shanghai Jiao Tong University and an external expert of the Asset Securitization Task Group under the Economic Research Center of the State Council. He is a member of Jiusan Society in the PRC.

MS. ZHANG WEIHUA (張衛華), AGED 58

Independent non-executive director of the Company, Ms. Zhang graduated from the Faculty of Business, University of Southern Queensland in Australia with a master's degree in business. She was compliance director at China Merchants Securities Co., Ltd. (listed on the Shanghai Stock Exchange under the stock code of 600999) cum chairperson of the board of supervisors of China Merchants Fund Management Co., Ltd. Ms. Zhang previously held a number of positions, including chief auditor, assistant to president and general manager of the audit department of China Merchants Securities Co., Ltd. and assistant to the general manager of the securities business department of the head office China Merchants Bank.

MEMBERS OF SUPERVISORY COMMITTEE

MR. YE HONGJUN (葉紅軍), AGED 57

Supervisor of the Company and the chief legal consultant of China COSCO SHIPPING Corporation Limited, Mr. Ye worked in Beijing Communications Management Institute for Executives and served in the MOC, the deputy department head, the department head and the deputy section chief of the Legal Section, the deputy section chief of the Price Regulatory Section of the Water Transport Department and the section chief of the Regulation Section of the Water Transport Department. He served as the assistant to the head of the Maritime Safety Administration of the MOC and the director of the Domestic Shipping Management Division of the Waterway Transportation Bureau of the MOT. Mr. Ye received a master's degree in law from Fudan University.

MR. HAO WENYI (郝文義), AGED 57

Supervisor of the Company and chief of discipline inspection and supervision department of China COSCO Shipping Corporation Limited, Mr. Hao previously served as the director of the general supervision office of the supervision department under the CPC Central Commission for Discipline Inspection and served as the head of the supervision and audit department of China Shipping Group Company Limited from January 2013 to January 2016. He served as the deputy team leader of the party discipline inspection team and the chief of the supervision and audit department of China COSCO Shipping Corporation Limited from February 2016 to May 2019. He has been the deputy team leader of the discipline inspection and supervision team of China COSCO Shipping Corporation Limited since May 2019. Mr. Hao graduated from Beijing Municipal Party School with postgraduate qualifications, majoring in economics. He is a senior political specialist.

MR. ZHU DONGLIN (朱冬林), AGED 60

Supervisor of the Company, Mr. Zhu previously served as the deputy director of the general manager office, the deputy director and deputy director (in charge) of the general affairs office, the deputy director of the Party and Mass Organisation Division, the deputy general manager of the Office of Secretary to the Board, the vice chairman of the Labour Union and the chairman of the Labour Union of the head office. Mr. Zhu served as the general manager of the Human Resources Division of the Company from March 2012 to May 2016 and the secretary of the Party Committee of the Company from January 2014 to May 2016. He served as the chairman of the Labour Union of the Company since June 2016 and retired in December 2019. Mr. Zhu graduated from Shanghai Maritime Institute in 1982 with a bachelor's degree majoring in shipping electrification and automation. He is a deputy researcher.

COMPANY SECRETARY

MR. YU ZHEN (俞震), AGED 42

Company secretary of the Company, Mr. Yu started his career in 1999. He previously served as a financial officer, the chief financial officer of China Shipping International Trading Company, the manager of the finance department of China Shipping (Romania) Agency Co., Ltd., and the general manager of the finance department of China Shipping (Europe) Holding GmbH. He joined the Company in November 2013 and served as the Board Secretary of the Company and Joint Company Secretary from April 2014 to August 2019. He resigned as Board Secretary of the Company due to a change of work in August 2019. Mr. Yu graduated from the finance and accounting faculty of Shanghai Shipping College with a bachelor's degree in economics. He is a certified public accountant (CPA) of the PRC and holds the title of intermediate accountant.

SENIOR MANAGEMENT

MR. MING DONG (明東), AGED 49

Deputy general manager and a member of the Party committee of the Company, Mr. Ming began his career in 1994 and successively worked in COSCO Finance Company Limited and at the asset operation centre, president affairs department and capital operation department of China Ocean Shipping (Group) Company and the Company. He served as the general manager of the investor relations division and the securities affairs representative of COSCO SHIPPING Holdings Co., Ltd. from July 2005 to December 2008, and the general manager of the securities affairs division of China Ocean Shipping (Group) Company and COSCO SHIPPING from January 2009 to February 2016. He has been the deputy general manager and a member of the Party Committee of COSCO Shipping Development Co., Ltd. since March 2016, Mr. Ming graduated from Central University of Finance and Economics majoring in international finance and investment economics, and obtained a master's degree in economics. He is a senior economist.

MR. LIN FENG (林鋒), AGED 44

Chief accountant of the Company and a supervisor of China International Marine Containers (Group) Co., Ltd., Mr. Lin served as a financial officer of the branch office of Shanghai Haixing Freight Co., Ltd., and the deputy chief financial officer and the chief financial officer of the finance department in Shanghai of China Shipping Bulk Carrier Co., Ltd. from July 1997 to December 2007. He served as the deputy director and the director of the planning section and the budget management office of China Shipping (Group) Company (currently known as China Shipping Group Company Limited) from January 2008 to January 2014. From January 2014 to August 2018, Mr. Lin served as the chief accountant and the deputy general manager of COSCO SHIPPING Financial Holdings Co., Ltd. (formerly known as China Shipping (Hong Kong) Holdings Co., Limited). Mr. Lin graduated from Shanghai School of Agriculture (currently known as Shanghai Jiao Tong University School of Agriculture and Biology) with a bachelor's degree in economics, majoring in currency banking. He holds the title of accountant.

MS. DU HAIYING (杜海英), AGED 44

Deputy general manager of the Company, Ms. Du started working in 1998 and served as the director of the development department of China Shipping (Hainan) Haisheng Shipping Co., Ltd. from March 2009 to September 2015, and the vice principal of the Party School of the China Shipping (Group) Company. She has concurrently served as the deputy dean of the Management Cadre College of China Shipping (Group) Company from September 2013. From September 2015 to December 2019, she served as the deputy general manager and a member of CCP Committee of China Shipping Investment Co., Ltd., an assistant to the general manager of COSCO Shipping Development Co., Ltd. and the deputy general manager of China Shipping Investment Co., Ltd. and an assistant to the general manager and the general manager of the financial business department of COSCO SHIPPING Development Co., Ltd. and the deputy general manager of China Shipping Investment Co., Ltd. Ms. Du graduated from the Antai College of Economics and Management, Shanghai Jiao Tong University, majoring in business administration with a master of business administration. She holds the title of economist.

MR. CAI LEI (蔡磊), AGED 40

Board Secretary of the Company, Mr. Cai successively served as an officer and an assistant director of the commercial office of the shipping department of Oil Tanker Company of China Shipping Development Company Limited from 2004 to 2011, as the senior chief of the general office of China Shipping (Group) Company and the secretary to the Group's Party leadership group from 2011 to 2016, as the secretary to the Party leadership group of China COSCO Shipping Corporation Limited from January 2016 to June 2019, and as the secretary to the Board and general manager of the securities and public relations department of COSCO SHIPPING Development Co., Ltd. since August 2019. Mr. Cai graduated from the Graduate School of Shanghai Maritime University majoring in civil and commercial law with a master of laws. He is qualified as a national judicial professional and an insurance assessor, and holds the title of intermediate economist.

The Board submits its annual report together with the audited consolidated financial statements for the year ended 31 December 2019 (the "Year").

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activities of the Group and its subsidiaries are set out in Note 1 to the consolidated financial statements.

An analysis of the Group's operation results for the Year by business and geographical segments is set out in Note 4 to the consolidated financial statements.

RESULTS

The operation results of the Group for the Year are set out in the consolidated statement of profit or loss on page 96 of this Annual Report.

BUSINESS REVIEW

Business review of the Group for the year ended 31 December 2019, an analysis of the Group's performance for the Year using key financial metrics, recent development, a discussion on the future business development of the Group, subsequent events after the period and a description of the potential major risks and uncertainties facing the Group are set out in "Chairman's Statement" on pages 6 to 11 and "Management Discussion and Analysis" on pages 12 to 27 of this Annual Report. The Company's environmental policy and performance, its compliance with relevant laws and regulations that have significant effects on the Group and the relationship between the Group and its employees, customers and suppliers are set out in "Report of the Board of Directors" and "Corporate Governance Report" on pages 35 to 86 of this Annual Report.

DIVIDENDS

	2019 **RMB'000**	2018 RMB'000
Proposed final dividend of RMB0.045 per ordinary share (2018: RMB0.033)	**518,782**	384,035

The proposed final dividend for the Year is subject to the approval of the Company's shareholders at the forthcoming AGM.

The Board proposed to distribute final dividend of RMB0.045 (including applicable tax) per share for the year ended 31 December 2019 (2018: RMB0.033) with an aggregate of approximately RMB518,782,409 (2018: RMB384,035,000) calculated based on 11,528,497,997 shares of the Company (being the number of shares after 11,683,125,000 shares issued by the Company on 27 March 2019 deducting 79,627,003 A shares repurchased and 75,000,000 H shares repurchased and cancelled by the Company).

RESERVES

Movement of the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on pages 100 to 101 of this Annual Report, Note 39 and Note 51 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are set out in Note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 38 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

In accordance with the PRC Company Law, the Company may only distribute dividends out of its distributable profits (i.e. the Company's profit after income tax after deducting: (i) the accumulated losses brought forward from the previous years; and (ii) the allocations to the statutory surplus reserve and, if any, the balance after discretionary surplus reserve (allocated into various funds in such order of priorities)). In determining the appropriate amount of dividends, the Board takes into account, among other things, the distributable profits realized by the Company, the liquidity of the Company, the capital needs and cash flow requirements satisfying the normal operation of the Company, the profitability and stage of development of the Company.

According to the Company's articles of association (the "Articles of Association"), for the purpose of determining profit available for distribution, the distributable profit of the Company is the lesser of its profit after income tax calculated in accordance with: (i) the PRC accounting standards and regulations; and (ii) Hong Kong Financial Reporting Standards.

As at 31 December 2019, the retained earnings of the Company, calculated based on the above principles, amounted to approximately RMB934 million, which was prepared in accordance with the PRC accounting standards and regulations.

PRE-EMPTIVE RIGHTS

Under the Articles of Association and the laws of the PRC, no pre-emptive rights exist which require the Company to submit proposal of new shares offering to its existing shareholders in proportion to their shareholdings.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on pages 219 to 220 of this Annual Report.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2019, the Company repurchased 79,627,003 A shares on Shanghai Stock Exchange and 75,000,000 H shares on the Hong Kong Stock Exchange, respectively. Of which, 75,000,000 H shares were cancelled during the Period. Details of shares repurchased during the year ended 31 December 2019 are set out as follows:

Month of repurchases	Number of shares purchased on the Hong Kong Stock Exchange	Price paid per share Highest *(HK$)*	Price paid per share Lowest *(HK$)*	Aggregate consideration paid *(HK$)*
May 2019	75,000,000	$1.06	$1.00	$77,409,240.00

To improve the Company's long-term incentive mechanism and promote its sustainable development in the long run, the Company carried out the share repurchase, which can help protect the interests of the investors and strengthen their confidence towards the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the Period.

THE BASIS OF DETERMINING THE EMOLUMENT OF DIRECTORS

The Company determines the remuneration of Directors with reference to the performance of Directors for the year ended 31 December 2019 and on the principle of linking Company's management with operation results.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors who held office as at the date of this Annual Report are:

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Wang Daxiong *(Chairman)*
Mr. Liu Chong
Mr. Xu Hui

NON-EXECUTIVE DIRECTORS

Mr. Feng Boming
Mr. Huang Jian
Mr. Liang Yanfeng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cai Hongping
Ms. Hai Chi Yuet
Mr. Graeme Jack
Mr. Lu Jianzhong
Ms. Zhang Weihua

SUPERVISORS

Mr. Ye Hongjun *(Chairman)*
Mr. Hao Wenyi
Mr. Zhu Donglin

According to the Articles of Association, the term of service of the Directors and Supervisors of the Company shall be three years.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors of the Board and Supervisors of the Supervisory Committee for this term has a service contract with the Company until the conclusion of the sixth sessions of the Board of Directors and the Supervisory Committee of the Company.

The Company did not enter into any service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation) with any Director or Supervisor.

DIRECTORS' AND SUPERVISORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this Report of the Board of Directors (including but not limited to the connected transactions and continuing connected transactions stated below), no transactions, arrangements or contracts of significance (as defined in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")), in which a Director or a Supervisor of the Company or their connected entities are or were materially interested, directly or indirectly, subsisted during the Year or at the end of the Year.

Save as disclosed in this Report of the Board of Directors (including but not limited to the connected transactions and continuing connected transactions stated below), no contracts of significance in which the Company or any of its subsidiary and its controlling shareholders (as defined in Appendix 16 to the Listing Rules) or a subsidiary of its controlling shareholders was a party, subsisted during the Year or at the end of the Year.

Save as disclosed in this Report of the Board of Directors (including but not limited to the connected transactions and continuing connected transactions stated below), no contracts of significance in relation to the service provided by controlling shareholders or their subsidiaries to the Company or its subsidiaries, subsisted during the Year or at the end of the Year.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Year. The Company has arranged appropriate insurance cover for its Directors and senior management in respect of legal action that may be brought against them in connection with company activities.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors, Supervisors and senior management of the Company are set out on pages 28 to 34 of this Annual Report. As at 31 December 2019, Feng Boming, Huang Jian, Ye Hongjun and Hao Wenyi was respectively the chairman of the board of directors of COSCO SHIPPING Ports Limited, department general manager, chief legal adviser and department general manager of China COSCO SHIPPING. As at 31 December 2019, China COSCO SHIPPING and China Shipping had interests or short positions in the Company's shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO").

DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

No arrangements to which the Company or its subsidiary is or was a party to enable the Directors, Supervisors or chief executives of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate subsisted at any time during the Year.

INTERESTS OR SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2019, the interests or short positions of the Directors, Supervisors or chief executive(s) of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors or chief executive(s) is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") adopted by the Company were as follows:

INTERESTS IN THE SHARES OF THE COMPANY

Name	Position	Class of Shares	Capacity	Number of Shares interested *(Note 1)*	Approximate percentage of the total number of the relevant class of Shares of the Company *(%)*	Approximate percentage of the issued share capital of the Company *(%)*
Wang Daxiong	Director	H Shares	Other	834,677 (L) *(Notes 2 and 3)*	0.02	0.01
Liu Chong	Director	H Shares	Other	1,112,903 (L) *(Notes 2 and 4)*	0.03	0.01
Xu Hui	Director	H Shares	Other	945,968 (L) *(Notes 2 and 5)*	0.03	0.01
Feng Boming	Director	A Shares	Beneficial owner	29,100 (L)	0.00037	0.00025

Notes:

1. "L" means long position in the shares.

2. As disclosed in the announcement of the Company dated 24 November 2016, certain executive Directors, Supervisor, senior management and employees of the Company have voluntarily invested, with their own fund, in an asset management plan (the "**Asset Management Plan**"), pursuant to which the executive Directors, Supervisor, senior management and employees of the Company have subscribed to the units of the Asset Management Plan and entrusted the manager of the Asset Management Plan to manage the Asset Management Plan, which will invest in the H Shares. The manager of the Asset Management Plan shall be responsible for, among other things, the investment and re-investment of the assets under the Asset Management Plan and shall be entitled to exercise the voting rights and other relevant rights in respect of the H Shares held under the Asset Management Plan. The Company did not participate in the Asset Management Plan, and the Asset Management Plan does not constitute a share option scheme or any type of employee benefit scheme of the Company. As at 31 December 2017, the Asset Management Plan has been fully funded and has acquired 6,900,000 H Shares on the market at an average price of HK$1.749 per H Share.

3. Mr. Wang Daxiong is one of the participants of the Asset Management Plan through which he holds approximately 12.10% of the total number of units of the Asset Management Plan as at 31 December 2019. Accordingly, the 834,677 H Shares represent the interests derived from the units subscribed by Mr. Wang Daxiong in the Asset Management Plan as at 31 December 2019. As at 31 December 2019, Mr. Wang Daxiong does not hold any Shares.

4. Mr. Liu Chong is one of the participants of the Asset Management Plan through which he holds approximately 16.13% of the total number of units of the Asset Management Plan as at 31 December 2019. Accordingly, the 1,112,903 H Shares represent the interests derived from the units subscribed by Mr. Liu Chong in the Asset Management Plan as at 31 December 2019. As at 31 December 2019, Mr. Liu Chong does not hold any Shares.

5. Mr. Xu Hui is one of the participants of the Asset Management Plan through which he holds approximately 13.71% of the total number of units of the Asset Management Plan as at 31 December 2019. Accordingly, the 945,968 H Shares represent the interests derived from the units subscribed by Mr. Xu Hui in the Asset Management Plan as at 31 December 2019. As at 31 December 2019, Mr. Xu Hui does not hold any Shares.

INTERESTS IN THE SHARES OF ASSOCIATED CORPORATIONS OF THE COMPANY

Name of associated corporation	Name	Position	Class of shares	Capacity	Number of shares interested	Approximate percentage of the number of shares of the relevant class of the relevant associated corporation (%)	Approximate percentage of the issued share capital of the relevant associated corporation (%)
COSCO Shipping Holdings Co., Ltd.	Feng Boming	Director	A Shares	Interest of spouse	530,000 (L)	0.00548	0.00432

Save as disclosed above, as at 31 December 2019, none of the Directors, Supervisors or chief executive(s) of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors or chief executive(s) is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code adopted by the Company.

INTERESTS OR SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES OR UNDERLYING SHARES

As at 31 December 2019, to the knowledge of the Directors, Supervisors or chief executive(s) of the Company, the interests or short positions of the shareholders who are entitled to exercise or control 5% or more of the voting power at any general meeting or other persons (other than a Director, Supervisor or chief executive(s) of the Company) in the shares or underlying shares of the Company which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or the interests or short positions which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO or the interests or short positions which have been notified to the Company and the Hong Kong Stock Exchange were as follows:

Name of Shareholder	Class of Shares	Capacity	Number of Shares interested *(Note 1)*	Approximate percentage of the total number of the relevant class of Shares of the Company *(%)*	Approximate percentage of the issued share capital of the Company *(%)*
China Shipping (Group) Company ("China Shipping")	A Shares	Beneficial owner	4,458,195,175 (L) *(Note 2)*	56.20	38.41
	H Shares	Interest of controlled corporation	100,944,000 (L) *(Note 3)*	2.75	0.87
China COSCO SHIPPING Corporation Limited	A Shares	Interest of controlled corporation	4,458,195,175 (L) *(Note 2)*	56.20	38.41
	H Shares	Interest of controlled corporation	100,944,000 (L) *(Note 3)*	2.75	0.87

Notes:

1. "L" means long position in the shares and "P" means shares in the lending pool.

2. Such 4,458,195,175 A Shares represent the same block of shares.

3. Such 100,944,000 H Shares represent the same block of shares held by Ocean Fortune Investment Limited, an indirectly wholly-owned subsidiary of China Shipping.

Save as disclosed above, as at 31 December 2019, no other person (other than Directors, Supervisors or chief executive(s) of the Company) had any interest or short position in any shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or any interest or short positions recorded in the register kept by the Company pursuant to Section 336 of the SFO or any interest or short positions which have been notified to the Company and the Hong Kong Stock Exchange.

DIRECTORS AND EMPLOYEES OF THE SUBSTANTIAL SHAREHOLDERS

Certain Directors and Supervisors of the Company are the directors or employees of China COSCO SHIPPING and/or China Shipping (details of which are set out on pages 28 to 34 of this Report), and China COSCO SHIPPING and China Shipping have interests in the shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on public information that is within the knowledge of the Company and also known to the Directors, as at the date of this Annual Report, there was sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

MANAGEMENT CONTRACTS

No contracts were entered into and subsisted (other than the service contracts with any Directors or Supervisors or any of the full-time staff of the Company), and pursuant to which, the management and administration of the whole or any substantial part of the business of the Company were undertaken by any individuals, firms or body corporates.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, the Group sold in aggregate 57% of its goods and services to its five largest customers during the Year, including 49% to its largest customer.

During the Year, the Group purchased in aggregate less than 30% of its goods and services from its five largest suppliers.

China COSCO SHIPPING, the controlling shareholder of the Company indirectly holding 39.28% of the total issued share capital of the Company, is beneficially interested in one of the Company's five largest customers.

Save as disclosed above, none of the Directors, their close associates or any shareholders (who to the knowledge of the Board owns more than 5% of the issued shares of the Company) has interest in the five largest customers or the five largest suppliers of the Group.

EQUITY-LINKED AGREEMENT

No equity-linked agreements were entered into by the Group or subsisted during the Year.

CHARITABLE DONATIONS

There was a charitable donation with a total amount of approximately RMB6,567,300 made by the Group during the Year.

RELATIONSHIP WITH KEY STAKEHOLDERS

RELATIONSHIP WITH EMPLOYEES

COSCO SHIPPING Development strictly adheres to the Labour Law of the People's Republic of China (《中華人民共和國勞動法》) and the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and other laws and regulations, to safeguard the legal rights and interests of its employees. Meanwhile, the Company and its direct business units have established and made improvements upon its human resources management system, in order to match the strategic transformation demand of COSCO SHIPPING Development.

COSCO SHIPPING Development attaches importance to the optimization of its talent structure. Through various means including attracting high-end talents, perfecting its staff training and promotion system and enhancing talent resources management, COSCO SHIPPING Development spares no effort in building a talent team well-suited for the Company's development strategy.

COSCO SHIPPING Development and its direct business units keeps a keen eye on the occupational health of its staff, for which it has been safeguarding by formulating regulations, including the Occupational Safety Management System, Work Injury Compensation Claim Management System and Regulations on Prevention and Control of Occupational Diseases, and building a health care management system. Besides providing financial services, the Company also administers the health and safety of the assigned crew to ensure their security. In 2016, the Company passed the annual review of"four-in-one" integrated management system certified by China Classification Society on quality, environment, occupational health and security and energy management.

Talent competition is the core of competition in the financial industry. COSCO SHIPPING Development has a high demand for high-level financial talents due to its business transformation. The Company has set up a talent recruitment programme to attract high-end talents, perfected its talent incentive scheme and built a highly appealing platform that brings together industry elites.

To better accommodate the business development demand of the Company during its transformation period, COSCO SHIPPING Development establishes a multi-tiered and differentiated training system. Through formulating Staff Training Management System, organizing non-scheduled training and internal communication sessions and importing external training resources, the Company is dedicated to expanding industry vision and elevating professional qualities of the staff.

RELATIONSHIP WITH CUSTOMERS

The Group is fully dedicated to serve its customers and constantly seeks to bring its services to the next level. Due to the essentiality of customer communication in the overall service experience, we continue to provide multiple online and offline communication channels in order to deliver responses and services to all customers.

The Group maintains long-standing, healthy and cooperative relationships with the Company's major customers, adheres to normal commercial terms and shares consistent credit terms with other customers. Settlement between the Group and major customers is conducted based on payment terms in the contract. The Group, taking into account the judgment on recoverable amount, provides for balance of loan receivables based on bad debt provisions classified with similar credit risk profile. The Group monitors and assesses the information of major customers on an on-going and timely basis, which boosts communication and relationship with major customers.

RELATIONSHIP WITH SUPPLIERS

In terms of selecting suppliers, the Group has been applying a standard of high quality and high integrity, and has established relevant systems to ensure that the purchase process remains open, fair and just. Aiming to improve purchase quality, critical assessment and guidelines are utilized by the Group to measure the sustainability of the suppliers in terms of labor, health and safety and environmental influences. Relevant departments of the Group conduct performance assessments on the suppliers regularly in order to manage the suppliers in a more efficient manner and reduce potential risks in supplier, which boosts communication and relationship with the suppliers.

ENVIRONMENTAL POLICY AND PERFORMANCE

As green and low-carbon development has become a global consensus, COSCO SHIPPING Development incorporates the concept of green development into its overall operation by taking active measures to deal with the potential environmental impact of its business operations, and leverages its advantages and influence to facilitate the sustainable development of the industry and the achievement of the goal of ecological civilization construction.

OPTIMIZATION OF ENVIRONMENT MANAGEMENT SYSTEM

COSCO SHIPPING Development continually improves its environment management system. On the one hand, the Company strictly adheres to the Atmospheric Pollution Prevention Law of the People's Republic of China (《中華人民共和國大氣污染防治法》) and Clean Production Promotion Law of the People's Republic of China (《中華人民共和國清潔生產促進法》) and other national and industrial environment protection laws and regulations; on the other hand, the Company actively organizes its business departments and direct business units to improve environment management regulations and systems.

The Company formulated "Regulations on Wastewater Discharge", "Regulations on Exhaust Emission Management", "Regulations on Solid Waste Environment Pollution Prevention Management", "Vessel Waste Management Plan", "Regulations on Treatment of Oily Sewage and Residual Oil in the Cabin" and "Regulations on Treatment of Domestic Sewage" to minimize the impact of emissions on the environment. The Company also formulated "Regulations on Noise Management" to minimize noise pollution, "Energy Conservation and Emission Reduction Management System" to manage resource usage, "Contingency Plan for Environmental Pollution Accidents" and "Management Procedures for Identification, Evaluation and Management" to provide advance management for potential environmental risks.

The Company extends environmental management from production lines to offices. By improving"Regulations on Disposal of Wastes in Offices", "Regulations on Energy Conservation in Offices" and other green office policies, the Company manages the use of energy and disposal of wastes in offices, laying a systematic foundation for forging green office atmosphere.

SUPPORT THE DEVELOPMENT OF CLEAN ENERGY

Developing clean energy is essential in our efforts to accelerate exploration into clean, efficient, safe and sustainable resources. It also plays an important role in reducing energy consumption and improving air quality. COSCO SHIPPING Development has been deeply engaging in the development of power generation by clean energy such as photovoltaics, hydroelectric power and wind power to support the upgrade of green technologies and facilities among enterprises and promote the construction of energy projects with its professional finance leasing services, facilitating the continuous development and expansion of the clean energy industry.

PROMOTION OF GREEN MANUFACTURE OF CONTAINERS

According to the Notice Regarding the Commencement of Construction of Green Manufacturing System Issued by the General Office of the Ministry of Industry and Information Technology (《工業和信息化部辦公廳關於開展綠色製造體系建設的通知》), a green manufacturing system that is clean, efficient, low carbon and recycling shall be established as the benchmark for upgrading and transforming manufacturing enterprises into green enterprises. COSCO SHIPPING Development has been proactively forging itself into a green manufacturer of containers. By incorporating the concepts of green manufacturing and minimizing carbon emission into the whole process from raw material procurement, production to disposal of wastes, the Company achieved higher efficiency in its container manufacturing business.

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS WHICH HAVE A SIGNIFICANT IMPACT ON THE GROUP

After the material asset restruction, the Group is principally engaged in shipping and other industry leasing, container manufacturing and investment and services businesses. The businesses of the Company and its subsidiaries are subject to a number of laws and regulations such as the Company Laws of the People's Republic of China, the Securities Law of the People's Republic of China, the Contract Law of the People's Republic of China, Notice of the Ministry of Commerce and the State Administration of Taxation on Relevant Issues Concerning Undertaking Financing Lease Business (《商務部、國家稅務總局關於從事融資租賃業務有關問題的通知》), Interpretation of the Supreme People's Court on Issues concerning the Application of Law in the Trial of Cases Involving Disputes over Financial Leasing Contracts (《最高人民法院關於審理融資租賃合同糾紛案件適用法律問題的解釋》), Measures for the Administration of Finance Companies of Enterprise Groups (《企業集團財務公司管理辦法》), Provisions on the Supervision of Insurance Brokerage Institutions (《保險經紀機構監管規定》) and other applicable rules, polices and normative legal documents based on these laws and regulations. The Group has the procedure of compliance in place to ensure compliance with applicable laws, regulations and normative legal documents, and in particular those would have material effects on its principal businesses such as leasing, investment and integrated financial services. The Group will notify the relevant employees and operating teams of any change in applicable laws, rules and normative legal documents relating to its principal businesses from time to time.

In addition, certain requirements under other applicable laws and regulations also apply to the Group (e.g. the Labour Law of the People's Republic of China, the Stock Listing Rules of the Shanghai Stock Exchange (《上海證券交易所股票上市規則》), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Companies Ordinance (Cap 622 of the Laws of Hong Kong) and the Employment Ordinance (Cap. 57 of the Laws of Hong Kong)). The Group has strived to allocate its resources to different aspects in accordance with processes of internal control and approval, and ensured its compliance with these requirements by training and supervising over different business units. Implementation of these measures requires substantial internal resources and will incur additional operating costs. Nevertheless, the Group has put particular emphasis on compliance with applicable laws and regulations.

CONNECTED TRANSACTIONS

During the year ended 31 December 2019, the Company entered into the following connected transactions:

(1) DISPOSAL OF EQUITY INTERESTS IN E-SHIPPING GLOBAL SUPPLY CHAIN MANAGEMENT (SHENZHEN) CO., LTD.

- Date, parties and description of the transaction:

  On 25 March 2019, the Company and COSCO SHIPPING Logistics Co., Ltd. ("COSCO SHIPPING Logistics") entered into an equity transfer agreement, pursuant to which the Company has agreed to dispose of, and COSCO SHIPPING Logistics has agreed to acquire, 25% of the equity interests in E-Shipping Global Supply Chain Management (Shenzhen) Co., Ltd. ("E-Shipping").

- Connected relationship of the parties to the transaction:

  COSCO SHIPPING is an indirect controlling shareholder of the Company and therefore a connected person of the Company. As COSCO SHIPPING Logistics is a wholly-owned subsidiary of COSCO SHIPPING, COSCO SHIPPING Logistics is an associate of COSCO SHIPPING and therefore is a connected person of the Company. Accordingly, the disposal of the equity interests in E-Shipping constituted a connected transaction of the Company under the Listing Rules.

- Total consideration and other terms:

  The Consideration for the disposal was RMB13,234,350, which was determined after arm's length negotiations between the Company and COSCO SHIPPING Logistics parties with reference to the appraised value of the total shareholders' equity of E-Shipping.

- Purpose of the transaction and the nature of the interests of the connected party in the transaction:

  The principal business of E-Shipping, being supply chain management, is not in line with the existing principal businesses and future development of the Group, the disposal will enable the Group to focus on its principal businesses and develop into an integrated shipping financial service platform.

The Board (including the independent non-executive Directors) considers that the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

For further information relating to the above transaction, please refer to the announcement of the Company dated 25 March 2019.

(2) TERMINATION OF PROPOSED SUBSCRIPTION OF A SHARES BY COSCO SHIPPING UNDER THE REVISED PROPOSED NON-PUBLIC ISSUANCE OF A SHARES

- Date, parties and description of the transaction:

  On 20 April 2017, the Board has approved, among other things, the revised proposed non-public issuance of A Shares, pursuant to which the Company will issue a maximum of 2,336,625,000 A Shares (subject to adjustments) to not more than 10 specific target subscribers, including COSCO SHIPPING, which would raise a gross proceeds of up to RMB8.6 billion (the "Revised Proposed Non-public Issuance of A Shares"). As part of the Revised Proposed Non-public Issuance of A Shares, on 20 April 2017, the Company has entered into a subscription agreement with COSCO SHIPPING (the "COSCO Subscription Agreement"), pursuant to which COSCO SHIPPING has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, 50% of the total number of A Shares to be issued under the Revised Proposed Non-public Issuance of A Shares (the "COSCO Subscription"). On 11 October 2019, the Board has resolved to approve the termination of the Revised Proposed Non-public Issuance of A Shares (the "Termination"). Following the Termination, the COSCO Subscription Agreement was terminated by the Company and COSCO SHIPPING.

- Connected relationship of the parties to the transaction:

  COSCO SHIPPING is an indirect controlling shareholder of the Company and therefore a connected person of the Company. Accordingly, the COSCO Subscription and its termination constituted a connected transaction of the Company under the Listing Rules.

- Purpose of the transaction and the nature of the interests of the connected party in the transaction:

  There have been changes in the capital market conditions and the financing opportunities since 2017 when the application for the Revised Proposed Non-public Issuance of A Shares was first made by the Company. Taking into account various internal and external factors including the current situation and the development plan of the Company, the Board has resolved to approve the Termination.

  The Board considers that it is in the best interests of the Company and the Shareholders as a whole to terminate Revised Proposed Non-public Issuance of A Shares and the Termination will not have any material adverse impact on the normal business operations of the Group.

  For further information relating to the above transaction, please refer to the circular of the Company dated 19 May 2017 and the circular of the Company dated 10 May 2018 and the announcement of the Company dated 11 October 2019.

CONTINUING CONNECTED TRANSACTIONS

As at 31 December 2019, the Company had the following relevant annual caps which were announced and subsequently revised and approved at the Company's general meeting. The actual annual figures for the year ended 31 December 2019 in relation to those continuing connected transactions are also set out below. Unless otherwise defined, terms used in the following table shall have the same meanings as defined in the Company's announcements dated 30 March 2016, 5 December 2016, 28 April 2017, 11 July 2017 and 6 May 2019.

No.	Continuing connected transactions	Signing date of the transaction and effective period after renewal every three years	Parties and connected relationship	Nature of transaction	Pricing terms	Transaction amount Year ended 31 December 2017 *RMB'000*	Transaction amount Year ended 31 December 2018 *RMB'000*	Transaction amount **Year ended 31 December 2019** ***RMB'000***
A	Revenue from China COSCO SHIPPING							
1	Services provided by the Group under the Master Operating Lease Services Agreement	5 December 2016 31 December 2019	The Company and China COSCO SHIPPING[1]	Operating lease services	(i) State-prescribed prices[3]; (ii) where there is no stateprescribed price, then according to relevant market prices[4] and based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	1,553,789	1,268,993	**1,221,094**
2	Products and services provided by the Group under the Master Containers Services Agreement	5 December 2016 31 December 2019	The Company and China COSCO SHIPPING[1]	Manufacture of containers	(i) State-prescribed prices[3]; (ii) where there is no stateprescribed price, then according to relevant market prices[4] and based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	1,561,991	3,799,172	**1,251,341**

No.	Continuing connected transactions	Signing date of the transaction and effective period after renewal every three years	Parties and connected relationship	Nature of transaction	Pricing terms	Transaction amount Year ended 31 December 2017 RMB'000	Year ended 31 December 2018 RMB'000	**Year ended 31 December 2019 RMB'000**
3	Service provided by the Group under the Master Finance Lease Services Agreement	5 December 2016 31 December 2019	The Company and China COSCO SHIPPING[1]	Finance lease	(i) State-prescribed prices[3]; (ii) where there is no stateprescribed price, then according to relevant market prices[4] and based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	11,146	7,291	**60,783**
4	Service provided by the Group under the Master Vessel Charter Agreement	5 December 2016 31 December 2019	The Company and China COSCO SHIPPING[1]	Charter of vessels	(i) State-prescribed prices[3]; (ii) where there is no stateprescribed price, then according to relevant market prices[4] and based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	5,466,347	4,847,262	**4,603,814**
5	Services provided by the Group under the Master Factoring Services Agreement	5 December 2016 31 December 2019	The Company and China COSCO SHIPPING[1]	Factoring services	(i) State-prescribed prices[3]; (ii) where there is no stateprescribed price, then according to relevant market prices[4] and based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	73,652	88,564	**555,660**

No.	Continuing connected transactions	Signing date of the transaction and effective period after renewal every three years	Parties and connected relationship	Nature of transaction	Pricing terms	Transaction amount Year ended 31 December 2017 *RMB'000*	Year ended 31 December 2018 *RMB'000*	**Year ended 31 December 2019** ***RMB'000***
6	Services provided by the Group under the Master Insurance Brokerage Services Agreement	5 December 2016 31 December 2019	The Company and China COSCO SHIPPING[1]	Insurance brokerage services	(i) State-prescribed prices[3]; (ii) where there is no stateprescribed price, then according to relevant market prices[4] and based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	15,698	24,871	**27,158**
7	Lease of properties by the Group under the Master Tenancy Agreement	5 December 2016 31 December 2019	The Company and China COSCO SHIPPING[1]	Property leasing services	(i) State-prescribed prices[3]; (ii) where there is no stateprescribed price, then according to relevant market prices[4] and based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	3,035	2,918	**3,798**
B	Revenue from CS Financial							
8	Management services provided by COSCO SHIPPING Development under the Management Services Agreement	28 April 2017 31 December 2019	The Company, China COSCO SHIPPING[1] and CS Financial[2]	Management services	(i) Fixed management fee[6] plus floating income fee[7]	29,995	18,868	**20,000**
9	Entrustment services provided by Shanghai Universal Logistics Equipment Co., Ltd. under the Entrustment Agreement	6 May 2019 31 December 2021	Shanghai Universal Logistics Equipment Co., Ltd. and CS Financial[2]	Management services	(i) Fixed management fee[8]	–	–	**4,027**

No.	Continuing connected transactions	Signing date of the transaction and effective period after renewal every three years	Parties and connected relationship	Nature of transaction	Pricing terms	Transaction amount Year ended 31 December 2017 RMB'000	Year ended 31 December 2018 RMB'000	**Year ended 31 December 2019 RMB'000**
C	Expenditure to China COSCO SHIPPING							
10	Services provided to the Group under the Master Vessel Services Agreement	5 December 2016 31 December 2019	The Company and China COSCO SHIPPING[1]	Vessel services	(i) State-prescribed prices[3]; (ii) where there is no stateprescribed price, then according to relevant market prices[4] and based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	1,060,544	810,445	**1,233,933**
11	Products and services provided to the Group under the Master Containers Services Agreement	5 December 2016 31 December 2019	The Company and China COSCO SHIPPING[1]	Container management services	(i) State-prescribed prices[3]; (ii) where there is no stateprescribed price, then according to relevant market prices[4] and based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	322,749	559,937	**1,020,296**
12	Services provided to the Group under the Master General Services Agreement	5 December 2016 31 December 2019	The Company and China COSCO SHIPPING[1]	General Services	(i) State-prescribed prices[3]; (ii) where there is no stateprescribed price, then according to relevant market prices[4] and based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	17,476	27,167	**46,238**

No.	Continuing connected transactions	Signing date of the transaction and effective period after renewal every three years	Parties and connected relationship	Nature of transaction	Pricing terms	Transaction amount Year ended 31 December 2017 RMB'000	Year ended 31 December 2018 RMB'000	**Year ended 31 December 2019 RMB'000**
13	Lease of properties to the Group under the Master Tenancy Agreement	5 December 2016 31 December 2019	The Company and China COSCO SHIPPING[1]	Property leasing services	(i) State-prescribed prices[3]; (ii) where there is no stateprescribed price, then according to relevant market prices[4] and based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	34,245	21,776	**38,444**
D	Expenditure to COSCO SHIPPING Insurance							
14	Insurance services provided to the Group under the Insurance Services Agreement	11 July 2017 31 December 2019	The Company and COSCO SHIPPING Insurance[2]	Insurance Services	Not higher than: (i) fee charged by any independent third party for the same type of insurance services; or (ii) fee charged by any independent third party for the same type of insurance services.	30,488	36,258	**93,561**
E	Financial Transactions with COSCO SHIPPING Finance							
15	The maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the Group at COSCO SHIPPING Finance under the Master COSCO SHIPPING Finance Financial Services Agreement	5 December 2016 31 December 2019	The Company and COSCO SHIPPING Finance[2]	Deposit services	Interest rate not lower, or thus more favourable (if applicable), than: (i) the deposit benchmark interest rate set by the PBOC from time to time under the same deposit conditions; or (ii) the interest rate charged by major independent commercial banks in the service place or adjacent areas for the same type of deposit services	8,965,526	11,131,949	**11,762,747**

No.	Continuing connected transactions	Signing date of the transaction and effective period after renewal every three years	Parties and connected relationship	Nature of transaction	Pricing terms	Transaction amount Year ended 31 December 2017 RMB'000	Year ended 31 December 2018 RMB'000	**Year ended 31 December 2019 RMB'000**
16	The maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the Florens Group at COSCO SHIPPING Finance under the Florens Finance Financial Services Framework Agreement	30 March 2016 31 December 2019	Florens and COSCO SHIPPING Finance[2]	Deposit services	Interest rate not lower, or thus more favourable (if applicable), than: (i) the deposit benchmark interest rate set by the PBOC from time to time under the same deposit conditions; or (ii) the interest rate charged by major independent commercial banks in the service place or adjacent areas for the same type of deposit services			

Notes:

1 China COSCO SHIPPING, its subsidiaries and/or its associates are indirect controlling shareholders (as defined in the Listing Rules) of the Company, which are connected persons of the Company.

2 Such companies are associates (as defined in the Listing Rules) of China COSCO SHIPPING, which are connected persons of the Company.

3 Representing the price for providing such products and services set by the relevant laws, regulations and other governmental regulatory documents issued by the relevant departments of the PRC government.

4 Representing the price at which the same or comparable type of services are provided from independent third parties in the same area on normal commercial terms in the ordinary course of business.

5 Representing the relevant cost incurred in providing the same or comparable type of products or services plus a profit margin ranging from 0% to 12.25% thereof.

6 The fixed management fee is RMB20,000,000 per year.

7 During the period of management, the variable income is calculated as 3% of amount that is above 8% on the net asset value of the target equities under management, that is (the net profit for the year – average net assets × 8%) × 3%. The amount of net profit does not include returns on non-financial asset, and the amount of net assets does not include non-financial assets.

8 The fixed management fee is RMB10,245,000 per year.

The reasons for the above continuing connected transactions (excluding the financial services provided by COSCO SHIPPING Finance to the Group), and the nature and extent of the interests of the connected party in the relevant continuing connected transactions are as follows:

The Company was established in 1997 as the container shipping arm of China Shipping. Due to the long established and close business relationship between the members of the Group and the China COSCO SHIPPING, a number of transactions have been entered into and are to be entered into between the Group and the relevant connected persons and their respective subsidiaries and associates, which are individually significant and collectively essential to the core business and operation of container marine transportation of the Group. In 2016, through major asset restructuring, the Group achieved a strategic transformation and transformed from a container liner operator to an integrated financial service platform focusing on leasing business such as leasing of vessels, containers and non-shipping leasing with a focus on shipping finance. Given the background of the restructuring, the transactions entered into by the Group with China Shipping, China COSCO SHIPPING and other connected persons would further expand the Group's core business and are in line with the transformation of the Group into an integrated financial services platform with leasing businesses such as vessel leasing, container leasing and non-shipping leasing, with shipping financing as core feature.

In addition, as China Shipping and China COSCO SHIPPING are key state-owned enterprises and large shipping conglomerates that operate across different regions, sectors and countries, and the relevant connected persons (most of them are associates of China Shipping and/or China COSCO SHIPPING) are well-known marine transportation corporations with outstanding competency in shipping industry and have developed good experience and service systems in respect of the products and services under the continuing connected transactions set out above. The cooperation with China Shipping, China COSCO SHIPPING and other connected persons enables the Group to fully leverage on their advantages to achieve better operating performance.

Finally, the terms and conditions provided by the relevant connected persons in relation to the continuing connected transactions set out above are generally more favourable to the Group than those provided by independent third parties to the Group, or those provided by the relevant connected persons to independent third parties.

The reasons for the transactions under which COSCO SHIPPING Finance provides financial services to the Group, and the nature and extent of the interests of the connected party in the relevant continuing connected transactions are as follows:

The terms and conditions of deposit services, loan services, settlement services and other financial services provided by COSCO SHIPPING Finance under the Master Financial Services Agreement are generally more favourable to the Group than those provided by independent third parties, or those provided by COSCO SHIPPING Finance to independent third parties. Furthermore, the Group is not restricted under the Master Financial Services Agreement to approach, and in fact may choose, any bank or financial institution to satisfy its financial service needs. Its criteria in making the choice could be made on costs and quality of services. Therefore, the Group may, but is not obliged to, continue to use COSCO SHIPPING Finance's deposit services, loan services, settlement services and other financial services if the service quality provided is competitive. Having such flexibility afforded under the Master Financial Services Agreement, the Group is able to better manage its current capital and cash flow position.

In addition, it is also expected that COSCO SHIPPING Finance will mainly provide more efficient deposit services, loan services and settlement services to the Group, as compared to independent third-party banks. As COSCO SHIPPING Finance is familiar with the Group's business, it is able to provide funds required by the Group in a more efficient and timely way as compared to independent third-party banks. In view of the Group's business transformation and its strong demand for funds, the Group hopes to obtain financial assistance from COSCO SHIPPING Finance, which may help broaden the Group's financing channels and lower its financing costs.

For further details regarding the above connected transactions and continuing connected transactions, please refer to Note 46 to the consolidated financial statements. The Company confirmed that it has disclosed the connected transactions and continuing connected transactions pursuant to the definitions of "connected transaction" and "continuing connected transaction" (as the case may be) of Chapter 14A of the Listing Rules and pursuant to the disclosure requirements of Chapter 14A of the Listing Rules.

For further information about the Group's significant transaction with related parties, please refer to Note 46 to the consolidated financial statements. The Company confirms that the significant transaction with related parties fall within the definitions under Chapter 14A of the Listing Rules in relation to "connected transaction" and "continuing connected transaction" as set out in Chapter 14A (as the case may be) and met the disclosure requirements under Chapter 14A under the Listing Rules.

INTERNAL CONTROL PROCEDURES

Pursuant to the terms of the continuing connected transaction framework agreements of the Group, the Group may, from time to time and as necessary, enter into separate implementation agreements for each of the specific transactions contemplated under the continuing connected transaction framework agreements of the Group.

Each implementation agreement shall set out the specific terms and other relevant conditions for the particular transaction, including but not limited to rights and benefits of the parties, coordination of the parties, fees and expenses, payments, use of information, breach of agreement and exclusion of liabilities. Any execution and amendments of such implementation agreements shall not contravene the relevant continuing connected transaction framework agreements.

In addition to the annual review by the auditors and independent non-executive Directors pursuant to the requirements of Chapter 14A of the Listing Rules, the Company has implemented the following internal control procedures to ensure that the terms offered by the relevant connected parties are no less favourable than those available to or from independent third parties (as the case may be) and the continuing connected transactions of the Group are conducted in accordance with the pricing policy under the respective continuing connected transaction framework agreements:

(i) the Company has prepared and implemented the Methods for Management of Connected Transactions which sets out, among other things, the relevant requirements for and identification of connected transactions, the responsibilities of relevant departments in the conduct and management of connected transactions, reporting procedures and ongoing monitoring, with a view to ensuring compliance of the Group with applicable laws and regulations (including the Listing Rules) in relation to connected transactions;

(ii) before entering into any implementation agreements pursuant to the continuing connected transaction framework agreements, the relevant executives of the relevant departments of the Company will review contemporaneous prices and other relevant terms offered by at least two independent third parties operating at the same or nearby area before the commencement of the relevant transaction, and ensure that the terms offered by the relevant connected persons are fair and reasonable and comparable to those offered by independent third parties. In case where the offers made by independent third parties are more favourable to the Company, the Company would take up those offers of the independent third parties;

(iii) following the entering into of the implementation agreements pursuant to the continuing connected transaction framework agreements, the Company will regularly examine the pricing of the transactions under the continuing connected transaction framework agreements to ensure that they are conducted in accordance with the pricing terms thereof, including reviewing the transaction records of the Company for the purchase or provision of similar goods or services to or from independent third parties, as the case may be;

(iv) the Company will regularly convene meetings to discuss any issues in the transactions under the continuing connected transaction framework agreements and recommendations for improvement;

(v) the Company will regularly summarise the transaction amounts incurred under the respective continuing connected transaction framework agreements and submit periodic reports which sets out, among other things, the historical transaction amounts, the estimated future transaction amounts and the applicable annual caps, to the management of the Company. If the aforementioned transaction amount incurred reach 80% of the respective applicable annual cap, immediate reporting will be made to the management of the Company. In doing so, the management and the relevant departments of the Company can be informed of the status of the continuing connected transactions in a timely manner such that the transactions can be conducted within the applicable annual caps;

(vi) if it is anticipated that the existing annual caps may be exceeded in the event that the Company continues to conduct the continuing connected transactions, the relevant business departments shall report to the management of the Company at least two months in advance, the Company will then take all appropriate steps in advance to revise the relevant annual caps in accordance with the relevant requirements of the Listing Rules and if necessary, the Company will refrain from further conducting the relevant continuing connected transactions until the revised annual caps are approved; and

(vii) the supervision department of the Company will periodically review and inspect the process of the relevant continuing connected transactions.

By implementing the above procedures, the Directors consider that the Company has established sufficient internal control measures to ensure the pricing basis of each of the continuing connected transaction agreements will be on normal commercial terms (or better to the Group), fair and reasonable, in accordance with the pricing policy of the Company and in the interests of the Company and its Shareholders as a whole.

The relevant departments (such as finance department and securities department) of the Company will also collect statistics of each of the continuing connected transaction agreements on a quarterly basis to ensure the annual caps approved by the independent Shareholders or as announced are not exceeded.

The independent non-executive Directors of the Company, Mr. Cai Hongping, Ms. Hai Chi Yuet, Mr. Graeme Jack, Mr. Lu Jianzhong and Ms. Zhang Weihua have reviewed the above continuing connected transactions and confirmed that these transactions have been entered into:

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

(2) on normal commercial terms or, if there are not sufficient comparable transactions to judge whether the above continuing connected transactions are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as the case may be) independent third parties; and

(3) in accordance with the relevant agreement terms of the above continuing connected transactions and these transaction terms are fair and reasonable and in the interests of the shareholders of the Company as a whole.

For the purpose of Rule 14A.56 of the Listing Rules, Ernst & Young, the international auditor of the Company, has confirmed to the Company regarding the continuing connected transactions disclosed above that nothing has come to the auditor's attention that causes them to believe that:

1. the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;

2. the transactions were not conducted, in all material respects, in accordance with the pricing policies of the Company;

3. the transactions were not conducted, in all material respects, in accordance with the relevant agreements governing such transactions; and

4. the continuing connected transactions have exceeded the relevant maximum aggregate annual cap amount disclosed in the previous announcements of the Company in respect of each of the disclosed continuing connected transactions.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has made an annual confirmation of his/her independence as required by the Listing Rules. The Company is of the view that all the independent non-executive Directors have been in compliance with the independence guidelines requirements as set out in the Listing Rules and are independent in accordance with the provisions of the guidelines.

PENSION SCHEME

Details of the Group's pension scheme for the year ended 31 December 2019 are set out in Note 2.4 to the consolidated financial statements.

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December 2019, the Group had not placed any designated deposits with any financial institution in the PRC, nor had it failed to collect any time deposits upon maturity during the Year.

TAX RELIEF AND EXEMPTION

The Company is not aware that holders of securities of the Company are entitled to any tax relief or exemption by reason of their holding of such securities.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 60 to 86.

AUDIT COMMITTEE

The audit committee of the Company is comprised of two independent non-executive Directors, namely Mr. Lu Jianzhong and Mr. Cai Hongping, and one non-executive Director, namely Mr. Huang Jian. The Group's final results for the year ended 31 December 2019 have been reviewed by the audit committee.

AUDITOR

Auditor appointed by the Company in the past three years is as follows:

2017, 2018 and 2019: Ernst & Young

The financial statements set out in this Annual Report have been audited by Ernst & Young who will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting.

By order of the Board

Wang Daxiong
Chairman

Shanghai, the People's Republic of China
27 March 2020

Corporate Governance Report

The Group has always strived to enhance corporate governance standards and views corporate governance as a part of value creation and a reflection of the commitment of all Directors and senior management to comply with corporate governance. Transparency is maintained for shareholders and we aim to maximize the interests of all shareholders.

Save as disclosed in this Corporate Governance Report, the Board confirms that the Company has complied with all code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2019.

The Company will continue to consistently review the corporate governance practices of the Group to ensure that they are thoroughly implemented. Improvements will also be made continuously to comply with the latest trends of corporate governance, including any new amendments to the Corporate Governance Code in the future.

A. BOARD OF DIRECTORS

1. COMPOSITION OF THE SIXTH SESSION OF THE BOARD

The current members of the sixth session of the Board include:

DIRECTORS
Executive Directors
Mr. Wang Daxiong *(Chairman)*
Mr. Liu Chong
Mr. Xu Hui

Non-executive Directors
Mr. Feng Boming
Mr. Huang Jian
Mr. Liang Yanfeng

Independent non-executive Directors
Mr. Cai Hongping
Ms. Hai Chi Yuet
Mr. Graeme Jack
Mr. Lu Jianzhong
Ms. Zhang Weihua

The list of current Directors (including names, duties and brief biographies) is shown on the Company's website: http://development.coscoshipping.com. There is no relationship (including financial, business, family or other material/relevant relationship(s)) among the Board members, especially among the Chairman and the General Manager.

In 2019, the Board had at least three independent non-executive Directors (and representing at least one-third of the Board members) in accordance with the requirement of the Listing Rules, of whom one had appropriate professional qualifications or accounting or related financial management expertise. Each independent non-executive Director has re-confirmed his/her independence to the Company in accordance with the requirement of the Listing Rules. Based on their confirmation, the Company considers that they are independent.

2. RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

The Board is responsible for managing the businesses and affairs of the Group with the aim of enhancing shareholder value; presenting a balanced, clear and comprehensible assessment of the Group's performance, position and prospects as set out in the annual and interim reports, other price sensitive announcements and other financial information disclosed pursuant to the requirement of the Listing Rules; and reporting to regulators any information which is required to be disclosed as per statutory requirements.

The Board owes fiduciary and statutory duties to the Company and the Group. Other duties include: formulating the general strategy and policies of the Group, and establishing corporate and management goals, major operational measures and risk management policies in accordance with the strategic objectives of the Group; supervising and monitoring the operational and financial performance; and approving expenditure budget and key capital spending, key investments, major acquisitions and disposals of assets, corporate or financial reorganization, major finance consent and management matters.

The Board also delegates authority and obligation to the management to manage the Group, and to report to the Board on the day-to-day business management of the Group.

The Board has set up the Audit Committee, the Remuneration Committee, the Investment Strategy Committee, the Nomination Committee, the Risk Control Committee and the Executive Committee successively. Please refer to the following paragraphs for the composition and duties of the Audit Committee, the Remuneration Committee, the Investment Strategy Committee, the Nomination Committee, the Risk Control Committee and the Executive Committee. Each committee should make recommendations to the Board in accordance with its own duties; such recommendations should be ultimately determined by the Board, unless prescribed clearly in each committee's terms of reference.

The Company Secretary provides information regarding the latest developments in relation to the Listing Rules and other applicable regulatory requirements for all Directors. The Company confirms that the Company Secretary had attended over 15 hours of professional training during the Year. Any Director may require the Company Secretary to arrange independent professional advice at the expense of the Company to assist the Director(s) in performing his/her/their duties to the Company effectively.

3. CORPORATE GOVERNANCE FUNCTION

The Board is responsible for the formulation of corporate governance policies of the Group and the performance of the following corporate governance duties:

(1) to formulate and review the Group's policies and practices on corporate governance;

(2) to review and monitor the training and continuing professional development of the Directors and senior management;

(3) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

(4) to formulate, review and monitor the code of conduct of Directors and employees; and

(5) to review the Group's compliance with the Corporate Governance Code and disclosures in the Corporate Governance Report.

In 2019, the Board performed its corporate governance duties through formulating the Board Diversity Policy, reviewing and monitoring the training and continuing professional development of the Directors and senior management and compliance with relevant laws and regulations, and other practices. It also put great effort into improving the Group's corporate governance practices.

4. CHAIRMAN, CHIEF EXECUTIVE OFFICER AND GENERAL MANAGER

In 2019, Ms. Sun Yueying, Mr. Wang Daxiong and Mr. Liu Chong served as the Chairman, the Chief Executive Officer and the General Manager of the Company respectively. Ms. Sun Yueying resigned as the Chairman and an executive Director on 5 July 2019 due to retirement, and Mr. Wang Daxiong was appointed as the Chairman on the same day. As required by the Articles of Association, the Chairman, the Chief Executive Officer and the General Manager perform their duties separately. The Chief Executive Officer is responsible for organizing the implementation of the decisions, resolutions, approaches, policies and development plans of the Board and the Supervisory Committee, and reporting to the Board; organizing the implementation of the Company's annual business plans, budgets and investment plans; coordinating the Company's internal and external relations; formulating the Company's internal management department establishment plans; devising the Company's basic management systems; drawing up the Company's basic rules and regulations; submitting annual work reports and other reports to the Board; employing or dismissing management personnel whose employment or dismissal is not subject to the approval of the Board and determining their assessment and remuneration; proposing the convening of extraordinary meetings of the Board; and other duties as authorized by the Articles of Association and the Board. The General Manager is responsible for implementing the daily operations management of the Company; convening daily performance analysis meetings of the Company; coordinating the daily operations management of subsidiaries; assisting the Chief Executive Officer in coordinating the Company's internal and external relations; drafting annual development plans, operational policies and annual business plans of the Company; drafting the basic management systems of the Company; drafting specific rules and regulations of the Company; coordinating the operation of each department of the Company; reviewing and approving all budgeted expenses and costs of the Company; drawing up the salaries, benefits, rewards and punishments of the Company's employees and determining their engagement and dismissal; business development and staff training of the Company; and other duties as authorized by the Chief Executive Officer.

Pursuant to code provision A.2.1 of the Corporate Governance Code, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Wang Daxiong assumed the roles of both the Chairman and the Chief Executive Officer of the Company since 5 July 2019. Although these two roles are performed by the same individual, certain responsibilities are shared among the executive Directors to balance power and authority. In addition, all major decisions are made in consultation with members of the Board (including the independent non-executive Directors) as well as senior management. Therefore, the Board is of the view that there are adequate balances of power and safeguards in place. The Board will review and monitor the situation on a regular basis, ensuring appropriate balance of power in the Company.

5. TRAINING AND CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS

(1) Newly appointed Directors

Each newly appointed Director will receive a set of training materials which cover the legal responsibilities of Directors, specific legal responsibilities, rules governing the dealings in securities of a listed company, disclosure of sensitive share price information, disclosable transactions, connected transactions, other continuing responsibilities, Corporate Governance Code and disclosure of interests under the SFO to ensure each newly appointed Director fully understands his/her duties under the Listing Rules and other regulatory requirements. In 2019, all newly appointed Directors attended such training.

(2) The Company provides relevant laws and regulations or their amended or updated versions for its Directors on an irregular basis for learning purposes. In order to comply with the continuing professional development requirement under the Corporate Governance Code, the Directors attended the trainings regarding the functions and duties of Directors during the Year.

According to the Company's records, in order to comply with the continuing professional development requirement under the Corporate Governance Code, the Directors received the following trainings in 2019:

Director	**Reading written materials regarding updates on the Board practices and development, corporate governance and regulations**	**Attending related risk management and strategy/ business/ industry specific briefings, seminars or training**
Executive Directors		
Sun Yueying[(1)]	✓	✓
Wang Daxiong	✓	✓
Liu Chong	✓	✓
Xu Hui	✓	✓
Non-executive Directors		
Feng Boming	✓	✓
Huang Jian	✓	✓
Liang Yanfeng	✓	✓
Independent non-executive Directors		
Hai Chi Yuet	✓	✓
Graeme Jack	✓	✓
Cai Hongping	✓	✓
Lu Jianzhong	✓	✓
Gu Xu[(2)]	✓	✓
Zhang Weihua	✓	✓

Notes:

1. Ms. Sun Yueying resigned as the Chairman of the Board and the executive Director with effect from 5 July 2019 due to retirement.

2. Mr. Gu Xu resigned as an independent non-executive Director with effect from 20 August 2019 due to work reasons.

(3) The Company provides latest information about the production and operation of the Company for the Directors through monthly operation reports, physical Board meetings and replies to the questions raised by the Directors, so that the Directors can perform their duties.

6. BOARD MEETINGS

The Board meets at least four times a year. The Chairman also had meetings with the independent non-executive Directors, without the presence of the other Directors, to consider issues. The Securities and Public Relations Department of the Company would provide an official agenda of items to be considered and determined by the Board before any Board meeting. Notice would be given at least 14 days before each regular Board meeting. Directors may include related matters in the agenda for discussion at the Board meeting. The Company Secretary assists the Chairman of the Company in preparing an agenda for each Board meeting and ensures it is prepared in accordance with applicable statutory requirements and regulations in relation to the meeting. The ultimate agenda and Board papers would be sent to all Directors at least 3 days before the Board meeting. Any Director with a conflicting interest in any resolution to be considered by the Board should abstain from voting on such resolution.

The Board held 17 Board meetings during 2019. Attendance record of each Director is set out as follows:

Attendance of Directors at Board Meetings and General Meetings

	Attendance at Board Meetings						Attendance at general meetings [1]	
Name of Director	Board meetings to attend this year	Meetings attended in person	Meetings attended through proxy	Meetings attended by way of telecommunication	Attendance rate *(%)*	Unable to attend in person for two consecutive Board meetings	Annual general meetings attended	Extraordinary general meetings attended
Executive Directors								
Sun Yueying [2]	8	8	1	7	100	No	0/1	0/3
Wang Daxiong	17	17	0	15	100	No	1/1	0/3
Liu Chong	17	17	0	15	100	No	1/1	2/3
Xu Hui	17	17	0	15	100	No	1/1	2/3
Non-executive Directors								
Huang Jian	17	17	0	15	100	No	0/1	0/3
Feng Boming	17	17	0	15	100	No	0/1	0/3
Liang Yanfeng	17	17	0	15	100	No	0/1	0/3
Independent non-executive Directors								
Hai Chi Yuet	17	17	0	15	100	No	1/1	1/3
Graeme Jack	17	17	0	15	100	No	1/1	0/3
Cai Hongping	17	17	0	15	100	No	0/1	0/3
Lu Jianzhong	17	17	0	15	100	No	1/1	0/3
Zhang Weihua	17	17	0	15	100	No	0/1	0/3
Gu Xu [3]	9	9	0	8	100	No	0/1	0/3

Notes:

1. The number of meetings attended represents the actual number of meetings attended by Directors/number of general meetings Directors are entitled to attend.

2. Ms. Sun Yueying resigned as the Chairman of the Board and an executive Director with effect from 5 July 2019 due to retirement.

3. Mr. Gu Xu resigned as an independent non-executive Director with effect from 20 August 2019 due to work reasons.

7. SUPPLY OF AND ACCESS TO INFORMATION

All Directors of the Company are entitled to have access to the relevant documents and other information of the Board from the Company Secretary in order to make informed decisions.

8. APPOINTMENT AND RESIGNATION OF DIRECTORS

The Board reviews its structure, size and composition regularly. The Company appoints new Directors to the Board in accordance with formal, well thought-out and transparent procedures.

The Board held one meeting in 2019 to review the appointment and resignation of the Directors and make recommendations thereon, and the attendance rate of the Directors was 100%. Attendance record of each Director is set out as follows:

Executive Directors

Director	**Number of meetings attended**	**Attendance rate**
Sun Yueying (1)	–	–
Wang Daxiong	1	100%
Liu Chong	1	100%
Xu Hui	1	100%

Non-executive Directors

Director	Number of meetings attended	Attendance rate
Feng Boming	1	100%
Huang Jian	1	100%
Liang Yanfeng	1	100%

Independent non-executive Directors

Director	Number of meetings attended	Attendance rate
Hai Chi Yuet	1	100%
Graeme Jack	1	100%
Cai Hongping	1	100%
Lu Jianzhong	1	100%
Zhang Weihua	1	100%
Gu Xu(2)	–	–

Notes:

1. Ms. Sun Yueying resigned as the Chairman of the Board and an executive Director with effect from 5 July 2019 due to retirement.

2. Mr. Gu Xu resigned as an independent non-executive Director with effect from 20 August 2019 due to work reasons.

9. BOARD COMMITTEES

(1) Audit Committee

The members of the Board were changed on 20 August 2019. The sixth session of the Audit Committee of the Board currently consists of Mr. Lu Jianzhong and Mr. Cai Hongping, who are independent non-executive Directors, and Mr. Huang Jian, who is a non-executive Director. Mr. Lu Jianzhong is the Chairman of the Audit Committee.

The primary duties of the Audit Committee are to oversee the integrity of the financial reports, annual and interim reports of the Group, and to review its financial control.

During the reporting period, the Audit Committee of the Board convened nine meetings with the average attendance rate of 100%.

Four regular meetings were held as follows:

1. The thirty-second meeting of the fifth session of the Audit Committee of the Board was convened with physical presence on 28 March 2019, at which the following proposals were considered and passed by a unanimous vote:

   (1) Proposal regarding the Company's internal audit for 2018-2019;

   (2) Proposal regarding the implementation of the newly issued accounting standards;

   (3) Proposal regarding the Company's financial report for 2018;

   (4) Proposal regarding the reappointment of domestic and overseas auditors and internal control auditors of the Company for 2019;

   (5) Proposal regarding the report on the discharge of duties by the Audit Committee of the Board in 2018.

2. The thirty-third meeting of the fifth session of the Audit Committee of the Board was convened by voting through correspondence on 26 April 2019, at which the Proposal Regarding the Company's Report for the First Quarter of 2019 and the Proposal Regarding Changes in the Company's Accounting Estimates for Vessels and Containers were passed by a unanimous vote.

3. The first meeting of the sixth session of the Audit Committee of the Board was held with physical presence on 29 August 2019, at which the Proposal Regarding the Company's Financial Report for the First Half of 2019 was considered and passed by a unanimous vote.

4. The second meeting of the sixth session of the Audit Committee of the Board was convened by voting through correspondence on 29 October 2019, at which the following proposals were passed by a unanimous vote:

    (1) Proposal Regarding the Company's Report for the Third Quarter of 2019;

    (2) Proposal Regarding Daily Connected Transactions between the Company and CIMC for 2020-2022;

    (3) Proposal Regarding Daily Connected Transactions between the Company and China COSCO Shipping Corporation and its Subsidiaries for 2020-2022.

Five extraordinary meetings were held as follows:

1. The thirty-first meeting of the fifth session of the Audit Committee of the Board was convened through written correspondence on 25 March 2019, at which the Proposal Regarding the Company's Disposal of 25% of Equity Interest in E-Shipping was considered and passed;

2. The thirty-fourth meeting of the fifth session of the Audit Committee of the Board was convened through written correspondence on 6 May 2019, at which the Proposal Regarding Entrusting Shanghai Universal Logistics Equipment Co., Ltd. with the Management of Assets was considered and passed;

3. The thirty-fifth meeting of the fifth session of the Audit Committee of the Board was convened through written correspondence on 4 July 2019, at which the Proposal Regarding the Adjustment to the Annual Quotas on the Daily Connected Transactions between the Company and China COSCO Shipping Corporation and its Subsidiaries for 2019 was considered and passed.

4. The third meeting of sixth session of the Audit Committee of the Board was held with physical presence on 20 November 2019, at which the following proposals were considered and passed:

    (1) Proposal Regarding the Company's Overseas Audit Plan for 2019;

    (2) Proposal regarding the Company's Domestic Audit Plan for 2019;

5. The fourth meeting of the sixth session of the Audit Committee of the Board was convened through written correspondence on 6 December 2019, at which the Proposal Regarding Adjusting the Annual Caps on the Daily Connected Transactions for 2019 under the General Agreement on Insurance Broker Services.

Attendance record of each member of the Audit Committee is set out as follows:

Director	Number of Meetings attended/number of meetings held	Attendance rate
The fifth session of the Audit Committee of the Board		
Lu Jianzhong *(independent non-executive Director)* *(Chairman)*	5/5	100%
Cai Hongping *(independent non-executive Director)*	5/5	100%
Huang Jian *(non-executive Director)*	5/5	100%
The sixth session of the Audit Committee of the Board		
Lu Jianzhong *(independent non-executive Director)* *(Chairman)*	4/4	100%
Cai Hongping *(independent non-executive Director)*	4/4	100%
Huang Jian *(non-executive Director)*	4/4	100%

(2) Remuneration Committee

The members of the Board were changed on 20 August 2019. The sixth session of the Remuneration Committee of the Board of the Company currently consists of Ms. Hai Chi Yuet, Mr. Cai Hongping and Mr. Graeme Jack, who are independent non-executive Directors. Mr. Cai Hongping is the Chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's remuneration policy and structure for all Directors, Supervisors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration policy; to have the delegated responsibility by the Board to determine specific remuneration packages of Directors, Supervisors and senior management holding positions in the Company, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of office or appointment), and make recommendations to the Board on the remuneration of non-executive Directors (the Remuneration Committee will consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration); to review and approve performance-based remuneration with reference to corporate goals and objectives passed by the Board from time to time; to review and approve the compensation payable to executive Directors, Supervisors and senior management in connection with any loss or termination of office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and reasonable and does not impose an overly heavy burden on the Company; to review and approve compensation arrangements relating to dismissal or removal of Directors or Supervisors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that such compensation payment is otherwise reasonable and appropriate; and to ensure that no Director or Supervisor or any of his/her associates is involved in determining his/her own remuneration.

Three meetings of the Remuneration Committee was held in 2019, with an average attendance rate of 100%. The Proposal Regarding Remuneration Evaluation Results of the Management of the Company for 2017 was considered at the fifth meeting of the fifth session of the Remuneration Committee; the Proposal Regarding the Remuneration of the Directors and Supervisors of the Company for 2019 was considered at the sixth meeting of the fifth session of the Remuneration Committee; and the Proposal Regarding the Share Option Incentive Scheme (Draft) and Summary of COSCO Shipping Development Co., Ltd., the Proposal Regarding the Measures Governing the Share Option Incentive Scheme of COSCO Shipping Development Co., Ltd. and the Proposal Regarding the Measures for the Evaluation of the Implementation of the Share Option Incentive Scheme of COSCO Shipping Development Co., Ltd. were considered at the first meeting of the sixth session of the Remuneration Committee.

Attendance record of each member of the Remuneration Committee is set out as follows:

Director	**Number of meeting attended/number of meeting held**	**Attendance rate**
The fifth session of the Remuneration Committee of the Board		
Cai Hongping *(independent non-executive Director) (Chairman)*	2/2	100%
Graeme Jack *(independent non-executive Director)*	2/2	100%
Hai Chi Yuet *(independent non-executive Director)*	2/2	100%
The sixth session of the Remuneration Committee of the Board		
Cai Hongping *(independent non-executive Director) (Chairman)*	1/1	100%
Graeme Jack *(independent non-executive Director)*	1/1	100%
Hai Chi Yuet *(independent non-executive Director)*	1/1	100%

(3) Investment Strategy Committee

The members of the Board were changed on 20 August 2019. The sixth session of the Investment Strategy Committee of the Board of the Company currently consists of Mr. Wang Daxiong and Mr. Liu Chong, who are executive Directors, Mr. Feng Boming, Mr. Huang Jian and Mr. Liang Yanfeng, who are non-executive Directors, and Mr. Cai Hongping and Ms. Hai Chi Yuet, who are independent non-executive Directors. Mr. Wang Daxiong, Chairman of the Company, is the Chairman of the Investment Strategy Committee.

The primary duties of the Investment Strategy Committee are to consider and make recommendations on the strategic plan for the Group's long-term development and on material investment and financing proposals and material capital operation and asset operation projects which are subject to the Board's approval as required by the Articles of Association.

During the reporting period, the Investment Strategy Committee convened one meeting with the average attendance rate of 100%. The proposal regarding the 2019 investment plan and asset disposal plan of COSCO SHIPPING Development was reviewed and passed at the third meeting of the fifth session of the Investment Strategy Committee of the Board, and was recommended to the Board for approval.

Director	**Number of meeting attended/number of meeting held**	**Attendance rate**
The fifth session of the Investment Strategy Committee of the Board		
Sun Yueying *(executive Director) (Chairman)*[1]	1/1	100%
Wang Daxiong *(executive Director)*	1/1	100%
Liu Chong *(executive Director)*	1/1	100%
Feng Boming *(non-executive Director)*	1/1	100%
Huang Jian *(non-executive Director)*	1/1	100%
Liang Yanfeng *(non-executive Director)*	1/1	100%
Cai Hongping *(independent non-executive Director)*	1/1	100%
Hai Chi Yuet *(independent non-executive Director)*	1/1	100%
The sixth session of the Investment Strategy Committee of the Board		
Wang Daxiong *(executive Director) (Chairman)*	–	–
Liu Chong *(executive Director)*	–	–
Feng Boming *(non-executive Director)*	–	–
Huang Jian *(non-executive Director)*	–	–
Liang Yanfeng *(non-executive Director)*	–	–
Cai Hongping *(independent non-executive Director)*	–	–
Hai Chi Yuet *(independent non-executive Director)*	–	–

Note:

1. Ms. Sun Yueying resigned as the Chairman of the Investment Strategy Committee with effect from 5 July 2019 due to retirement.

(4) Nomination Committee

The members of the Board were changed on 20 August 2019. The sixth session of the Nomination Committee of the Board currently consists of Ms. Hai Chi Yuet and Mr. Cai Hongping, who are independent non-executive Directors, and Mr. Wang Daxiong, who is an executive Director. Ms. Hai Chi Yuet is the Chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to make recommendations to the Board on the headcount and composition of the Board and the composition of senior management in accordance with the Company's business activities, asset size and shareholding structure; to consider and make recommendations to the Board on the criteria and procedures for selecting Directors and members of senior management; to review and make recommendations on the qualifications of the candidates of Directors and members of senior management; and to assess the independence of independent non-executive Directors. The Nomination Committee's procedures and criteria for selecting and making recommendations for appointment of Board members are designed to satisfy high standards of corporate governance. In identifying suitable candidates, the Nomination Committee shall consider candidates on merit against objective criteria and with due regard to the benefits of the diversity of the Board. The factors considered by the Nomination Committee in assessing the suitability of a proposed candidate include: (i) reputation for integrity; (ii) accomplishments, professional knowledge and industry experience which may be relevant to the Group; (iii) commitment to the business of the Group in respect of time, interest and attention; (iv) perspectives, skills and experience that the individual can contribute to the Board; (v) diversity in a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; (vi) Board succession planning considerations and long-term objectives of the Group; and (vii) in the case of a candidate for independent non-executive Director, the independence of such candidate with reference to, among other things, the requirements as set out in Rule 3.13 of the Listing Rules. These processes meet or exceed the Hong Kong Stock Exchange's requirements to ensure that every Director has the requisite character, experience and integrity and is able to demonstrate a standard of competence commensurate with his position as a director of a listed issuer, and that where the nomination of independent non-executive Directors is under consideration, the requirements of Rule 3.13 of the Listing Rules are satisfied.

On 28 August 2013, the Board passed the Board Diversity Policy. The Nomination Committee has formulated the Board Diversity Policy, which is set out in the Working Rules for the Nomination Committee of the Board of the Company. The main contents include: when determining the composition of the Board, the Company will consider the Board diversity in terms of, among other things, gender, age, cultural and educational background, professional experience, skills, knowledge and term of service. The taking into account of these factors in determining the Board diversity contributes to the enhanced management standard of the Company, and results in a more comprehensive and balanced Board composition and decision-making process. All appointments of the Directors are based on meritocracy, and candidates will be considered against objective criteria, taking into account the benefits of board diversity. The final selection of candidates will be determined based on their merits and contribution to the Board. The composition of the Board is basically in line with the diversity principle, details of which are set out under the section headed "Composition of the Fifth Session of the Board" in the "Corporate Governance Report". The biographies of Directors set out on pages 28 to 34 also set out the diverse skills, professional knowledge, experience and qualifications of the Directors. Currently, the Board has not set any measurable objectives for implementing the Board Diversity Policy.

During the reporting period, the Nomination Committee of the Board convened three meetings with the average attendance rate of 100%. The proposal regarding the re-appointment of senior management personnel of the Company was reviewed at the fifth meeting of the fifth session of the Nomination Committee of the Board; the proposal regarding the re-election of the Board was reviewed at the sixth meeting of the fifth session of the Nomination Committee of the Board; and the proposal regarding the change of Board Secretary of the Company was reviewed at the seventh meeting of the fifth session of the Nomination Committee of the Board. Such proposals were recommended to the Board for approval.

All proposals mentioned above were agreed to be submitted to the Board for further review. Attendance record of each member of the Nomination Committee is set out as follows:

Director	**Number of meetings attended/number of meetings held**	**Attendance rate**
The fifth session of the Nomination Committee of the Board		
Hai Chi Yuet *(independent non-executive Director) (Chairman)*	3/3	100%
Sun Yueying *(executive Director)*[1]	2/3	100%
Cai Hongping *(independent non-executive Director)*	3/3	100%
Wang Daxiong *(executive Director)*	3/3	100%
Gu Xu *(independent non-executive Director)*[2]	2/3	100%
The sixth session of the Nomination Committee of the Board		
Hai Chi Yuet *(independent non-executive Director) (Chairman)*	–	–
Cai Hongping *(independent non-executive Director)*	–	–
Wang Daxiong *(executive Director)*	–	–

Notes:

1. Ms. Sun Yueying resigned as a member of the Nomination Committee with effect from 5 July 2019 due to retirement.

2. Mr. Gu Xu resigned as a member of the Nomination Committee with effect from 20 August 2019 due to work reasons.

(5) Risk Control Committee

The members of the Board were changed on 20 August 2019. The fifth session of the Risk Control Committee of the Board of the Company currently consists of Ms. Zhang Weihua, Mr. Cai Hongping and Mr. Lu Jianzhong, who are independent non-executive Directors. Ms. Zhang Weihua is the Chairman of the Risk Control Committee.

The primary duties of the Risk Control Committee are to consider the Group's work plans for internal control and risk management and review the Group's risk management and internal control systems; to consider the establishment of risk management departments and proposals for their responsibilities and review the responsibilities in the risk management and internal control systems; to consider the Group's basic rules and regulations on internal control and risk management and discuss the risk management and internal control systems with the management to ensure that management has performed its duty to establish an effective system; to consider internal control evaluation reports and risk management reports of the Group and communicate with external auditors with regard to matters concerning internal control and audit; to review major investigation findings on risk management and internal control matters and the management's response to these findings on its own initiative or as appointed by the Board; and to perform other duties as delegated by laws and regulations, the Listing Rules and the Board.

During the reporting period, the Risk Control Committee convened two meetings with the average attendance rate of 100%.

No.	Date of meeting	Name of meeting	Voting method	Proposal
1	28 March 2019	The eighth meeting of the fifth session of the Risk Control Committee of the Board	Physical presence	1. To review the proposal regarding the 2018 internal control construction and the 2019 internal control scheme report of the Company 2. To review the proposal regarding the risk management report of the Company during 2018-2019 3. To review the proposal regarding the 2018 self-evaluation report on internal control of the Company
2.	29 August 2019	The first meeting of the sixth session of the Risk Control Committee of the Board	Physical presence	1. To review the proposal regarding the 2019 interim internal control construction report of the Company 2. To review the proposal regarding the 2019 interim comprehensive risk management report of the Company

All proposals mentioned above were approved and some of them were submitted to the Board for further review. Attendance rate of each member of the Risk Control Committee is set out as follows:

Director	Number of meetings attended/number of meetings held	Attendance rate
The fifth session of the Risk Control Committee of the Board		
Wang Daxiong *(executive Director) (Chairman)*	1/1	100%
Cai Hongping *(independent non-executive Director)*	1/1	100%
Lu Jianzhong *(independent non-executive Director)*	1/1	100%
Zhang Weihua *(independent non-executive Director)*	1/1	100%
The sixth session of the Risk Control Committee of the Board		
Zhang Weihua *(independent non-executive Director) (Chairman)*	1/1	100%
Cai Hongping *(independent non-executive Director)*	1/1	100%
Lu Jianzhong *(independent non-executive Director)*	1/1	100%

(6) Executive Committee

The members of the Board were changed on 20 August 2019. The sixth session of the Executive Committee of the Board consists of Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, who are executive Directors. Mr. Wang Daxiong, Chairman of the Company, serves as the Chairman of the Executive Committee.

The primary duties of the Executive Committee are to consider and decide matters relating to operations management of the Company which involve a certain amount of expenses on behalf of the Board during the adjournments of the Board meetings; to coordinate and implement the decisions approved by the Board; to exercise the special disposal power over the affairs of the Company in the event of force majeure and report to the Board and the general meeting thereafter; and to perform other duties as provided by the Articles of Association or delegated by the Board.

During the reporting period, the Executive Committee convened no meeting.

Director	Number of meetings attended/number of meetings held	Attendance rate
The fifth session of the Executive Committee of the Board		
Sun Yueying *(executive Director) (Chairman)*[(1)]	–	–
Wang Daxiong *(executive Director)*	–	–
Liu Chong *(executive Director)*	–	–
Xu Hui *(executive Director)*	–	–
The sixth session of the Executive Committee of the Board		
Wang Daxiong *(executive Director) (Chairman)*	–	–
Liu Chong *(executive Director)*	–	–
Xu Hui *(executive Director)*	–	–

Note:

1. Ms. Sun Yueying resigned as Chairman of the Executive Committee with effect from 5 July 2019 due to retirement.

10. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted a code of conduct on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules as the standards for securities transactions by Directors, Supervisors and relevant employees. The Company confirms, having made specific enquiries with all Directors and Supervisors, that during the year ended 31 December 2019, its Directors and Supervisors have complied with the requirements relating to securities transactions by Directors and Supervisors as set out in the Model Code. The Company is not aware of any non-compliance with these guidelines by relevant employees.

11. ANNUAL REMUNERATION OF DIRECTORS AND KEY MANAGEMENT

Remuneration of the Directors and key management personnel of the Company is determined according to the remuneration policy and structure of the Company.

For the year ended 31 December 2019, the remuneration of key management personnel is divided into the following grades:

Basic annual salary grade	No. of people
HKD1,000,000 and below (approximately RMB879,700 and below)	4
HKD1,000,001 to HKD1,500,000 (approximately RMB879,701 to RMB1,319,550)	5

Details of the annual remuneration of Directors for the year ended 31 December 2019 are set out in Note 8 to the consolidated financial statements.

12. THE TERM OF OFFICE FOR NON-EXECUTIVE DIRECTORS OF THE SIXTH SESSION OF THE BOARD

Non-executive Director	Term of office commencement date	Term of office expiration date
Feng Boming	20 August 2019	until the conclusion of the sixth session of the Board
Huang Jian	20 August 2019	until the conclusion of the sixth session of the Board
Liang Yanfeng	20 August 2019	until the conclusion of the sixth session of the Board

B. ACCOUNTABILITY AND AUDITING

1. EXTERNAL AUDITORS

ShineWing Certified Public Accountants and Ernst & Young were appointed as the external domestic and overseas auditors of the Company at the 2018 annual general meeting by the shareholders, respectively, until the conclusion of the next annual general meeting.

The Company has paid Ernst & Young RMB7,650,000 as remuneration for its auditing service and related service provided for the year 2019. The Company has paid ShineWing Certified Public Accountants RMB4,900,000 as remuneration for its auditing service and related service provided for the year 2019. The Company has paid ShineWing Certified Public Accountants RMB860,000 as remuneration for its internal control and auditing service provided for the year 2019.

2. ACKNOWLEDGEMENT OF THE DIRECTORS AND AUDITORS

All Directors have confirmed their responsibility for preparing the annual accounts for the year ended 31 December 2019. Ernst & Young, the auditor of the Company, has confirmed its reporting responsibilities as set out in the auditor's report in the financial statements for the year ended 31 December 2019.

C. INTERNAL CONTROL AND RISK CONTROL

PROCESS OF IDENTIFYING, ASSESSING AND MANAGING SIGNIFICANT RISKS

The Group has established the risk identification system, process or guidelines to ascertain the types, identification accountability and frequency of risks and the path of reporting. Based on this principle, the Group has adopted qualitative and quantitative approaches for risk assessment. The Group ascertained the focus of risk management according to its development strategies and conditions. It also selected risk management tools to formulate risk management solutions. The Group continued to monitor significant risks by establishing a risk management mechanism and contingency plans.

PROCESS OF REVIEWING THE EFFECTIVENESS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS AND RESOLVING MATERIAL INTERNAL CONTROL DEFECTS

The Group has strengthened the three-layer risk management system by establishing a vertical top-down delegation and bottom-up approval system. The Group has established a three-line defense system, which includes risk identification, assessment, response and self-appraisal among different departments horizontally. The risk management department shall be responsible for the entire organization, coordination, guidance and supervision, while the audit department shall be responsible for regular audit and supervision. Meanwhile, the Group shall carry out an assessment of the effectiveness of internal control on a regular basis and prepare an annual internal control assessment report so that it can identify and address the deficiencies in a timely manner.

PROCEDURES FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION AND INTERNAL CONTROL MEASURES

The Group has established a stringent process to handle and disseminate inside information in accordance with relevant requirements under the Listing Rules and the SFO. To step up the Groups' efforts for confidentiality of inside information, the Company has formulated the Registration and Filing System for Persons Who Possess Inside Information, which specifies the definition and scope of inside information and ascertains the process of registration and filing. The Group has also entered into confidentiality agreements with the persons who possess inside information.

REVIEW OF THE INTERNAL CONTROL AND RISK CONTROL SYSTEMS

The Board is responsible for reviewing the effectiveness of the Group's internal control and risk control systems. The internal control and risk control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against any material misstatement or loss. The Board has assessed and reviewed the effectiveness of the internal control system through discussion with the Risk Control Committee, the Audit Committee, the senior management, the internal audit team, the legal compliance and risk management department and external auditors and based on the reports from the internal audit team. The internal audit team and legal compliance and risk management department review all key controls in accordance with their audit plans on a regular basis, including financial, operational and compliance controls as well as risk management functions. They also report the findings to the Board and provide recommendations for improving the internal control of the Company. The Risk Control Committee of the Board has considered the recommendations given by the external auditors at the meetings of the Risk Control Committee of the Board.

The Board reviews the effectiveness of the Group's internal control system semi-annually. The Board assesses the effectiveness of the internal control and risk control systems with reference to the evaluation by the Risk Control Committee, the Audit Committee, the management as well as the internal audit team, the legal compliance and risk management department and external auditors. An annual review will also be made by considering the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

For the year ended 31 December 2019, the Board has reviewed the effectiveness of the Group's internal control and risk control systems with reference to the evaluation by the Audit Committee of the Board, the Risk Control Committee, the senior management and the internal audit team. The Board is of the opinion that the internal control and risk control systems of the Group for financial reporting and non-financial reporting are effective and adequate.

D. SHAREHOLDER RIGHTS

1. PROCEDURES FOR EXTRAORDINARY GENERAL MEETINGS CONVENED BY SHAREHOLDERS

Shareholders shall demand the convening of an extraordinary general meeting according to the following procedures:

(1) Shareholders individually or collectively holding more than 10% of the Company's shares shall be entitled to propose to the Board the convening of an extraordinary general meeting, provided that such proposal shall be made in writing. The Board shall, in accordance with the laws, administrative regulations and the Articles of Association, furnish a written reply stating its agreement or disagreement to the convening of the extraordinary general meeting within 10 days after receiving such proposal. The aforementioned number of shares held is calculated based on the number shares held by the shareholder on the date of submission of the written proposal.

(2) In the event that the Board does not agree to convene an extraordinary general meeting or does not furnish any reply within 10 days after receiving such proposal, shareholders individually or collectively holding more than 10% of the Company's shares shall be entitled to propose to the Supervisory Committee the convening of the extraordinary general meeting, provided that such proposal shall be made in writing.

(3) Failure of the Supervisory Committee to issue the notice of the general meeting within the specified period shall be deemed failure of the Supervisory Committee to convene and preside over a general meeting, and shareholders individually or collectively holding more than 10% of the Company's shares for 90 consecutive days or more may convene and preside over the meeting on a unilateral basis. The procedures for convening the meeting should be similar to those for convening a general meeting by the Board as far as possible. The venue of the meeting should also be at the location of the Company.

(4) Where the shareholder(s) decide(s) to convene the general meeting by himself/herself/themselves, he/she/they shall send out a written notice to the Board, and shall report to the dispatched office of the CSRC and the stock exchange at the place where the Company is located. The convening shareholder(s) shall submit relevant evidence to the dispatched office of the CSRC and the stock exchange at the place where the Company is located upon the issuance of the notice of general meeting and the announcement of the resolutions of the general meeting.

(5) The Board and the Secretary to the Board shall cooperate with respect to matters relating to a general meeting convened by the shareholder(s) at his/her/their own discretion. The Board shall provide the register of members as of the share registration date.

(6) Necessary expenses on a general meeting convened by shareholders at their own discretion shall be borne by the Company and deducted from the monies payable by the Company to the defaulting Directors.

2. PROCEDURES FOR PROPOSING MOTIONS AT GENERAL MEETINGS

At general meetings of the Company, shareholders severally or jointly holding more than 3% of the Company's shares may propose motions to the Company. Shareholders severally or jointly holding 3% or more of the Company's shares may submit extraordinary motions in writing to the convener 10 days before the general meeting is convened. The convener shall issue a supplementary notice of general meeting within two days upon receipt of such extraordinary motions to announce the particulars of the extraordinary motions.

3. PROCEDURES FOR SHAREHOLDERS TO RECOMMEND AN INDIVIDUAL FOR ELECTION FOR A DIRECTOR

Shareholder nominees who fulfill requirements can participate in elections for the position of Director at the Company's annual general meeting and extraordinary general meeting. According to the Articles of Association:

(1) The list of candidates for Directors shall be submitted as a resolution to be resolved at general meetings. Candidates for Directors other than independent Directors shall be nominated by the Board, the Supervisory Committee, or shareholder(s) severally or jointly holding more than 3% of the total number of shares with voting rights of the Company, and shall be elected at a general meeting of the Company. Candidates for independent Directors shall be nominated by the Board, the Supervisory Committee, or shareholder(s) severally or jointly holding more than 1% of the total number of shares with voting rights of the Company, and shall be elected at a general meeting of the Company.

(2) A written notice of the intent of candidates nominated for Directors and the candidates' clear indication of their acceptance of nomination shall be delivered to the Company after the date of delivery of the notice of the general meeting at which a Director is to be elected and at least seven days before the date of such meeting, and the notice period shall not be shorter than seven days.

(3) Resolutions in respect of the election for Directors shall be resolved by cumulative voting at the general meeting.

(4) The Company shall announce the general meeting voting results in a timely manner. Appointed Directors shall enter into appointment contracts with the Company.

4. PROCEDURES FOR SHAREHOLDERS TO MAKE INQUIRIES TO THE BOARD OF DIRECTORS

Shareholders can submit their inquiries and questions in writing to the Board of Directors through the Company Secretary at any time. The Company Secretary can be contacted through the following methods:

5/F, 5299 Binjiang Dadao, Shanghai, the PRC

Postal code: 200127

Email: ir@coscoshipping.com

Shareholders can also make inquiries to the Board at the Company's general meetings.

E. COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company puts particular emphasis on communication with shareholders. All information related to the business, business strategies, and development of the Group is provided in the Company's annual report and interim report. The Company encourages shareholders to attend the annual general meeting and each extraordinary general meeting, which should serve as valuable communication forums with the management and for each other.

The Company actively promotes and enhances investor relations and communication with investors. The Company has set up a dedicated management post for investor relations responsible for issues related to investor relations. The Company utilizes results promotions, road shows, telephone conferences, the Company's website and investor visits to strengthen the ties and communication with investors and securities analysts as well as to constantly raise awareness of the Company among investors.

Shareholders, investors and members of the public can obtain the latest information about the Group on the Company's website.

In order to standardize and enhance the transparency of cash dividends distribution of the Company, the Resolution Regarding Amendments to the Articles of Association was considered and approved at the ninth meeting of the fifth session of the Board of the Company and the fourth extraordinary general meeting in 2016 in accordance with the Company Law, Securities Law, Guidance on the Articles of Association of Listed Companies (revised in 2014) (《上市公司章程指引》(2014修訂)), Notice Regarding Further Implementation of Cash Dividend Distribution of Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》), Listed Companies Regulatory Guidance No. 3 – Cash Dividends Distribution of Listed Companies (《上市公司監管指引第3號–上市公司現金分紅》) and other relevant laws, regulations and normative documents and based on the actual situation of the Company. Pursuant to the amended Articles of Association, the profit distribution policy of the Company is as follows:

1. The Company may distribute the dividends in the following forms:

   (1) cash; and

   (2) shares.

2. The basic principles of the profit distribution policy of the Company are as follows:

   (1) the Company shall take full account of return to investors and distribute dividend to its shareholders each year in proportion to the distributable profit realized in the year concerned (being the lower of the amounts as stated in the financial statements and the consolidated financial statements of the parent company);

   (2) the Company shall place an emphasis in creating reasonable return to its shareholders, maintain the continuity and stability of its profit distribution policy, and operate its businesses for the long-term interest of the Company, the entire interest of all its shareholders and the sustainable development of the Company; the Company's profit distribution shall neither exceed the amount of accumulated distributable profit nor undermine its ongoing operation; and

   (3) the Company shall give priority to dividend distribution in cash.

3. The profit distribution policy of the Company is specified as follows:

   (1) Profit distribution

   The Company may distribute dividends in cash, in shares, in a combination of both cash and shares or otherwise as permitted by laws and regulations. The Company shall give priority to dividend distribution in cash. Subject to the adherence of the profit distribution principles and pre-conditions, the Company shall in principle distribute profit each year. The Board may propose interim profit distribution with reference to the Company's profitability and capital requirements.

   (2) Specific conditions and proportions of cash dividend of the Company

   The following conditions shall be met at the same time in distributing cash dividends by the Company:

   i. If the Company makes profit and the distributable profit realized in the year concerned (i.e. after-tax profits after the Company covers the losses and withdraws the reserve) are positive (according to the financial statements of the parent company) with adequate liquidity, the Company may distribute dividend in cash provided that it shall not undermine the subsequent ongoing operation of the Company.

ii. External auditors had issued a standard unqualified audit report for the financial statements of the Company for the year concerned.

iii. The capital needs for the Company's normal operation are satisfied and there is no such event as significant cash expenditure, excluding projects funded by raised proceeds.

Such significant cash expenditure refers to the proposed external investment, asset acquisition, repayment of debts or acquisition of equipment by the Company with accumulated expenditure within the following 12 months amounting to or exceeding 30% of the latest audited net assets of the Company.

The Company shall comply with the proportions set out as follows when distributing cash dividends:

Pursuant to the provisions of the Company Law and relevant laws and regulations, as well as the Articles of Association, provided that the conditions for cash dividend distribution are satisfied and are consistent with the normal operation and sustainable development of the Company, dividends distributed in the form of cash to be made for each of the coming three years shall not be less than 10% of the distributable profit realized for the year concerned, on the condition that no imminent cash outlays are expected. In addition, the accumulated profits to be distributed in cash for the three consecutive years concerned shall not be less than 30% of the average annual distributable profit of the Company for the same period. The specific distribution proportion for each year shall be determined by the Board based on the Company's operating conditions and relevant rules of the CSRC and submitted to the general meeting for consideration and approval.

The Board shall take various factors into consideration, including its industry features, development stages, business model and profitability as well as whether it has any substantial capital expenditure arrangements, and differentiate the following circumstances to propose a differentiated policy for cash dividend distribution pursuant to the procedures stipulated in the Articles of Association:

(1) Where the Company is in a developed stage with no substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 80% of the profit distribution;

(2) Where the Company is in a developed stage with substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 40% of the profit distribution; and

(3) Where the Company is in a developing stage with substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 20% of the profit distribution. In the case that it is difficult to distinguish the Company's development stage but the Company has significant capital expenditure arrangements, the profit distribution may be dealt with pursuant to the preceding provisions.

F. MATERIAL CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

During the year ended 31 December 2019, the following amendments to the Articles of Association were made:

(1) a special resolution was proposed and approved at the extraordinary general meeting held on 25 February 2019 to make certain amendments to the Articles of Association to reflect the recent amendments to the Company Law of the PRC in respect of repurchase of shares and implement the regulatory requirements issued by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC in respect of legal corporate governance of central state-owned enterprises. Please refer to the announcement of the Company dated 10 January 2019 and the circular of the Company dated 1 February 2019 for further details of the amendments;

(2) pursuant to the authority granted to the Board at the extraordinary general meeting and the class meetings held on 25 February 2019, the Board has approved certain amendments to the articles of association of the Company as a result of the cancellation of 75,000,000 H shares repurchased by the Company. Please refer to the announcement of the Company dated 20 August 2019 for further details of the amendments; and

(3) a special resolution was proposed and approved at the extraordinary general meeting held on 23 December 2019 to make certain amendments to the Articles of Association to (a) bring the relevant provisions of the articles of association and the rules of procedure of the shareholders' general meeting of the Company in line with the relevant requirements under the Company Law; (b) simplify the convening procedures of shareholders' general meetings; (c) further improve the corporate governance of the Company; and (d) further enhance the efficiency of decision making at shareholders' general meetings. Please refer to the announcement of the Company dated 6 December 2019 and the circular of the Company dated 6 December 2019 for further details of the amendments.

G. COMPANY SECRETARY

Mr. Cai Lei, the Board Secretary, and Mr. Yu Zhen, the Company Secretary, are the Company's main contact persons with the Hong Kong Stock Exchange. Pursuant to Rule 3.29 of the Listing Rules, as at 31 December 2019, Mr. Cai Lei and Mr. Yu Zhen attended more than 15 hours of relevant professional training.

In accordance with the regulations of the Company Law, Securities Law, the Articles of Association of COSCO SHIPPING Development Co., Ltd. (hereinafter, the "Company") and the rules of procedures of the Supervisory Committee, the Supervisory Committee of the Company upheld the spirit of responsibility to all shareholders, faithfully carried out its supervisory obligations and commenced work in a proactive and effective manner, thus safeguarding the legitimate interests of the shareholders of the Company.

I. WORKING STATUS OF THE SUPERVISORY COMMITTEE

During the reporting period, the Supervisory Committee of the Company attended general manager meetings, Board meetings, general meetings of the Company and examined the Company according to the regulations of the Articles of Association of the Company, conducting thorough monitoring and inspection on the operating status and financial status of the Company, as well as the status of the Board of the Company and its management carrying out their obligations.

During the reporting period, the Supervisory Committee convened seven meetings:

Name of meeting	Convening time	Convening method	Attendance of Supervisors	Subject	
Seventeenth meeting of the fifth session of the Supervisory Committee	29 March 2019	Physical presence	All	1.	Proposal regarding the Company's management work report for 2018
				2.	Proposal regarding the implementation of new accounting standards
				3.	Proposal regarding the Company's financial report for 2018
				4.	Proposal regarding the Company's profit distribution for 2018
				5.	Proposal regarding the full text, highlights and the results announcement of the Company's 2018 annual report
				6.	Proposal regarding the Company's internal control assessment report for 2018
				7.	Proposal regarding the Company's report of the Supervisory Committee for 2018

Name of meeting	Convening time	Convening method	Attendance of Supervisors	Subject	
Eighteenth meeting of the fifth session of the Supervisory Committee	29 April 2019	Written correspondence	All	1.	Proposal regarding the Company's report for the first quarter of 2019
				2.	Proposal regarding the changes in Company's accounting estimates for vessels and containers
Nineteenth meeting of the fifth session of the Supervisory Committee	5 July 2019	Written correspondence	All	1.	Proposal regarding election of the Supervisory Committee at expiration of office terms
First meeting of the sixth session of the Supervisory Committee	30 August 2019	Physical presence	All	1.	Proposal regarding consideration of the election of the chairman of the sixth session of the Supervisory Committee
				2.	Proposal regarding consideration of the Company's management work report for the first half of 2019
				3.	Proposal regarding the Company's financial report for the first half of 2019
				4.	Proposal regarding consideration of the Company's report for first half of 2019 and the interim results report
				5.	Proposal regarding consideration of the changes in accounting estimates

Name of meeting	Convening time	Convening method	Attendance of Supervisors	Subject	
Second meeting of the sixth session of the Supervisory Committee	11 October 2019	Written correspondence	All	1.	Proposal on terminating the Company's non-public issuance of A Shares and on withdrawing application documents
					Proposal regarding consideration of the management work report of the Company in the first half of 2019
Third meeting of the sixth session of the Supervisory Committee	30 October 2019	Written correspondence	All	1.	Proposal regarding the Company's report for the third quarter of 2019
Fourth meeting of the sixth session of the Supervisory Committee	16 December 2019	Written correspondence	All	1.	Proposal Regarding the Share Option Incentive Scheme (Draft) and Summary of COSCO Shipping Development Co., Ltd.
				2.	Proposal Regarding the Measures Governing the Share Option Incentive Scheme of COSCO Shipping Development Co., Ltd.
				3.	Proposal Regarding the Measures for the Evaluation of the Implementation of the Share Option Incentive Scheme of COSCO Shipping Development Co., Ltd.

II. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE

1. OPERATION IN COMPLIANCE WITH LAWS

The Board and the management of the Company strictly adhered to operation compliance in accordance with the Company Law, the Securities Law, Articles of Association of the Company and applicable laws and regulations where the Company's shares are listed. The Supervisory Committee did not find any act by the members of the Board and the senior management of the Company in performance of their duties that might breach the laws, regulations and the Articles of Association of the Company or impair the interest of the Company during the reporting period.

2. REVIEW OF FINANCIAL POSITION

The financial statements of the Company for 2019 are true and reliable, and gave a fair view of the financial position and operating results of the Company.

3. ACTUAL USE OF THE PROCEEDS

The Company did not apply any proceed or proceed raised in previous periods to any current project during the reporting period.

4. ACQUISITION AND DISPOSALS OF ASSETS AND RELATED PARTY TRANSACTIONS

The prices for acquisitions and disposals of assets during the reporting period of the Company were fair and no insider trading was found. The Company strictly adhered to the principles of "fair, just and open" in conducting the related party transactions. These related party transactions were on normal commercial terms and conducted in accordance with laws and regulations, and no infringement of interest of the Company was found.

The Supervisory Committee of the Company shall strictly adhere to the Company Law, the Securities Law, Articles of Association of the Company and other laws and regulations in diligent performance of its supervisory duties for protection of legal interests of the Company and the Shareholders as a whole.

Supervisory Committee
COSCO SHIPPING Development Co., Ltd.
27 March 2020

EY 安永

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Independent auditor's report

To the shareholders of COSCO SHIPPING Development Co., Ltd.

(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of COSCO SHIPPING Development Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 96 to 218, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Classification of leases	
The leasing services are significant parts of the Group's principal business. The determination of the lease classification involves significant management judgements at the inception of each lease, which will then have a material impact on the subsequent accounting of each lease transaction. Thus, the classification of leases is regarded as a key audit matter of the audit. The Group's accounting policy regarding the classification of leases and the related disclosures of leases are detailed in note 2.4, note 22 and note 44 to the financial statements.	Our audit procedures included, among others: • testing the design and operation of internal control over the Group's determination of lease classification; • reviewing the key terms of the selected leasing contracts and assessing management's judgements applied when determining the classification of the leases; and • assessing the impact of subsequent modification to the leasing terms on the classification of leases.
Expected credit losses ("ECLs") for finance lease receivables	
In accordance with HKFRS 9 Financial Instruments, the Group calculates ECLs of finance lease receivables within the next twelve months and will extend to their remaining lives if any significant increase in credit risk is tracked. The carrying amount of finance lease receivables was material and the estimation for ECLs involves significant management judgements, estimates and assumptions. The Group's accounting policy and the related disclosures regarding ECLs for finance lease receivables are detailed in note 2.4, note 22 and note 49 to the financial statements.	Our audit procedures included, among others: • testing the design and operation of internal control over the Group's processes of credit assessment; • reviewing the credit grading of the selected samples and assessing management's judgements applied when determining the significant increase in credit risk; and • evaluating management's assumptions and estimates used in the calculation, mainly including probability of default and loss given default, against internal historical credit loss experience and external information.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is LEUNG WAI LAP, PHILIP.

Ernst & Young
Certified Public Accountants

Hong Kong
27 March 2020

Consolidated Statement of Profit or Loss

For the year ended 31 December 2019

	Notes	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
CONTINUING OPERATIONS			
REVENUE	*5.1*	**14,155,859**	16,242,002
Cost of sales		**(10,615,484)**	(12,342,761)
Gross profit		**3,540,375**	3,899,241
Other income	*5.2*	**414,051**	393,967
Other gains/(losses), net	*5.3*	**835,317**	(272,695)
Selling, administrative and general expenses		**(1,178,677)**	(930,121)
Expected credit losses		**(417,563)**	(289,157)
Finance costs	*7*	**(3,540,784)**	(3,406,547)
Share of profits of associates		**2,292,840**	2,314,450
Share of (losses)/profits of joint ventures		**(1,077)**	6,467
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	*6*	**1,944,482**	1,715,605
Income tax expense	*10*	**(199,749)**	(356,208)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**1,744,733**	1,359,397
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation	*11*	**–**	76,878
PROFIT FOR THE YEAR		**1,744,733**	1,436,275
Attributable to:			
Owners of the parent		**1,744,733**	1,384,257
Non-controlling interests		**–**	52,018
		1,744,733	1,436,275
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (expressed in RMB per share)	*13*		
Basic and diluted			
– For profit for the year		**0.1**	0.1
– For profit from continuing operations		**0.1**	0.1

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
PROFIT FOR THE YEAR	1,744,733	1,436,275
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income of associates	302,336	177,395
Share of other comprehensive (loss)/income of joint ventures	(59)	51
Effective portion of cash flow hedges	(30,084)	2,775
Exchange differences on translation of foreign operations	(187,211)	(581,687)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	84,982	(401,466)
Other comprehensive income/(loss) that may not be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income/(loss) of associates	51,295	(39,256)
Net other comprehensive income/(loss) that may not be reclassified to profit or loss in subsequent periods	51,295	(39,256)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	136,277	(440,722)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,881,010	995,553
Attributable to:		
Owners of the parent	1,881,010	943,535
Non-controlling interests	–	52,018
	1,881,010	995,553

Consolidated Statement of Financial Position

31 December 2019

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**56,818,972**	56,483,496
Investment properties	15	**105,547**	104,443
Prepaid land lease payments	16	**–**	110,795
Right-of-use assets	17	**274,620**	–
Intangible assets	18	**27,174**	18,388
Investments in joint ventures	19	**188,827**	193,308
Investments in associates	20	**25,665,387**	23,629,294
Financial assets at fair value through profit or loss	21	**4,266,308**	3,446,701
Finance lease receivables	22	**26,623,268**	23,220,091
Factoring receivables	23	**428,409**	150,937
Derivative financial instruments	24	**569**	16,283
Deferred tax assets	25	**243,651**	197,740
Other long term prepayments		**50,641**	24,437
Total non-current assets		**114,693,373**	107,595,913
CURRENT ASSETS			
Inventories	26	**881,129**	1,017,748
Trade and notes receivables	27	**1,111,000**	1,034,872
Prepayments and other receivables	28	**458,969**	595,364
Financial assets at fair value through profit or loss	21	**490,967**	–
Finance lease receivables	22	**15,532,797**	10,711,620
Factoring receivables	23	**1,123,489**	673,737
Derivative financial instruments	24	**960**	7,309
Pledged deposits	29	**566,339**	951,665
Cash and cash equivalents	30	**9,635,096**	15,249,194
Total current assets		**29,800,746**	30,241,509
Total assets		**144,494,119**	137,837,422

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	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000
CURRENT LIABILITIES			
Trade payables	31	**2,553,700**	1,686,104
Other payables and accruals	32	**3,658,271**	2,665,099
Contract liabilities	33	**150,194**	26,811
Derivative financial instruments	24	**3,445**	883
Bank and other borrowings	34	**43,066,519**	47,656,637
Corporate bonds	35	**4,273,467**	2,631,916
Lease liabilities	36	**391,082**	–
Tax payable		**174,881**	225,114
Total current liabilities		**54,271,559**	54,892,564
NET CURRENT LIABILITIES		**(24,470,813)**	(24,651,055)
TOTAL ASSETS LESS CURRENT LIABILITIES		**90,222,560**	82,944,858
NON-CURRENT LIABILITIES			
Bank and other borrowings	34	**54,853,209**	58,706,276
Corporate bonds	35	**8,271,400**	3,381,784
Lease liabilities	36	**148,648**	–
Derivative financial instruments	24	**8,590**	3,071
Deferred tax liabilities	25	**350,975**	371,812
Government grants	37	**11,484**	13,036
Other long term payables		**2,370,536**	2,428,744
Total non-current liabilities		**66,014,842**	64,904,723
Net assets		**24,207,718**	18,040,135
EQUITY			
Equity attributable to owners of the parent			
Share capital	38	**11,608,125**	11,683,125
Treasury shares	38	**(233,428)**	–
Special reserves	39	**1,606**	–
Other reserves		**(2,338,187)**	(2,788,157)
Other equity instruments	40	**7,000,000**	2,000,000
Retained profits		**10,976,614**	10,088,456
Other comprehensive loss		**(2,807,012)**	(2,943,289)
Total equity		**24,207,718**	18,040,135

Wang Daxiong	**Liu Chong**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Notes	Share capital RMB'000 (note 38)	Share premium(a) RMB'000	Treasury shares RMB'000 (note 38)	Other equity instruments RMB'000 (note 40)	Other capital reserves(a) RMB'000	Share of other comprehensive income using the equity method(b) RMB'000	Cash flow hedge reserve(b) RMB'000	Exchange fluctuation reserve(b) RMB'000	Special reserves RMB'000 (note 39)	Surplus reserves (a)(c) RMB'000	Retained profits RMB'000	Total equity RMB'000
At 31 December 2018		11,683,125	17,001,721	-	2,000,000	(21,201,519)	138,165	19,175	(3,100,629)	-	1,411,641	10,088,456	18,040,135
Effect of adoption of HKFRS 16	2.2	-	-	-	-	-	-	-	-	-	-	(3,239)	(3,239)
At 1 January 2019 (restated)		11,683,125	17,001,721	-	2,000,000	(21,201,519)	138,165	19,175	(3,100,629)	-	1,411,641	10,085,217	18,036,896
Profit for the year		-	-	-	-	-	-	-	-	-	-	1,744,733	1,744,733
Other comprehensive income for the year:													
Share of other comprehensive income of associates		-	-	-	-	-	353,631	-	-	-	-	-	353,631
Share of other comprehensive loss of joint ventures		-	-	-	-	-	(59)	-	-	-	-	-	(59)
Effective portion of changes in fair value of hedging instruments, net of tax		-	-	-	-	-	-	(30,084)	-	-	-	-	(30,084)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(187,211)	-	-	-	(187,211)
Total comprehensive income for the year		-	-	-	-	-	353,572	(30,084)	(187,211)	-	-	1,744,733	1,881,010
Issue of other equity instruments	40	-	-	-	5,000,000	-	-	-	-	-	-	-	5,000,000
Repurchase of shares	38	-	-	(300,205)	-	-	-	-	-	-	-	-	(300,205)
Cancellation of treasury shares	38	(75,000)	8,223	66,777	-	-	-	-	-	-	-	-	-
Share of other capital reserves using the equity method		-	-	-	-	307,506	-	-	-	-	-	-	307,506
Dividends declared		-	-	-	-	-	-	-	-	-	-	(380,440)	(380,440)
Dividends to holders of the other equity instruments		-	-	-	-	-	-	-	-	-	-	(337,049)	(337,049)
Transfer from retained profits		-	-	-	-	-	-	-	-	31,261	134,241	(165,502)	-
Utilisation of reserve funds		-	-	-	-	-	-	-	-	(29,655)	-	29,655	-
At 31 December 2019		11,608,125	17,009,944	(233,428)	7,000,000	(20,894,013)	491,737	(10,909)	(3,287,840)	1,606	1,545,882	10,976,614	24,207,718

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	Notes	Share capital RMB'000 (note 38)	Share premium (a) RMB'000	Other equity instruments RMB'000 (note 40)	Other capital reserves(a) RMB'000	Share of other comprehensive income using the equity method(b) RMB'000	Cash flow hedge reserve(b) RMB'000	Exchange fluctuation reserve(b) RMB'000	Special reserves RMB'000 (note 39)	General reserves RMB'000	Surplus reserves (a)(c) RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the parent													
At 1 January 2018		11,683,125	17,001,721	1,000,000	(21,209,232)	(25)	16,400	(2,518,942)	1,912	142,932	1,355,763	8,674,039	16,147,693	597,625	16,745,318
Profit for the year		–	–	–	–	–	–	–	–	–	–	1,384,257	1,384,257	52,018	1,436,275
Other comprehensive loss for the year:															
Share of other comprehensive income of associates		–	–	–	–	138,139	–	–	–	–	–	–	138,139	–	138,139
Share of other comprehensive income of joint ventures		–	–	–	–	51	–	–	–	–	–	–	51	–	51
Effective portion of changes in fair value of hedging instruments, net of tax		–	–	–	–	–	2,775	–	–	–	–	–	2,775	–	2,775
Exchange differences on translation of foreign operations		–	–	–	–	–	–	(581,687)	–	–	–	–	(581,687)	–	(581,687)
Total comprehensive income for the year		–	–	–	–	138,190	2,775	(581,687)	–	–	–	1,384,257	943,535	52,018	995,553
Issue of other equity instruments	40	–	–	1,000,000	–	–	–	–	–	–	–	–	1,000,000	–	1,000,000
Disposal of a subsidiary	42	–	–	–	–	–	–	–	–	(142,932)	–	142,932	–	(649,643)	(649,643)
Share of other capital reserves using the equity method		–	–	–	7,713	–	–	–	–	–	–	–	7,713	–	7,713
Dividends to holders of the other equity instruments		–	–	–	–	–	–	–	–	–	–	(58,806)	(58,806)	–	(58,806)
Transfer from retained profits		–	–	–	–	–	–	–	35,621	–	55,878	(91,499)	–	–	–
Utilisation of reserve funds		–	–	–	–	–	–	–	(37,533)	–	–	37,533	–	–	–
At 31 December 2018		11,683,125	17,001,721	2,000,000	(21,201,519)	138,165	19,175	(3,100,629)	–	–	1,411,641	10,088,456	18,040,135	–	18,040,135

(a) These accounts comprise the consolidated other reserves of RMB2,338,187,000 (2018: RMB2,788,157,000) in the consolidated statement of financial position.

(b) These accounts comprise the consolidated other comprehensive loss of RMB2,807,012,000 (2018: RMB2,943,289,000) in the consolidated statement of financial position.

(c) In accordance with the PRC regulations and the articles of association of the companies of the Group, before distributing the net profit of each year, companies of the Group registered in the PRC are required to set aside 10% of their statutory net profit for the year after offsetting any prior year's losses as determined under relevant PRC accounting standards to the statutory surplus reserve fund. When the balance of this reserve reaches 50% of each PRC entity's share capital, any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior years' losses or to issue bonus shares.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations		**8,740,674**	6,822,394
Income tax paid		**(316,609)**	(404,417)
Net cash flows from operating activities	*43*	**8,424,065**	6,417,977
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**187,544**	131,227
Dividends received from financial assets at fair value through profit or loss		**79,053**	92,429
Dividends received from associates		**921,424**	371,660
Dividends received from joint ventures		**3,345**	11,736
Purchases of items of property, plant and equipment		**(2,828,747)**	(4,363,290)
Proceeds from disposal of items of property, plant and equipment		**202,994**	497,271
Purchases of intangible assets		**(14,259)**	(9,923)
Proceeds from disposal of investments in joint ventures		**(5,041)**	(72,341)
Purchases of investments in associates		**6,618**	–
Purchases of financial assets at fair value through profit or loss		**(826,931)**	(8,081,916)
Proceeds from disposal of financial assets at fair value through profit or loss		**158,072**	7,618,355
Disposal of a subsidiary	*42*	**–**	(7,909,415)
Increase in finance lease receivables		**(7,781,238)**	(5,893,658)
Increase in factoring receivables		**(718,126)**	(296,717)
Decrease/(increase) in pledged deposits		**9,560**	(85,132)
Increase in other long term payables		**221,763**	201,078
Net cash flows from investing activities		**(10,383,969)**	(17,788,636)

continued /...

	Notes	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of shares	38	(300,205)	–
Proceeds from issue of other equity instruments	40	5,000,000	1,000,000
New bank and other borrowings		52,918,431	53,320,976
Repayment of bank and other borrowings		(62,361,298)	(46,843,254)
New corporate bonds		15,280,000	4,916,000
Repayment of corporate bonds		(8,748,833)	(3,340,754)
Payment of principal portion of lease liabilities		(531,649)	–
Payment of finance lease obligations		–	(39,400)
Interest paid		(4,844,875)	(5,308,121)
Dividends paid to owners of the parent		(381,727)	–
Dividends paid to holders of the other equity instruments		(105,606)	(58,806)
Decrease/(increase) in pledged deposits		360,511	(419,139)
Net cash flows from financing activities		(3,715,251)	3,227,502
NET DECREASE IN CASH AND CASH EQUIVALENTS		(5,675,155)	(8,143,157)
Cash and cash equivalents at beginning of year		15,249,194	23,193,300
Effect of foreign exchange rate changes, net		61,057	199,051
CASH AND CASH EQUIVALENTS AT END OF YEAR	30	9,635,096	15,249,194

1. CORPORATE AND GROUP INFORMATION

COSCO SHIPPING Development Co., Ltd. (the "Company") is a joint stock company with limited liability established in the People's Republic of China (the "PRC"). The address of the Company's registered office is Room A-538, International Trade Center, China (Shanghai) Pilot Free Trade Zone, Shanghai, the PRC.

During the year, the principal activities of the Group were as follows:

(a) Operating leasing and financial leasing;

(b) Manufacture and sale of containers;

(c) Provision of financial and insurance brokerage services; and

(d) Equity investment.

In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company are China Shipping Group Company Limited and China COSCO Shipping Corporation Limited, respectively, both established in the PRC.

1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
COSCO SHIPPING Development (Hong Kong) Co., Ltd.	Hong Kong	HK$1,000,000 and US$1,628,558,800 RMB2,900,000,000	100%	–	Vessel chartering and container leasing
CSCL Star Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Venus Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Jupiter Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Mercury Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Mars Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Saturn Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Uranus Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Neptune Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Bohai Sea Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Yellow Sea Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL East China Sea Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL South China Sea Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Spring Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Summer Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Autumn Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Winter Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering

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1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
CSCL Globe Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Pacific Ocean Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Indian Ocean Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Atlantic Ocean Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Arctic Ocean Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
Helen Insurance Brokers Limited	Hong Kong	HK$3,000,000	–	100%	Provision of insurance brokerage services
COSCO SHIPPING Development (Asia) Co., Ltd.	British Virgin Islands ("BVI")	US$514,465,000	–	100%	Vessel chartering and container leasing
Arisa Navigation Company Limited	Cyprus	CYP1,000	–	100%	Vessel chartering
YangshanA Shipping Company Limited	BVI	US$50,000	–	100%	Vessel chartering
YangshanB Shipping Company Limited	BVI	US$50,000	–	100%	Vessel chartering
YangshanC Shipping Company Limited	BVI	US$50,000	–	100%	Vessel chartering
YangshanD Shipping Company Limited	BVI	US$50,000	–	100%	Vessel chartering
Oriental Fleet International Co., Ltd.	Hong Kong	HK$140,000,000	–	100%	Investment holding
Oriental Fleet LNG01 Limited	BVI	US$1	–	100%	Financial leasing
Oriental Fleet LNG02 Limited	Marshal Islands ("Marshall")	US$1	–	100%	Financial leasing
Oriental Fleet HLCV01 Limited	BVI	US$1	–	100%	Financial leasing
Oriental Fleet HLCV02 Limited	BVI	US$1	–	100%	Financial leasing
Oriental Fleet HLCV03 Limited	BVI	US$1	–	100%	Financial leasing

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1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Oriental Fleet HLCV04 Limited	BVI	US$1	–	100%	Financial leasing
Oriental Fleet HLCV05 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet HLCV06 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Bulk01 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Bulk02 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Bulk03 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Bulk04 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Bulk05 Limited	Liberia	US$1	–	100%	Financial leasing
Oriental Fleet Bulk06 Limited	Liberia	US$1	–	100%	Financial leasing
Oriental Fleet Bulk07 Limited	Liberia	US$1	–	100%	Financial leasing
Oriental Fleet Bulk08 Limited	Liberia	US$1	–	100%	Financial leasing
Oriental Fleet Bulk09 Limited	Liberia	US$1	–	100%	Financial leasing
Oriental Fleet Bulk10 Limited	Liberia	US$1	–	100%	Financial leasing
Oriental Fleet Bulk11 Limited	Liberia	US$1	–	100%	Financial leasing
Oriental Fleet Bulk12 Limited	Liberia	US$1	–	100%	Financial leasing
Oriental Fleet Chemical01 Limited	BVI	US$1	–	100%	Financial leasing
Oriental Fleet Cruise01 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Tanker01 Limited	BVI	US$1	–	100%	Financial leasing
Oriental Fleet Tanker02 Limited	BVI	US$1	–	100%	Financial leasing

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1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Oriental Fleet Tanker03 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Tanker04 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Tanker05 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Tanker06 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Tanker07 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Tanker08 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Tanker09 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Tanker10 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Tanker11 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Tanker12 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Tanker13 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Asset Management Limited	Hong Kong	HK$10,000	–	100%	Provision of management service
Florens (Tianjin) Finance Leasing Co., Ltd.	PRC	US$50,000,000	–	100%	Financial leasing
Dong Fang International Investment Limited	BVI	US$100,000	–	100%	Investment holding and container leasing
Florens International Limited	BVI	US$1,833,966,965	–	100%	Investment holding
Florens (China) Company Limited	PRC	US$12,800,000	–	100%	Container leasing
Florens Maritime Limited	Bermuda	US$12,000	–	100%	Container leasing
Florens Container Corporation S.A.	Panama	US$10,000	–	100%	Container leasing

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1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Florens Asset Management Company Limited	Hong Kong	HK$100	–	100%	Provision of container management services
Florens Asset Management (Deutschland) GmbH	Deutschland	EUR25,564.6	–	100%	Provision of container management services
Florens Asset Management (Italy) S.R.L.	Italy	EUR10,400	–	100%	Provision of container management services
Florens Asset Management (USA), Ltd.	United States	US$1	–	100%	Provision of container management services
Florens Container, Inc. (2002)	United States	US$1	–	100%	Sale of containers
Florens Container Investment (SPV) Ltd.	BVI	US$435,000,001	–	100%	Container leasing
Florens Asset Management (Singapore) PTE. Limited	Singapore	SG$10,000	–	100%	Provision of container management services
Dong Fang International Asset Management Limited	Hong Kong	HK$3	–	100%	Provision of management service
Dong Fang International Container Limited	BVI	US$50,000	–	100%	Investment holding
Fairbreeze Shipping Company Limited	Hong Kong	HK$500,000	–	100%	Property investment
Long Honour Investments Limited	BVI	US$1	–	100%	Investment holding
COSCO Container Industry Co., Ltd.	BVI	US$1	–	100%	Investment holding
COSCO SHIPPING Leasing Co., Ltd. ("CS Leasing")	PRC	RMB3,500,000,000	100%	–	Financial leasing
Haihui Commercial Factoring (Tianjin) Co., Ltd.	PRC	RMB197,939,194	–	100%	Commercial factoring
Yuanhai Leasing (Tianjin) Co., Ltd.	PRC	RMB1,000,000,000	–	100%	Financial leasing

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1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
China Shipping Investment Co., Ltd. ("CS Investment")	PRC	RMB18,213,000,000	100%	–	Investment holding
China COSCO SHIPPING Development (Tianjin) Leasing Company Limited	PRC	RMB1,000,000,000	–	100%	Financial leasing
Shanghai Universal Logistics Equipment Co., Ltd.	PRC	RMB850,000,000	–	100%	Investment holding
Dong Fang International Container (Lianyungang) Co., Ltd.	PRC	US$44,133,900	–	100%	Container manufacturing
Dong Fang International Container (Jinzhou) Co., Ltd.	PRC	US$20,000,000	–	100%	Container manufacturing
Dong Fang International Container (Guangzhou) Co., Ltd.	PRC	US$21,417,780	–	100%	Container manufacturing
Dong Fang International Container (Hong Kong) Co., Ltd.	Hong Kong	US$10,000	–	100%	Trading
Shanghai Haining Insurance Broker Co., Ltd.	PRC	RMB10,000,000	–	100%	Provision of insurance brokerage services
Suzhou Yuanhai Doukui Investment LLP	PRC	RMB600,000,000	–	100%	Investment holding
COSCO SHIPPING (Shanghai) Investment Management Co., Ltd (formerly known as Zhuhai Shipping Co., Ltd.)	PRC	RMB21,033,540.37	100%	–	Investment holding
China COSCO SHIPPING Guanghua Investment Management Limited	PRC	RMB200,000,000	100%	–	Investment holding

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The financial statements have been prepared under the going concern basis notwithstanding that the Group had net current liabilities of RMB24,470,813,000 as at 31 December 2019. The directors of the Company are of opinion that based on the available unutilised banking facilities as at 31 December 2019, the Group will have the necessary liquid funds to finance its working capital and to meet its capital expenditure requirements. Accordingly, the directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

2.1 BASIS OF PREPARATION (continued)

BASIS OF CONSOLIDATION (continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Except for HKFRS 16 Leases, the rest of the new and revised HKFRSs had no significant impact on the Group's financial statements. The nature and the impact of HKFRS 16 are described below:

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

For a sublease arrangement, the classification of the sublease is made by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset.

The Group reassessed a sublease arrangement at 1 January 2019 that was previously classified as an operating lease applying HKAS 17 based on the remaining contractual terms and conditions of the head lease and sublease at 1 January 2019, and determined that this arrangement is a finance lease applying HKFRS 16. Accordingly, the Group recognised a net investment in a sublease amounting to RMB839,566,000 and derecognised the corresponding right-of-use asset of the head lease amounting to RMB691,961,000, resulting in a gain of RMB147,605,000 recognised in the opening balance of retained profits at 1 January 2019.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

NEW DEFINITION OF A LEASE

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

AS A LESSEE – LEASES PREVIOUSLY CLASSIFIED AS OPERATING LEASES

Nature of the effect of adoption of HKFRS 16

As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application; and

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

FINANCIAL IMPACT AT 1 JANUARY 2019

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/(decrease) RMB'000
Assets	
Decrease in the non-current portion of prepaid land lease payments	(110,795)
Increase in right-of-use assets	262,128
Increase in finance lease receivables	839,566
Decrease in the current portion of prepaid land lease payments	(3,587)
Increase in total assets	987,312
Liabilities	
Increase in lease liabilities	990,551
Increase in total liabilities	990,551
Decrease in retained profits	(3,239)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as of 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	1,183,673
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(150,198)
	1,033,475
Weighted average incremental borrowing rate as at 1 January 2019	3.50%
Lease liabilities as at 1 January 2019	990,551

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments are effective for annual periods beginning on or after 1 January 2020. Early application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FAIR VALUE MEASUREMENT

The Group measures its certain financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RELATED PARTIES

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

   (i) the entity and the Group are members of the same group;

   (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

   (iii) the entity and the Group are joint ventures of the same third party;

   (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

   (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

   (vi) the entity is controlled or jointly controlled by a person identified in (a);

   (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

   (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment, other than vessels under construction and construction in progress, are stated at cost less Accumulated depreciation and depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Vessels	3.4% to 3.6%
Leasehold improvements	Over the shorter of the lease terms and 5 years
Buildings	1.8% to 5.0%
Containers	3.3% to 5.0%
Machinery, motor vehicles and office equipment	4.8% to 22.3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

With effect from 1 January 2019, the Group made a change in depreciation estimates as follows:

- Estimated residual value of vessels changed from US$330 to US$366 per ton; and

- Estimated residual value of certain containers changed from US$780 – US$900 to US$886 – US$1,016 per container.

This constitutes a change in accounting estimates. In the opinion of the directors, based on the current business condition, the estimated residual value of these vessels and containers are more appropriately reflected by the change.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (continued)

The change has been applied prospectively and has resulted in a decrease in depreciation of approximately RMB201,526,000 for the year.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Vessels under construction and construction in progress are stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Vessels under construction and construction in progress are reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

INVESTMENT PROPERTIES

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset (2018: leasehold property under an operating lease) which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on a straight-line basis to write off the cost of each item of investment properties. The principal annual rates used for this purpose range from 1.0% to 2.0%.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Computer software

Computer software is stated at cost less any impairment losses and is amortised on the straight-line based on its estimated useful life of 4 to 8 years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES (APPLICABLE FROM 1 JANUARY 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Prepaid land lease payments	50 years
Buildings	2 to 12 years
Machinery, motor vehicles and office equipment	3 to 4 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES (APPLICABLE FROM 1 JANUARY 2019) (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES (APPLICABLE FROM 1 JANUARY 2019) (continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee are accounted for as finance leases. At the commencement date, an amount representing the lease payment receivables and initial direct costs is included in the consolidated statement of financial position as finance lease receivables. Any unguaranteed residual value is also recognised at the inception of the lease. The difference between the sum of the lease payment receivables, initial direct costs, the unguaranteed residual value and their present value is recognised as unearned finance income. Unearned finance income is recognised over the period of the lease using the effective interest rate method.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES (APPLICABLE BEFORE 1 JANUARY 2019)

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

When the Group is a lessor under finance leases, an amount representing the minimum lease payment receivables and initial direct costs is included in the consolidated statement of financial position as finance lease receivables. Any unguaranteed residual value is also recognised at the inception of the lease. The difference between the sum of the minimum lease payment receivables, initial direct costs, the unguaranteed residual value and their present value is recognised as unearned finance income. Unearned finance income is recognised over the period of the lease using the effective interest rate method.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss.

Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The calculation of ECLs is based on probability of default ("PD") approach with key elements as follows:

- PD: an estimate of the likelihood of default over a given time horizon;
- Loss Given Default ("LGD"): an estimate of the loss arising in the case where a default occurs at a given time; and
- Exposure at Default ("EAD"): an estimate of the exposure at a future default date.

Forward looking information has been incorporated into the determination of expected credit losses, including the use of macroeconomic information, such as GDP growth.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

General approach (continued)

For lease receivables, the Group chooses as its accounting policy to adopt the general approach. Therefore, all financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

ECLs in Stage 1 and Stage 2 are measured on a collective basis. Meanwhile, in Stage 3, ECLs are measured on an individual basis.

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. For trade receivables related to customers that are in financial difficulties or in default, ECLs are measured on an individual basis. In addition, the Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, to measure ECLs on a collective basis as follows:

Ageing based on the invoice date	Provision rates
Within 1 year	3%
1 to 2 years	10%

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, financial liabilities included in other payables and accruals, bank and other borrowings, corporate bonds, lease liabilities and other long term payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES (continued)

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Perpetual debt

A perpetual debt will be classified as a liability if it includes contractual obligation:

- to deliver cash or another financial asset to another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

Otherwise, it will be classified as an equity instrument.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERECOGNITION OF FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

OFFSETTING OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or

- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (continued)

Initial recognition and subsequent measurement (continued)

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges which meet the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (continued)

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

TREASURY SHARES

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

REVENUE RECOGNITION

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION (continued)

Revenue from contracts with customers (continued)

(a) Sale of containers

Revenue from the sale of containers is recognised on a bill-and-hold basis. A bill-and-hold arrangement is a contract under which the Group bills a customer for a product but the Group retains physical possessions of the product until it is transferred to the customer at a point in time in the future. The Group assesses when all of the following criteria are met:

- Upon completion of manufacturing, the Group demonstrates that the container meets the agreed-upon specifications in the contract to the customer;
- The customer has requested the bill-and-hold arrangement;
- The container has been identified separately as belonging to the customer;
- The container is ready for physical transfer to the customer; and
- The Group cannot have the ability to use the container or to direct it to another customer.

When all of the criteria above are met, the performance obligation is satisfied and revenue is recognised accordingly. Under such arrangement, payment in advance is normally required and the normal credit term for the residual consideration is 45 to 60 days upon satisfaction of performance obligation.

(b) Sale of shipping related spare parts

The performance obligation is satisfied at the point in time when control of the asset is transferred to the customer, generally on delivery, and revenue is recognised accordingly. Payment is generally due within 45 to 60 days from delivery.

(c) Rendering of services

The Group provides shipping related services and insurance brokerage services. The performance obligation is satisfied over time as services are rendered. Payment is generally due within 30 to 45 days upon completion of service and acceptance by the customer.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION (continued)

Revenue from other sources

Operating lease income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Finance lease income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of a finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

CONTRACT LIABILITIES

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

EMPLOYEE BENEFITS

The Group has participated in central pension schemes for its employees in the PRC pursuant to the relevant laws and regulations of the PRC. The Group makes monthly contributions and the contributions are charged to profit or loss on an accrual basis. The Group has no further obligations beyond the contributions made.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BORROWING COSTS

Borrowing costs directly attributable to certain vessels under construction are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

FOREIGN CURRENCIES

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the weighted average exchange rates for the year of the cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between finance leases and operating leases

When the Group acts as a lessor, leases are required to be classified as either finance leases (which transfer substantially all the risks and rewards of ownership, and give rise to a receivable by the lessor) or operating leases (which result in the asset remaining recognised by the lessor). Management has to exercise judgement in determining the classification.

Situations that would normally lead to a lease being classified as a finance lease include the following:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable and, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

JUDGEMENTS (continued)

Determination of significant increases in credit risk

The calculation of ECLs under general approach are required to be categorised into different stages according to the changes in credit risk to apply respective calculation mechanics.

The Group considers whether the credit risk of a financial asset has increased significantly since initial recognition with the following non-exhaustive factors:

- past due over 90 days;
- an actual or expected significant change in the operating results of the borrower; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations.

ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation of ECLs

The Group uses PD approach under general approach and a provision matrix under simplified approach, respectively, in calculation of ECLs. The Group estimates PD, LGD and provision rate, respectively, by reference to the internal historical credit loss experience and external information.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

ESTIMATION UNCERTAINTY (continued)

Fair value of unlisted equity investments

The Group assesses certain of unlisted equity investments using market approach with reference to price multiple of comparable public companies (peers). The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity. Further details are contained in note 48 to the financial statements.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and residual values of property, plant and equipment

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment by reference to the Group's business model, its asset management policy, the industry practice, expected usage of the asset, and the current scrap values of steel in an active market at each measurement date. The depreciation expense will change where the useful lives or residual values of property, plant and equipment are different from the previous estimates.

4. OPERATING SEGMENT INFORMATION

During the year ended 31 December 2019, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) The shipping and industry-related leasing segment, which renders vessel chartering, container leasing and finance lease services;

(b) The container manufacturing segment, which manufactures and sells containers;

(c) The investment and services segment, which focuses on equity or debt investment and insurance brokerage services; and

(d) The "others" segment comprises, principally, cargo and liner agency services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit/loss before tax from continuing operations except that unallocated selling and administrative expenses and non-lease-related finance costs are excluded from such measurement.

Segment assets are measured consistently with the Group's assets.

Segment liabilities exclude certain bank and other borrowings and corporate bonds as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION (continued)

	For the year ended 31 December 2019				
	Shipping and industry-related leasing RMB'000	Container manufacturing RMB'000	Investment and financial services RMB'000	Others RMB'000	Total RMB'000
Segment revenue					
Sales of containers	–	3,076,280	–	–	3,076,280
Sales of shipping related spare parts	180,607	–	–	–	180,607
Shipping related services	1,019,721	–	–	–	1,019,721
Fee and commission income	–	–	39,940	–	39,940
Total revenue from contracts with external customers	1,200,328	3,076,280	39,940	–	4,316,548
Other revenue from external customers	9,839,311	–	–	–	9,839,311
Total revenue from external customers	11,039,639	3,076,280	39,940	–	14,155,859
Intersegment revenue from contracts with customers	–	1,506,420	8,053	–	1,514,473
Total revenue	11,039,639	4,582,700	47,993	–	15,670,332
Segment results	1,149,670	(202,854)	1,956,177	(75,789)	2,827,204
Elimination of intersegment results					3,952
Unallocated selling, administrative and general expenses					(144,105)
Unallocated finance costs					(742,569)
Profit before tax					1,944,482
Supplementary segment information:					
Depreciation and amortisation	(3,103,745)	(61,512)	(214)	–	(3,165,471)
Impairment of property, plant and equipment	(17,484)	–	–	–	(17,484)
Impairment of finance lease receivables	(359,017)	–	–	–	(359,017)
Impairment of factoring receivables	(7,656)	–	–	–	(7,656)
Write-down of inventories to net realisable value	(82,011)	(96,393)	–	–	(178,404)
(Impairment)/reversal of impairment of trade receivables	(39,110)	(5,243)	307	–	(44,046)
Impairment of other receivables	(3,063)	(120)	(3,661)	–	(6,844)
Share of losses of joint ventures	–	–	(1,077)	–	(1,077)
Share of profits of associates	–	–	2,292,840	–	2,292,840
Capital expenditure*	3,328,447	83,740	182	–	3,412,369

4. OPERATING SEGMENT INFORMATION (continued)

	For the year ended 31 December 2018				
	Shipping and industry-related leasing RMB'000	Container manufacturing RMB'000	Investment and financial services RMB'000	Others RMB'000	Total RMB'000
Segment revenue					
Sales of containers	–	5,827,452	–	–	5,827,452
Sales of shipping related spare parts	171,368	–	–	–	171,368
Shipping related services	898,892	–	–	–	898,892
Fee and commission income	–	–	39,893	–	39,893
Total revenue from contracts with external customers	1,070,260	5,827,452	39,893	–	6,937,605
Other revenue from external customers	9,304,397	–	–	–	9,304,397
Total revenue from external customers	10,374,657	5,827,452	39,893	–	16,242,002
Intersegment revenue from contracts with customers	–	2,004,398	6,911	–	2,011,309
Total revenue	10,374,657	7,831,850	46,804	–	18,253,311
Segment results	1,472,789	408,018	748,664	(5,609)	2,623,862
Elimination of intersegment results					(163,928)
Unallocated selling, administrative and general expenses					(106,649)
Unallocated finance costs					(637,680)
Profit before tax from continuing operations					1,715,605
Supplementary segment information:					
Depreciation and amortisation	(3,167,295)	(53,793)	(243)	–	(3,221,331)
Impairment of finance lease receivables	(310,831)	–	–	–	(310,831)
Impairment of factoring receivables	(1,842)	–	–	–	(1,842)
Write-down of inventories to net realisable value	–	(30,058)	–	–	(30,058)
Reversal of impairment/(impairment) of trade receivables	26,382	(2,874)	(33)	–	23,475
Reversal of impairment of other receivables	41	–	–	–	41
Share of profits of joint ventures	–	–	6,467	–	6,467
Share of profits of associates	–	–	2,314,450	–	2,314,450
Capital expenditure*	4,111,750	119,826	193	–	4,231,769

* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets and intangible asset.

4. OPERATING SEGMENT INFORMATION (continued)

	31 December 2019			
	Shipping and industry-related leasing RMB'000	Container manufacturing RMB'000	Investment and financial services RMB'000	Total RMB'000
Segment assets	108,661,696	5,109,276	37,101,599	150,872,571
Elimination of intersegment assets				(6,378,452)
Total assets				144,494,119
Segment liabilities	80,281,672	3,892,970	23,406,340	107,580,982
Unallocated liabilities				18,226,213
Elimination of intersegment liabilities				(5,520,794)
Total liabilities				120,286,401
Supplementary segment information:				
Investments in joint ventures	–	–	188,827	188,827
Investments in associates	–	–	25,665,387	25,665,387

	31 December 2018			
	Shipping and industry-related leasing RMB'000	Container manufacturing RMB'000	Investment and financial services RMB'000	Total RMB'000
Segment assets	103,332,551	4,960,331	34,825,780	143,118,662
Elimination of intersegment assets				(5,281,240)
Total assets				137,837,422
Segment liabilities	77,196,349	3,641,406	25,929,640	106,767,395
Unallocated liabilities				17,463,394
Elimination of intersegment liabilities				(4,433,502)
Total liabilities				119,797,287
Supplementary segment information:				
Investments in joint ventures	–	–	193,308	193,308
Investments in associates	–	–	23,629,294	23,629,294

4. OPERATING SEGMENT INFORMATION (continued)

GEOGRAPHICAL INFORMATION

(a) Revenue from external customers

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
Hong Kong	**5,928,471**	6,730,039
Mainland China	**4,569,657**	4,707,073
Asia (excluding Hong Kong and Mainland China)	**2,270,900**	1,633,010
United States	**687,501**	2,532,669
Europe	**689,940**	630,127
Others	**9,390**	9,084
	14,155,859	16,242,002

The revenue information of continuing operations above is based on the locations of the customers.

(b) Non-current assets

	31 December 2019 RMB'000	31 December 2018 RMB'000
Hong Kong	**56,281,624**	54,848,804
Mainland China	**26,849,544**	25,715,357
	83,131,168	80,564,161

The non-current asset information of continuing operations above is based on the locations of the Company or its subsidiaries which own the assets and excludes financial instruments and deferred tax assets.

INFORMATION ABOUT A MAJOR CUSTOMER

Revenue from continuing operations of approximately RMB6,906,707,000 (2018: RMB8,420,430,000) was derived from sales by the shipping and industry-related leasing segment and container manufacturing segment to a single customer.

5. REVENUE, OTHER INCOME AND GAINS/(LOSSES)

An analysis of revenue, other income and gains/(losses) from continuing operations is as follows:

(1) REVENUE

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
Revenue from contracts with customers:		
Sales of containers	**3,076,280**	5,827,452
Sales of shipping related spare parts	**180,607**	171,368
Shipping related services	**1,019,721**	898,892
Fee and commission income	**39,940**	39,893
	4,316,548	6,937,605
Other revenue:		
Vessel chartering and container leasing	**7,107,597**	7,247,408
Finance lease income	**2,731,714**	2,056,989
	9,839,311	9,304,397
	14,155,859	16,242,002

The disaggregation of the Group's revenue from contracts with customers, including sales of goods and rendering of services above is as follows:

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
Hong Kong	**1,037,997**	1,451,539
Mainland China	**1,565,827**	2,496,761
Asia (excluding Hong Kong and Mainland China)	**1,127,078**	521,288
United States	**432,364**	2,415,495
Europe	**150,097**	52,500
Others	**3,185**	22
	4,316,548	6,937,605

5. REVENUE, OTHER INCOME AND GAINS/(LOSSES) (continued)

(1) REVENUE (continued)

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
Goods transferred at a point in time	**3,256,887**	5,998,820
Services transferred over time	**1,059,661**	938,785
	4,316,548	6,937,605

The carrying amount of trade and notes receivables in relation to revenue from contracts with customers under HKFRS 15 as at 31 December 2019 was RMB516,548,000 (2018: RMB343,552,000).

Contract liabilities of RMB150,194,000 as at 31 December 2019 (2018: RMB26,811,000) are short-term advances from customers. During the year ended 31 December 2019, contract liabilities of RMB26,811,000 (2018: RMB87,650,000) at the beginning of the year were recognised as revenue. The increase in contract liabilities in 2019 and 2018 was mainly due to the increase in short-term advances received from customers in relation to the sale of containers.

(2) OTHER INCOME

	Note	**For the year ended 31 December 2019 RMB'000**	For the year ended 31 December 2018 RMB'000
Interest income		**191,010**	123,713
Government grants related to the ordinary course of business	*37*	**1,552**	1,550
Government subsidies		**90,600**	167,676
Super-deduction of valued-added input tax		**31**	–
Fees refunded for individual income tax withheld		**204**	–
Dividend income from financial assets at fair value through profit or loss		**83,918**	75,537
Others		**46,736**	25,491
		414,051	393,967

5. REVENUE, OTHER INCOME AND GAINS/(LOSSES) (continued)

(3) OTHER GAINS/(LOSSES)

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
Gain on disposal of items of property, plant and equipment	**82,630**	100,913
Changes in fair value of financial assets at fair value through profit or loss	**663,115**	(565,703)
Net foreign exchange gain	**57,448**	100,623
Compensation gain from Hanjin*	**–**	96,071
Others	**32,124**	(4,599)
	835,317	(272,695)

* During the year ended 31 December 2016, Hanjin Shipping Co., Ltd. ("Hanjin"), one of the Group's former customers in the shipping and industry-related leasing segment, filed for bankruptcy protection. As a result, certain containers were not probable to be recovered from Hanjin based on management' best estimate at that time and an impairment of RMB126,122,000 was recognised. During the year ended 31 December 2018, the Korean Court has made the judgement and the Group received a compensation gain of RMB96,071,000 from Hanjin for the unrecovered containers.

6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	Notes	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
Cost of goods sold		**3,007,096**	5,007,885
Cost of service provided		**3,039,224**	2,290,479
Depreciation of property, plant and equipment		**3,099,157**	3,210,150
Depreciation of investment properties	*15*	**608**	584
Depreciation of right-of-use assets (2018: amortisation of prepaid land lease payments)	*16/17*	**60,154**	3,587
Amortisation of intangible assets		**5,552**	7,010
Auditor's remuneration		**7,650**	7,650
Employee benefit expense:			
Wages and salaries		**1,697,295**	1,786,641
Pension scheme contributions (defined contribution scheme)		**115,384**	121,443
		1,812,679	1,908,084
Minimum lease payments under operating leases		**–**	708,635
Expense relating to short-term leases		**150,311**	–
Foreign exchange differences, net	*5.3*	**(57,448)**	(100,623)
Impairment of property, plant and equipment	*14*	**17,484**	–
Impairment of finance lease receivables	*49*	**359,017**	310,831
Impairment of factoring receivables	*49*	**7,656**	1,842
Write-down of inventories to net realisable value		**178,404**	30,058
Impairment/(reversal of impairment) of trade receivables	*49*	**44,046**	(23,475)
Impairment/(reversal of impairment) of other receivables		**6,844**	(41)

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Note	**For the year ended 31 December 2019 RMB'000**	For the year ended 31 December 2018 RMB'000
Interest on debts and borrowings		**3,401,649**	3,256,444
Interest on lease liabilities	*36*	**30,709**	–
Others		**108,426**	150,103
		3,540,784	3,406,547

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors and chief executive's emoluments for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
Fees	**1,313**	1,338
Other emoluments:		
Salaries, allowances and benefits in kind	**3,658**	3,950
Performance related bonuses	**3,137**	3,194
Pension scheme contributions	**597**	392
	7,392	7,536
	8,705	8,874

During the year, no director (2018: None) was granted share options.

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

The directors' and chief executive's emoluments are set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2019					
Executive directors:					
Mr. Wang Daxiong (chief executive)	–	1,250	697	217	2,164
Mr. Liu Chong	–	1,300	1,185	192	2,677
Mr. Xu Hui	–	1,108	1,255	188	2,551
	–	3,658	3,137	597	7,392
Independent non-executive directors:					
Mr. Cai Hongping	300	–	–	–	300
Ms. Hai Chi Yuet	300	–	–	–	300
Mr. Graeme Jack	300	–	–	–	300
Mr. Lu Jianzhong	150	–	–	–	150
Ms. Zhang Weihua	150	–	–	–	150
Mr. Gu Xu (resigned on 20 August 2019)	113	–	–	–	113
	1,313	–	–	–	1,313
	1,313	3,658	3,137	597	8,705

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2018					
Executive directors:					
Mr. Wang Daxiong (chief executive)	–	1,297	1,201	128	2,626
Mr. Liu Chong	–	1,297	1,020	130	2,447
Mr. Xu Hui	–	1,356	973	134	2,463
	–	3,950	3,194	392	7,536
Independent non-executive directors:					
Mr. Cai Hongping	300	–	–	–	300
Ms. Hai Chi Yuet	300	–	–	–	300
Mr. Graeme Jack	300	–	–	–	300
Mr. Lu Jianzhong	138	–	–	–	138
Mr. Gu Xu (appointed on 15 March 2018)	150	–	–	–	150
Ms. Zhang Weihua (appointed on 15 March 2018)	150	–	–	–	150
	1,338	–	–	–	1,338
	1,338	3,950	3,194	392	8,874

Save as disclosed above, none of the directors received any emoluments during 2019 and 2018.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

During the year, no emoluments were paid by the Group to any of the directors or chief executive officer as an inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors and the chief executive (2018: two director and the chief executive), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2018: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
Salaries, allowances and benefits in kind	**2,168**	2,430
Performance related bonuses	**2,068**	1,321
Pension scheme contributions	**402**	291
	4,638	4,042

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	For the year ended 31 December 2019	For the year ended 31 December 2018
HK$2,000,001 to HK$3,000,000	**2**	2

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2018: Nil).

10. INCOME TAX

According to the Corporate Income Tax ("CIT") Law of the PRC, which was effective from 1 January 2008, the CIT rate applicable to the Company and its subsidiaries established in the PRC was 25% for the years ended 31 December 2019 and 2018.

Hong Kong profits tax was provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits of the Group's companies operating in Hong Kong during the year.

Taxes or profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
Current income tax:		
Mainland China	**211,398**	357,937
Hong Kong	**7,083**	7,024
United States	**10,191**	9,347
Elsewhere	**433**	–
	229,105	374,308
Deferred income tax	**(29,356)**	(18,100)
	199,749	356,208

A reconciliation of the tax expense applicable to profit before tax from continuing operations at the statutory rate for the country or jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, is as follows:

10. INCOME TAX (continued)

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
Profit before tax from continuing operations	**1,944,482**	1,715,605
Tax at the statutory tax rate	**486,120**	428,901
Effect of different tax rates for specific provinces or enacted by local authority	**(12,426)**	(29,416)
Effect of withholding tax	**17,424**	81,159
Adjustments in respect of current tax of previous periods	**(3,233)**	511
Profits attributable to associates and joint ventures	**(572,941)**	(580,229)
Income not subject to tax	**(1,005,689)**	(1,011,557)
Expenses not deductible for tax	**1,245,740**	1,267,546
Tax losses not recognised	**197,891**	10,976
Tax losses utilised from previous periods	**–**	(182)
Temporary differences not recognised	**13,506**	188,509
Temporary differences utilised from previous periods	**(166,643)**	(10)
	199,749	356,208

11. DISCONTINUED OPERATION

During the year ended 31 December 2017, the board of directors and the shareholders' meeting approved the merger of China Shipping Finance Company Limited ("CS Finance"), a subsidiary of the Company, and COSCO Finance Company Limited, a fellow subsidiary of the Company (the "Merger"). During 2018, China Banking and Insurance Regulatory Commission, as the regulatory authority, approved the Merger. The Merger was completed on 1 July 2018. After the Merger was completed, CS Finance continued as the surviving company and was renamed as COSCO SHIPPING Finance Company Limited ("COSCO SHIPPING Finance"). The Company was entitled to 23.38% equity interests in COSCO SHIPPING Finance as the consideration for its 65% equity interests in CS Finance. In the opinion of the directors, the Merger includes the deemed disposal of CS Finance an acquisition of an associate. CS Finance represents a separate major operation, which is provision of banking services. As a result, CS Finance was classified as a discontinued operation.

The results of the discontinued operation for the year ended 31 December 2018 are presented below:

	For the year ended 31 December 2018 RMB'000
REVENUE	305,983
Cost of sales	(111,851)
Gross profit	194,132
Other income	24,262
Other losses, net	(54,841)
Selling, administrative and general expenses	(19,801)
Expected credit losses	(22,602)
Profit before tax from the discontinued operation	121,150
Income tax expense	(44,272)
Profit for the year from the discontinued operation	76,878

11. DISCONTINUED OPERATION (continued)

The calculations of basic and diluted earnings per share from the discontinued operation are based on:

	For the year ended 31 December 2018 RMB'000
Profit attributable to ordinary equity holders of the parent from the discontinued operation	24,860
Weighted average number of ordinary shares (in thousand) in issue during the year used in the basic and diluted earnings per share calculations *(note 13)*	11,683,125

The net cash flows incurred by the discontinued operation are as follows:

	For the year ended 31 December 2018 RMB'000
Operating activities	(1,231,499)
Investing activities	61,867
Effect of foreign exchange rate changes, net	1,768
Net cash flows	(1,167,864)

12. DIVIDENDS

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
Proposed final dividend – RMB0.045 (2018: RMB0.033) per ordinary share	**518,782**	384,035

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The Board proposed the payment of a final dividend of RMB0.045 (2018: RMB0.033) per share (inclusive of applicable tax), totalling approximately RMB518,782,000 (2018: RMB384,035,000) calculated based on 11,528,497,997 shares, being the number of issued shares of the Company of 11,608,125,000 as at 27 March 2020 deducting 79,627,003 A shares repurchased by the Company, for the year ended 31 December 2019.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic earnings per share amount is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the year.

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation		
From continuing operations	**1,487,279**	1,300,591
From a discontinued operation	**–**	24,860
	1,487,279	1,325,451
Interest on perpetual debts*	**257,454**	58,806
Profit attributable to equity holders of the parent before interest on perpetual debts	**1,744,733**	1,384,257
Attribute to:		
From continuing operations	**1,744,733**	1,359,397
From a discontinued operation	**–**	24,860
	1,744,733	1,384,257

	For the year ended 31 December 2019 '000	For the year ended 31 December 2018 '000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**11,575,875**	11,683,125

There was no dilutive effect for the year (2018: Nil).

* The Company issued perpetual debts during the years ended 31 December 2019 and 2018, under the terms and conditions set out in note 40. The dividend distribution and repurchase of shares of the Company triggered the mandatory interest payment event of perpetual debts. For the purpose of calculating basic earnings per ordinary share in respect of the year 2019 and 2018, RMB257,454,000 (2018: RMB58,806,000) attributable to perpetual debts was deducted from profits attributable to equity holders of the Company.

14. PROPERTY, PLANT AND EQUIPMENT

	Vessels RMB'000	Containers RMB'000	Buildings RMB'000	Machinery, motor vehicles and office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2019:							
Cost	46,219,310	35,684,086	471,247	863,451	96,495	27,316	83,361,905
Accumulated depreciation and impairment	(15,730,044)	(10,513,764)	(154,429)	(412,763)	(67,409)	–	(26,878,409)
Net carrying amount	30,489,266	25,170,322	316,818	450,688	29,086	27,316	56,483,496
At 1 January 2019, net of accumulated depreciation and impairment	30,489,266	25,170,322	316,818	450,688	29,086	27,316	56,483,496
Additions	–	3,231,057	2,244	7,498	1,601	83,622	3,326,022
Disposals	–	(588,337)	–	(2,414)	(21)	(781)	(591,553)
Depreciation	(1,603,019)	(1,418,722)	(15,414)	(47,861)	(14,141)	–	(3,099,157)
Impairment	–	(17,484)	–	–	–	–	(17,484)
Transfers	–	–	14,701	43,022	–	(57,723)	–
Exchange realignment	284,836	432,256	–	437	119	–	717,648
At 31 December 2019, net of accumulated depreciation and impairment	29,171,083	26,809,092	318,349	451,370	16,644	52,434	56,818,972
At 31 December 2019:							
Cost	46,610,498	37,741,620	488,224	897,607	87,565	52,434	85,877,948
Accumulated depreciation and impairment	(17,439,415)	(10,932,528)	(169,875)	(446,237)	(70,921)	–	(29,058,976)
Net carrying amount	29,171,083	26,809,092	318,349	451,370	16,644	52,434	56,818,972

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Note	Vessels RMB'000	Containers RMB'000	Buildings RMB'000	Machinery, motor vehicles and office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2018:								
Cost		45,080,203	30,923,334	445,140	841,739	83,969	27,034	77,401,419
Accumulated depreciation and impairment		(13,840,226)	(9,099,672)	(141,572)	(425,650)	(50,115)	–	(23,557,235)
Net carrying amount		31,239,977	21,823,662	303,568	416,089	33,854	27,034	53,844,184
At 1 January 2018, net of accumulated depreciation and impairment		31,239,977	21,823,662	303,568	416,089	33,854	27,034	53,844,184
Additions		161	4,081,857	5,139	14,061	12,507	108,121	4,221,846
Disposals		–	(390,112)	(104)	(7,690)	(1,375)	–	(399,281)
Disposal of a subsidiary	42	–	–	–	(4,259)	–	(5,544)	(9,803)
Depreciation		(1,620,664)	(1,510,977)	(14,039)	(45,532)	(19,751)	–	(3,210,963)
Transfers		–	–	22,254	76,547	3,494	(102,295)	–
Exchange realignment		869,792	1,165,892	–	1,472	357	–	2,037,513
At 31 December 2018, net of accumulated depreciation and impairment		30,489,266	25,170,322	316,818	450,688	29,086	27,316	56,483,496
At 31 December 2018:								
Cost		46,219,310	35,684,086	471,247	863,451	96,495	27,316	83,361,905
Accumulated depreciation and impairment		(15,730,044)	(10,513,764)	(154,429)	(412,763)	(67,409)	–	(26,878,409)
Net carrying amount		30,489,266	25,170,322	316,818	450,688	29,086	27,316	56,483,496

At 31 December 2019, certain of the Group's container vessels and containers with a net carrying amount of approximately RMB25,765,286,000 (2018: RMB22,735,030,000) were pledged to secure general banking facilities granted to the Group (note 34).

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The following table illustrates the movements of the assets held under operating leases:

	Vessels RMB'000	Containers RMB'000	Total RMB'000
31 December 2019			
At 1 January 2019:			
Cost	46,219,310	34,014,305	80,233,615
Accumulated depreciation and impairment	(15,730,044)	(10,021,788)	(25,751,832)
Net carrying amount	30,489,266	23,992,517	54,481,783
At 1 January 2019, net of accumulated depreciation and impairment	30,489,266	23,992,517	54,481,783
Additions	–	3,231,057	3,231,057
Disposals	–	(518,698)	(518,698)
Depreciation provided during the year	(1,603,019)	(1,354,336)	(2,957,355)
Impairment	–	(17,484)	(17,484)
Exchange realignment	284,836	406,525	691,361
At 31 December 2019, net of accumulated depreciation and impairment	29,171,083	25,739,581	54,910,664
At 31 December 2019:			
Cost	46,610,498	36,164,269	82,774,767
Accumulated depreciation and impairment	(17,439,415)	(10,424,688)	(27,864,103)
Net carrying amount	29,171,083	25,739,581	54,910,664

15. INVESTMENT PROPERTIES

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
At beginning of year:		
Cost	157,903	150,320
Accumulated depreciation and impairment	(53,460)	(50,308)
Net carrying amount	104,443	100,012
At beginning of year, net of accumulated depreciation and impairment	104,443	100,012
Depreciation	(608)	(584)
Exchange realignment	1,712	5,015
At end of year, net of accumulated depreciation and impairment	105,547	104,443
At end of year:		
Cost	160,503	157,903
Accumulated depreciation and impairment	(54,956)	(53,460)
Net carrying amount	105,547	104,443

The Group's investment properties consist of nineteen (2018: nineteen) office properties in Hong Kong.

15. INVESTMENT PROPERTIES (continued)

Management has determined that the investment properties consist of one class of asset, i.e., office units, based on the nature, characteristics and risks of each property.

The investment properties are leased under operating leases, further summary details of which are included in note 44 to the financial statements.

FAIR VALUE HIERARCHY

The investment properties were valued based on a valuation performed by an independent professionally qualified valuer, at RMB308,361,000 (2018: RMB301,614,000). Each year, the directors of the Group decide which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed.

The following tables illustrate the fair value measurement hierarchy of the Group's investment properties:

31 December 2019

	Fair value measurement categorised into			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Office units	**–**	**–**	**308,361**	**308,361**

31 December 2018

	Fair value measurement categorised into			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Office units	–	–	301,614	301,614

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

15. INVESTMENT PROPERTIES (continued)

FAIR VALUE HIERARCHY (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Weighted average RMB'000
31 December 2019			
Office units	Market comparison method	Estimated value (per sq. ft.)	**14**
31 December 2018			
Office units	Market comparison method	Estimated value (per sq. ft.)	14

16. PREPAID LAND LEASE PAYMENTS

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
At end of previous year	**114,382**	117,969
Effect of adoption of HKFRS 16	**(114,382)**	–
At beginning of year (restated)	**–**	117,969
Amortisation	**–**	(3,587)
At end of year	**–**	114,382
Current portion	**–**	(3,587)
Non-current portion	**–**	110,795

17. RIGHT-OF-USE ASSETS

	Prepaid land lease payments RMB'000	Buildings RMB'000	Machinery, motor vehicles and office equipment RMB'000	Total RMB'000
At 1 January 2019 (restated):				
Cost	158,240	191,361	298	349,899
Accumulated depreciation	(43,858)	(43,764)	(149)	(87,771)
Net carrying amount	114,382	147,597	149	262,128
At 31 December 2018, net of accumulated depreciation	–	–	–	–
Effect of adoption of HKFRS 16	114,382	147,597	149	262,128
At 1 January 2019, net of accumulated depreciation (restated)	114,382	147,597	149	262,128
Additions	–	71,634	454	72,088
Depreciation	(3,587)	(56,486)	(81)	(60,154)
Exchange realignment	–	558	–	558
At 31 December 2019, net of accumulated depreciation	110,795	163,303	522	274,620
At 31 December 2019:				
Cost	158,240	263,995	752	422,987
Accumulated depreciation	(47,445)	(100,692)	(230)	(148,367)
Net carrying amount	110,795	163,303	522	274,620

18. INTANGIBLE ASSET

	Note	Computer software RMB'000
At 1 January 2019:		
Cost		**181,549**
Accumulated amortisation		**(163,161)**
Net carrying amount		**18,388**
At 1 January 2019, net of accumulated amortisation		**18,388**
Additions-acquired separately		**14,259**
Amortisation		**(5,552)**
Exchange realignment		**79**
At 31 December 2019, net of accumulated amortisation		**27,174**
At 31 December 2019:		
Cost		**198,257**
Accumulated amortisation		**(171,083)**
Net carrying amount		**27,174**
At 1 January 2018:		
Cost		173,014
Accumulated amortisation		(154,373)
Net carrying amount		18,641
At 1 January 2018, net of accumulated amortisation		18,641
Additions-acquired separately		9,923
Disposal of a subsidiary	*42*	(2,995)
Amortisation		(7,492)
Exchange realignment		311
At 31 December 2018, net of accumulated amortisation		18,388
At 31 December 2018:		
Cost		181,549
Accumulated amortisation		(163,161)
Net carrying amount		18,388

19. INVESTMENTS IN JOINT VENTURES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Share of net assets	188,827	193,308

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
Share of (loss)/profit	(1,077)	6,467
Share of other comprehensive (loss)/income	(59)	51
Share of total comprehensive (loss)/income	(1,136)	6,518

	31 December 2019 RMB'000	31 December 2018 RMB'000
Aggregate carrying amount of investments	188,827	193,308

20. INVESTMENTS IN ASSOCIATES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Share of net assets	23,338,313	21,302,220
Goodwill on acquisition	2,388,839	2,388,839
Impairment	(61,765)	(61,765)
	25,665,387	23,629,294

20. INVESTMENTS IN ASSOCIATES (continued)

As of 31 December 2019, particulars of the material associates are as follows:

Name	Particulars of issued shares held	Place of registration	Percentage of ownership interest	Principal activities
China International Marine Containers (Group) Co., Ltd. ("CIMC")	Ordinary shares RMB1 each	PRC	22.70	Manufacture and sale of containers
China Bohai Bank Co., Ltd. ("CBB")	Ordinary shares RMB1 each	PRC	13.67	Banking
China Everbright Bank Co., Ltd. ("CEB")	Ordinary shares RMB1 each	PRC	1.379	Banking
Bank of Kunlun Co., Ltd. ("BOK")	Ordinary shares RMB1 each	PRC	3.74	Banking
Shanghai Life Insurance Co., Ltd. ("Shanghai Life")	Registered capital RMB1 each	PRC	16	Insurance
COSCO SHIPPING Finance	Registered capital RMB1 each	PRC	23.38	Banking

The Group has less than 20% of equity interests in CBB, CEB, BOK and Shanghai Life. With the Group's presence in the boards of these companies and participation in the financial and operating activities of these companies, the Group could exercise significant influence over these companies. Accordingly, these companies are accounted for as associates.

20. INVESTMENTS IN ASSOCIATES (continued)

The following tables illustrate the summarised financial information in respect of each of the Group's material associates adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	CIMC		CBB		CEB		BOK		Shanghai Life		COSCO SHIPPING Finance	
	31 December 2019 RMB'000	31 December 2018 RMB'000	**31 December 2019 RMB'000**	31 December 2018 RMB'000	**31 December 2019 RMB'000**	31 December 2018 RMB'000	**31 December 2019 RMB'000**	31 December 2018 RMB'000	**31 December 2019 RMB'000**	31 December 2018 RMB'000	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Current assets	**82,675,837**	71,018,907	**201,437,934**	190,975,464	**870,442,000**	839,708,000	**139,153,258**	175,402,177	**3,728,987**	3,340,507	**38,143,442**	45,135,231
Non-current assets	**82,084,394**	80,910,897	**911,678,576**	843,845,591	**3,866,646,930**	3,522,059,809	**198,982,202**	177,387,082	**59,597,271**	44,882,470	**38,193,613**	27,190,691
Total liabilities	**(117,069,543)**	(106,491,905)	**(1,030,335,132)**	(978,961,106)	**(4,347,377,000)**	(4,034,859,000)	**(303,708,047)**	(320,652,839)	**(57,150,811)**	(42,703,390)	**(70,941,729)**	(67,310,344)
Net assets	**47,690,688**	45,437,899	**82,781,378**	55,859,949	**389,711,930**	326,908,809	**34,427,413**	32,136,420	**6,175,447**	5,519,587	**5,395,326**	5,015,578
Other equity instrument -perpetual debt	**(4,007,545)**	(4,007,545)	**(19,961,604)**	–	**–**	–	**–**	–	**–**	–	**–**	–
Other equity instrument -preference share	**–**	–	**–**	–	**(70,067,000)**	(35,108,000)	**–**	–	**–**	–	**–**	–
Non-controlling interests	**(15,784,092)**	(15,097,473)	**–**	–	**(1,072,000)**	(985,000)	**(93,965)**	(92,493)	**–**	–	**–**	–
Net assets attributable to owners of the parent	**27,899,051**	26,332,881	**62,819,774**	55,859,949	**318,572,930**	290,815,809	**34,333,448**	32,043,927	**6,175,447**	5,519,587	**5,395,326**	5,015,578
Proportion of the ownership	**22.70%**	22.71%	**13.67%**	13.67%	**1.38%**	1.38%	**3.74%**	3.74%	**16.00%**	16.00%	**23.38%**	23.38%
Share of net assets	**6,333,085**	5,980,197	**8,587,463**	7,636,055	**4,393,121**	4,010,350	**1,284,071**	1,198,443	**988,072**	883,134	**1,261,427**	1,172,642
Goodwill on acquisition	**2,204,285**	2,204,285	**–**	–	**–**	–	**97,421**	97,421	**–**	–	**74,655**	74,655
Impairment	**–**	–	**–**	–	**–**	–	**(61,765)**	(61,765)	**–**	–	**–**	–
Carrying amounts of the investments	**8,537,370**	8,184,482	**8,587,463**	7,636,055	**4,393,121**	4,010,350	**1,319,727**	1,234,099	**988,072**	883,134	**1,336,082**	1,247,297

	CIMC		CBB		CEB		BOK		Shanghai Life		COSCO SHIPPING Finance	
	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000	**For the year ended 31 December 2019 RMB'000**	For the year ended 31 December 2018 RMB'000	**For the year ended 31 December 2019 RMB'000**	For the year ended 31 December 2018 RMB'000	**For the year ended 31 December 2019 RMB'000**	For the year ended 31 December 2018 RMB'000	**For the year ended 31 December 2019 RMB'000**	For the year ended 31 December 2018 RMB'000	**For the year ended 31 December 2019 RMB'000**	For the year ended 31 December 2018 RMB'000
Revenue	**85,815,341**	87,120,796	**27,136,154**	23,175,925	**132,939,000**	100,774,000	**10,800,176**	12,061,392	**15,793,152**	9,572,552	**1,741,348**	750,228
Attributable to owners of parent:												
Profit for the year	**1,156,846**	2,941,176	**8,563,702**	7,088,471	**35,127,919**	32,210,805	**3,533,075**	3,273,583	**240,469**	23,706	**655,188**	271,822
Other comprehensive income/(loss) for the year	**690,775**	102,921	**686,079**	748,011	**1,082,016**	2,775,013	**62,433**	478,503	**416,181**	(248,689)	**24,260**	(11,612)
Total comprehensive income/(loss) for the year	**1,847,621**	3,044,097	**9,249,781**	7,836,482	**36,209,935**	34,985,818	**3,595,508**	3,752,086	**656,650**	(224,983)	**679,448**	260,210
Dividends declared	**1,642,767**	806,093	**2,289,956**	74,800	**8,452,814**	9,502,826	**1,305,987**	1,223,742	**–**	–	**299,700**	–

20. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Aggregate carrying amount of investments	**503,552**	433,877

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
Share of profit	**51,369**	43,551
Share of other comprehensive income/(loss)	**13,521**	(1,146)
Share of total comprehensive income	**64,890**	42,405

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2019 RMB'000	31 December 2018 RMB'000
Unlisted debt investments, at fair value	**457,032**	–
Listed equity investments, at fair value	**2,496,638**	1,737,837
Unlisted equity investments, at fair value	**1,803,605**	1,708,864
	4,757,275	3,446,701
Current portion	**(490,967)**	–
Non-current portion	**4,266,308**	3,446,701

22. FINANCE LEASE RECEIVABLES

The total future lease payment receivables under finance leases and their present values were as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Within one year	**18,116,489**	12,906,752
After one year but within two years	**12,401,232**	10,411,840
After two years but within three years	**6,890,188**	7,180,803
After three years but within four years	**3,678,095**	3,222,986
After four years but within five years	**3,278,306**	1,750,741
After five years	**5,770,840**	5,234,585
Total minimum finance lease receivables	**50,135,150**	40,707,707
Unearned finance income	**(7,064,023)**	(5,989,095)
Total present value of minimum finance lease receivables	**43,071,127**	34,718,612
Impairment	**(915,062)**	(786,901)
Total net finance lease receivables	**42,156,065**	33,931,711
Current portion	**(15,532,797)**	(10,711,620)
Non-current portion	**26,623,268**	23,220,091

	31 December 2019 RMB'000	31 December 2018 RMB'000
Within one year	**15,888,889**	10,965,365
After one year but within two years	**10,597,242**	8,903,339
After two years but within three years	**5,760,574**	6,069,061
After three years but within four years	**3,033,940**	2,755,427
After four years but within five years	**2,711,190**	1,475,887
After five years	**5,079,292**	4,549,533
Total present value of minimum finance lease receivables	**43,071,127**	34,718,612

At 31 December 2019, certain of the Group's finance lease receivables with a net carrying amount of approximately RMB24,015,141,000 (2018: RMB18,018,213,000) were pledged to secure general banking facilities granted to the Group (note 34) and issued corporate bonds (note 35).

Further qualitative and quantitative information regarding credit risk and ECLs of finance lease receivables is disclosed in note 49 to the financial statements.

23. FACTORING RECEIVABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Factoring receivables	1,575,635	840,755
Impairment	(23,737)	(16,081)
	1,551,898	824,674
Current portion	(1,123,489)	(673,737)
Non-current portion	428,409	150,937

Further qualitative and quantitative information regarding credit risk and ECLs of factoring receivables is disclosed in note 49 to the financial statements.

24. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments represent interest rate swap agreements designated as hedging instruments as follows:

Assets

	31 December 2019 RMB'000	31 December 2018 RMB'000
Forward currency contracts	–	3,974
Interest rate swaps	1,529	19,618
	1,529	23,592
Current portion	(960)	(7,309)
Non-current portion	569	16,283

Liabilities

	31 December 2019 RMB'000	31 December 2018 RMB'000
Interest rate swaps	12,035	3,954
Current portion	(3,445)	(883)
Non-current portion	8,590	3,071

24. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

CASH FLOW HEDGE – FOREIGN CURRENCY RISK

Foreign currency forward contracts are designated as hedging instruments in cash flow hedges of forecast sales in USD. The foreign exchange forward contract balances vary with the level of expected foreign currency sales and changes in foreign exchange forward rates.

At 31 December 2019, the Group had interest rate swap agreements in place with a total notional amount of US$150,028,000 whereby they receive interest at variable rates equal to the 3-month London Interbank Offered Rate ("LIBOR") on the notional amounts and pay interest at fixed rates of 1.37% to 2.93%. The swaps are used to hedge the exposure to changes in the cash flow of its secured loans with variable rates.

There is an economic relationship between the hedged items and the hedging instruments. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the hedging instruments are identical to the hedged risk components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments

The Group holds the following hedging instruments:

	Less than 1 year	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
As at 31 December 2019					
Interest rate swaps (in RMB'000)	**440,012**	**354,076**	**184,728**	**67,805**	**1,046,621**

	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
As at 31 December 2018					
Foreign exchange forward contracts (highly probable forecast sales)					
Notional amount (in RMB'000)	274,528	–	–	–	274,528
Average forward rate (US$/RMB)	6.982	–	–	–	–
Interest rate swaps (in RMB'000)	432,885	432,885	528,696	68,088	1,462,554

24. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The movements of cash flow hedge reserve are as follows:

	Foreign currency forward contracts RMB'000	Interest rate swaps RMB'000	Total RMB'000
As at 1 January 2018	–	16,400	16,400
Hedging gain recognised in other comprehensive income	3,974	5,438	9,412
Amount reclassified to finance costs of the consolidated statement of profit or loss	–	(6,637)	(6,637)
As at 31 December 2018 and 1 January 2019	**3,974**	**15,201**	**19,175**
Hedging gain recognised in other comprehensive income	**(3,974)**	**(15,691)**	**(19,665)**
Amount reclassified to finance costs of the consolidated statement of profit or loss	**–**	**(10,419)**	**(10,419)**
As at 31 December 2019	**–**	**(10,909)**	**(10,909)**

There is no hedge ineffectiveness recognised in profit or loss. Consequently, the change in fair value used for measuring ineffectiveness for the year ended 31 December 2019 of the hedging instruments is the same with that of the hedged items, equalling the amount of hedging gain recognised in other comprehensive income above.

25. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

DEFERRED TAX ASSETS

	Note	Impairment RMB'000	Changes in fair value RMB'000	Depreciation RMB'000	Accruals RMB'000	Total RMB'000
At 1 January 2019		186,767	–	4,723	6,250	197,740
Credited to profit or loss	10	29,102	12,734	4	3,906	45,746
Exchange realignment		17	–	78	70	165
At 31 December 2019		215,886	12,734	4,805	10,226	243,651

	Notes	Impairment RMB'000	Changes in fair value RMB'000	Depreciation RMB'000	Accruals RMB'000	Total RMB'000
At 1 January 2018		101,050	10,381	4,128	7,969	123,528
Credited/(charged) to profit or loss	10	111,653	(10,381)	374	(1,917)	99,729
Disposal of a subsidiary	42	(25,960)	–	–	–	(25,960)
Exchange realignment		24	–	221	198	443
At 31 December 2018		186,767	–	4,723	6,250	197,740

25. DEFERRED TAX (continued)

DEFERRED TAX LIABILITIES

	Note	Withholding tax RMB'000	Changes in fair value RMB'000	Depreciation RMB'000	Total RMB'000
At 1 January 2019		**368,088**	**926**	**2,798**	**371,812**
Charged/(credited) to profit or loss	*10*	**17,424**	**(926)**	**(108)**	**16,390**
Transfer to tax payable		**(37,271)**	**–**	**–**	**(37,271)**
Exchange realignment		**–**	**–**	**44**	**44**
At 31 December 2019		**348,241**	**–**	**2,734**	**350,975**

	Notes	Withholding tax RMB'000	Changes in fair value RMB'000	Depreciation RMB'000	Total RMB'000
At 1 January 2018		307,337	8,120	3,070	318,527
Charged/(credited) to profit or loss	*10*	81,159	(2,281)	(412)	78,466
Disposal of a subsidiary	*42*	–	(4,913)	–	(4,913)
Transfer to tax payable		(20,408)	–	–	(20,408)
Exchange realignment		–	–	140	140
At 31 December 2018		368,088	926	2,798	371,812

Pursuant to the PRC CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. For the Group, the applicable rate is 10%. Certain of the Group's overseas subsidiaries are therefore liable for withholding taxes on dividends distributed by certain associates established in Mainland China in respect of earnings generated from 1 January 2008.

Deferred tax assets have not been recognised in respect of the following items:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Tax losses	**1,703,690**	912,126
Deductible temporary differences	**1,018,634**	1,631,182
	2,722,324	2,543,308

Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences arisen in Mainland China and Hong Kong as it is not considered probable that taxable profits will be available against which the tax losses and deductible temporary differences can be utilised.

26. INVENTORIES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Raw materials	**307,721**	499,414
Finished goods	**221,003**	96,883
Spare parts	**509,972**	460,822
Provision for write-down of inventories	**(157,567)**	(39,371)
	881,129	1,017,748

27. TRADE AND NOTES RECEIVABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Trade receivables	**1,255,223**	1,142,482
Notes receivables	**16,701**	7,180
Impairment	**(160,924)**	(114,790)
	1,111,000	1,034,872

Credit terms in a range within two months are granted to those customers with a good payment history. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, which are internationally dispersed.

27. TRADE AND NOTES RECEIVABLES (continued)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Within 3 months	965,844	891,139
3 to 6 months	88,287	84,953
6 to 12 months	35,793	37,781
Over 1 year	4,375	13,819
	1,094,299	1,027,692

Further qualitative and quantitative information regarding credit risk and ECLs of trade receivables is disclosed in note 49 to the financial statements.

28. PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Prepayments	229,633	394,188
Other receivables	198,236	145,942
Prepaid land lease payments	–	3,587
Input value-added tax	42,038	55,740
Impairment	(10,938)	(4,093)
	458,969	595,364

29. PLEDGED DEPOSITS

	31 December 2019	31 December 2018
	RMB'000	RMB'000
Pledged deposits	**566,339**	951,665

Pledged deposits with a carrying value of RMB237,539,000 as at 31 December 2019 (2018: RMB597,465,000) were pledged to secure bank loans and corporate bonds.

Pledged deposits with a carrying value of RMB249,965,000 as at 31 December 2019 (2018: RMB259,525,000) were pledged to secure bank acceptance bills.

Other pledged deposits with a carrying value of RMB78,835,000 as at 31 December 2019 (2018: RMB94,675,000) were pledged to secure insurance premium received.

30. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
	RMB'000	RMB'000
Cash and bank balances	**9,635,096**	15,249,194

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB6,182,304,000 (2018: RMB11,001,315,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

31. TRADE PAYABLES

An ageing analysis of the trade payables as at end of the reporting date, based on the invoice date, is as follows:

	31 December 2019 **RMB'000**	31 December 2018 RMB'000
Within 3 months	**1,980,343**	1,235,434
3 to 6 months	**374,247**	243,238
6 to 12 months	**184,017**	190,298
1 to 2 years	**15,093**	17,134
	2,553,700	1,686,104

32. OTHER PAYABLES AND ACCRUALS

	31 December 2019 **RMB'000**	31 December 2018 RMB'000
Receipt in advance	**169,957**	137,343
Other payables	**2,813,947**	2,087,024
Indirect tax payables	**34,213**	47,794
Interest payables	**408,711**	392,938
Dividend payables	**231,443**	–
	3,658,271	2,665,099

33. CONTRACT LIABILITIES

	31 December 2019 **RMB'000**	31 December 2018 RMB'000
Sales of containers	**150,194**	26,811

34. BANK AND OTHER BORROWINGS

	31 December 2019 RMB'000	31 December 2018 RMB'000
Unsecured bank loans	59,799,789	79,110,906
Secured bank loans	31,922,819	20,952,007
Unsecured interest-bearing loans from related parties	6,197,120	6,300,000
	97,919,728	106,362,913
Current portion	(43,066,519)	(47,656,637)
Non-current portion	54,853,209	58,706,276

The effective interest rate of bank and other borrowings are as follows:

	31 December 2019		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans – secured	2.75-6.20	2020	9,660,648
Bank loans – unsecured	2.61-5.23	2020	28,507,251
Borrowings from related parties-unsecured	3.11-4.04	2020	4,898,620
			43,066,519
Non-current			
Bank loans – secured	2.75-6.20	2021-2031	22,262,171
Bank loans – unsecured	2.56-6.25	2021-2025	31,292,538
Borrowings from related parties-unsecured	3.60-4.04	2021-2022	1,298,500
			54,853,209
			97,919,728

34. BANK AND OTHER BORROWINGS (continued)

	31 December 2018		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Bank loans – secured	2.31 – 6.20	2019	5,608,275
Bank loans – unsecured	2.09 – 5.23	2019	36,348,362
Borrowings from related parties-unsecured	3.33 – 4.35	2019	5,700,000
			47,656,637
Non-current			
Bank loans – secured	2.31 – 6.20	2020-2028	15,343,732
Bank loans – unsecured	2.49 – 5.23	2020-2026	42,762,544
Borrowings from related parties-unsecured	3.60	2021	600,000
			58,706,276
			106,362,913

Maturity profile of bank and other borrowings as at 31 December 2019 is as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Within one year or on demand	**43,066,519**	47,656,637
In the second year	**22,218,483**	23,270,168
In the third to fifth years, inclusive	**27,610,809**	32,361,294
Beyond five years	**5,023,917**	3,074,814
	97,919,728	106,362,913

The Group's secured bank loans disclosed above are secured by certain property, plant and equipment (note 14), finance lease receivables (note 22) and pledged deposits (note 29).

In addition to the assets pledged above, a bank loan of RMB5,225,100,000 as at 31 December 2019 (2018: RMB7,465,100,000) was secured by the Company's equity interest in its subsidiary, CS Leasing and CS Investment.

35. CORPORATE BONDS

	31 December 2019 RMB'000	31 December 2018 RMB'000
Bond payables	12,544,867	6,013,700
Current portion	(4,273,467)	(2,631,916)
Non-current portion	8,271,400	3,381,784

The effective interest rates of corporate bonds are as follows:

	31 December 2019		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Assets-backed notes	3.60 – 6.50	2020	2,200,124
Assets-backed securities	3.80 – 6.70	2020	2,073,343
			4,273,467
Non-current			
Corporate bond	5.00	2021 – 2022	1,000,000
Assets-backed notes	3.60 – 6.50	2021 – 2024	1,071,381
Assets-backed securities	3.80 – 6.70	2021 – 2022	1,200,019
Medium term note	3.56 – 4.15	2021 – 2022	5,000,000
			8,271,400
			12,544,867

35. CORPORATE BONDS (continued)

	31 December 2018		
	Effective interest rate (%)	Maturity	RMB'000
Current			
Assets-backed notes	4.90 – 5.80	2019	1,619,718
Assets-backed securities	5.21 – 6.05	2019	1,012,198
			2,631,916
Non-current			
Assets-backed notes	5.50 – 6.50	2020 – 2021	1,304,783
Assets-backed securities	6.05 – 6.70	2020 – 2021	577,001
Medium term note	4.15	2021	1,500,000
			3,381,784
			6,013,700

Maturity profile of corporate bonds as at 31 December 2019 is as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Within one year or on demand	**4,273,467**	2,631,916
In the second year	**3,317,669**	1,568,374
In the third to fifth years, inclusive	**4,953,731**	1,813,410
	12,544,867	6,013,700

The Group's corporate bonds of RMB6,544,867,000 (2018: RMB4,513,700,000) are secured by certain finance lease receivables (note 22) and pledged deposits (note 29).

36. LEASE LIABILITIES

	31 December 2019 RMB'000
At end of previous year	–
Effect of adoption of HKFRS 16	990,551
At beginning of year (restated)	990,551
Additions	72,088
Payments	(562,358)
Accretion of interest	30,709
Exchange realignment	8,740
At end of year	539,730
Current portion	(391,082)
Non-current portion	148,648

Maturity profile of lease liabilities as at 31 December 2019 is as follows:

	31 December 2019 RMB'000
Within one year	422,112
In the second year	104,887
In the third to fifth years, inclusive	42,365
After five years	8,787
Total undiscounted lease liabilities	578,151
Discount amount	(38,421)
Total present value of lease liabilities	539,730
Current portion	(391,082)
Non-current portion	148,648

36. LEASE LIABILITIES (continued)

	31 December 2019 RMB'000
Within one year	**391,082**
In the second year	**100,835**
In the third to fifth years, inclusive	**39,431**
After five years	**8,382**
Total present value of lease liabilities	**539,730**

37. GOVERNMENT GRANTS

	31 December 2019 RMB'000	31 December 2018 RMB'000
At beginning of year	**13,036**	14,586
Released to profit or loss	**(1,552)**	(1,550)
At end of year	**11,484**	13,036

38. SHARE CAPITAL AND TREASURY SHARES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Authorised:		
11,608,125,000 (2018: 11,683,125,000) ordinary shares with par value of RMB1 each	**11,608,125**	11,683,125
Issued and fully paid:		
11,608,125,000 (2018: 11,683,125,000) ordinary shares with par value of RMB1 each	**11,608,125**	11,683,125

As at 31 December 2019, the shares included 7,932,125,000 A shares and 3,676,000,000 H Shares (2018: 7,932,125,000 A Shares and 3,751,000,000 H Shares).

38. SHARE CAPITAL AND TREASURY SHARES (continued)

A summary of movements in the Company's share capital and treasury shares is as follows:

	Number of shares in issue '000	Share capital RMB'000	Treasury shares RMB'000
At 1 January 2018, 31 December 2018 and 1 January 2019	**11,683,125**	**11,683,125**	**–**
Repurchases of shares *(note a)*	**(154,627)**	**–**	**(300,205)**
Cancellation of treasury shares *(note a)*	**–**	**(75,000)**	**66,777**
At 31 December 2019	**11,528,498**	**11,608,125**	**(233,428)**

(a) The Company purchased 79,627,003 A shares and 75,000,000 H Shares on the Shanghai Stock Exchange and Hong Kong Stock Exchange at considerations of RMB233,428,000 and RMB66,777,000, respectively. 75,000,000 repurchased H Shares were cancelled in the year ended 31 December 2019.

39. SPECIAL RESERVES

According to "Circular on Printing and Distributing the Administrative Measures for the Withdrawal and Use of Expenses for Safety Production of Enterprises" issued by the Ministry of Finance and the Safety Production General Bureau on 14 February 2012, the Group is required to accrue a "Safety Fund" to improve the production safety. The Group should accrue the Safety Fund from 1 January 2012. The accrual standard rate is 1% of the revenue from vessel chartering of the Company and certain of its subsidiaries in the PRC. The fund is accrued monthly according to revenue and in a progressive way.

40. OTHER EQUITY INSTRUMENTS

On 21 December 2017, the Group issued a perpetual debt (the "2017 renewable corporate bonds") of RMB1,000,000,000 with no fixed maturity date. In addition, the payment of interest can be indefinitely deferred at the Group's option.

On 26 November 2018, the Group issued a perpetual debt (the "2018 renewable corporate bonds") of RMB1,000,000,000 with no fixed maturity date. In addition, the payment of interest can be indefinitely deferred at the Group's option.

During the year ended 31 December 2019, the Group issued four batches of perpetual debt (the "2019 renewable corporate bonds") of RMB5,000,000,000 with no fixed maturity date. In addition, the payment of interest can be indefinitely deferred at the Group's option.

Therefore, the 2017 renewable corporate bonds, 2018 renewable corporate bonds and 2019 renewable corporate bonds are classified as equity instruments as they do not include any contractual obligation:

- to deliver cash or another financial asset to another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

41. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Details of the Group's subsidiary that has material non-controlling interests are set out below:

	31 December 2018 RMB'000
Percentage of equity interest held by non-controlling interests:	
CS Finance	–
Profit for the year allocated to non-controlling interests:	
CS Finance	52,018
Accumulated balances of non-controlling interests at the reporting dates:	
CS Finance	–

41. PARTLY-OWNED SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

The following tables illustrate the summarised financial information of CS Finance. The amounts disclosed are before any inter-company eliminations:

	For the year ended 31 December 2018 RMB'000
Revenue	336,517
Total expenses	187,895
Profit for the year	148,622
Total comprehensive income for the year	148,622
Net cash flows used in operating activities	(1,231,499)
Net cash flows from investing activities	61,867
Effect of foreign exchange rate changes, net	1,768
Net decrease in cash and cash equivalents	(1,167,864)

42. DISPOSAL OF A SUBSIDIARY

Details of the net liabilities disposed of and loss on disposal in relation to CS Finance detailed in note 11 are as follows:

	31 December 2018 RMB'000
Net liabilities disposed of:	
Property, plant and equipment	9,803
Intangible asset	2,995
Financial assets at fair value through profit or loss	984,213
Deferred tax assets	25,960
Prepayments and other receivables	46,507
Loans and receivables	4,799,535
Pledged deposits	1,451,857
Cash and cash equivalents	7,909,415
Total assets	15,230,285
Other payables and accruals	(67,990)
Short term deposits from customers	(15,124,751)
Tax payable	(29,509)
Long term deposits from customers	(97,000)
Deferred tax liabilities	(4,913)
Non-controlling interests	(649,643)
Total liabilities and equity	(15,973,806)
Net assets	(743,521)
Reclassification adjustments for gains included in the consolidated statement of profit or loss upon disposal of subsidiaries:	
Loss on disposal of subsidiaries from discontinued operations	(70,090)
	(813,611)
Satisfied/(assumed) by:	
Investment in an associate	1,186,389
Interest-bearing borrowings from CS Finance*	(2,000,000)
	(813,611)

* The Company and its certain subsidiaries had interest-bearing borrowings from CS Finance, which had been eliminated before the disposal of CS Finance. Upon the disposal of CS Finance, such borrowings of RMB2,000,000,000 had been reflected in the consolidated statement of financial position.

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	31 December 2018 RMB'000
Cash and cash equivalents disposed of and net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(7,909,415)

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(A) MAJOR NON-CASH TRANSACTIONS

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB72,088,000 and RMB72,088,000, respectively (2018: Nil).

(B) A RECONCILIATION OF THE PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS IS AS FOLLOWS:

	Notes	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax from continuing operations		1,944,482	1,715,605
Profit before tax from a discontinued operation	11	–	121,150
Adjustments for:			
Finance costs		3,540,784	3,406,547
Interest expenses included in cost of sales		1,304,848	1,022,962
Share of losses/(profits) of joint ventures		1,077	(6,467)
Share of profits of associates		(2,292,840)	(2,314,450)
Interest income	5.2	(191,010)	(123,713)
Dividend income from financial assets at fair value through profit or loss		(83,918)	(92,429)
Gain on disposal of items of property, plant and equipment	5.3	(82,630)	(100,913)
Loss on disposal of subsidiary		–	70,090
Changes in fair value of financial assets at fair value through profit or loss		(663,115)	552,258
Depreciation of property, plant and equipment	14	3,099,157	3,210,963
Depreciation of investment properties	15	608	584
Depreciation of right-of-use assets	17	60,154	–
Amortisation of prepaid land lease payments	16	–	3,587
Amortisation of intangible assets	18	5,552	7,492
Expected credit losses		417,563	311,762
Impairment of property, plant and equipment	14	17,484	–
Write-down of inventories to net realisable value		178,404	30,058
		7,256,600	7,815,086
Decrease in inventories		434,138	107,862
Increase in trade and notes receivables		(122,262)	(152,220)
Decrease in prepayments and other receivables		115,014	250,486
Increase in loans and receivables		–	(904,223)
Decrease/(increase) in pledged deposits		15,840	(150,739)
Increase in trade payables		867,673	66,595
Increase/(decrease) in other payables and accruals		51,840	(684,701)
Increase in contract liabilities		123,383	26,811
Increase in deposits from customers		–	448,987
Decrease in government grants		(1,552)	(1,550)
Cash generated from operations		8,740,674	6,822,394
Income tax paid		(316,609)	(404,417)
Net cash flows from operating activities		8,424,065	6,417,977

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(C) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank and other borrowings RMB'000	Corporate bonds RMB'000	Lease liabilities RMB'000
1 January 2018	96,001,823	4,415,306	–
Changes from financing cash flows	6,477,722	1,575,246	–
Additions with the disposal of CS Finance previously eliminated *(note 42)*	2,000,000	–	–
Interest expense	–	4,458	–
Foreign exchange movement	1,883,368	18,690	–
At 31 December 2018	106,362,913	6,013,700	–
Effect of adoption of HKFRS 16	–	–	990,551
At 1 January 2019 (restated)	106,362,913	6,013,700	990,551
Changes from financing cash flows	(9,442,867)	6,531,167	(562,358)
New leases	–	–	72,088
Interest expense	–	–	30,709
Foreign exchange movement	999,682	–	8,740
At 31 December 2019	97,919,728	12,544,867	539,730

(D) TOTAL CASH OUTFLOW FOR LEASES

The total cash outflow for leases included in the statement of cash flows is as follows:

	31 December 2019 RMB'000
Within operating activities	150,311
Within financing activities	562,358
	712,669

44. OPERATING LEASE ARRANGEMENTS

AS LESSOR

The Group leases its certain vessels, containers and buildings under operating lease arrangements. The details of revenue from vessel chartering and container leasing are included in note 5.1 to the financial statements. Rental income from investment properties was RMB7,370,000 (2018: RMB7,044,000).

(a) Operating lease commitments as at 31 December 2019

At 31 December 2019, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Within one year	**5,719,539**	6,894,897
After one year but within two years	**2,630,777**	5,773,503
After two years but within three years	**1,502,872**	2,295,745
After three years but within four years	**1,146,166**	1,188,045
After four years but within five years	**922,578**	848,393
After five years	**2,561,695**	2,817,018
	14,483,627	19,817,601

(b) The amounts recognised in profit or loss in relation to lessor accounting are as following:

	31 December 2019 RMB'000
Income from subleasing	**24,156**

44. OPERATING LEASE ARRANGEMENTS (continued)

AS LESSEE

The Group has various lease contracts for prepaid land lease payments, buildings and machinery, motor vehicles and office equipment used in its operation. Lease terms of these lease contracts are included in note 2.4 to the financial statements. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

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

Detailed information regarding right-of-use assets and lease liabilities has been set out in notes 17 and 36, respectively, to the financial statements.

(b) The amounts recognised in profit or loss in relation to lessee accounting are as follows:

	31 December 2019 **RMB'000**
Interest on lease liabilities	**30,709**
Depreciation charge of right-of-use assets	**60,154**
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019	**150,311**

(c) Non-cash additions to right-of-use assets and lease liabilities and total cash outflows for leases are disclosed in notes 43(a) and 43(d) to the financial statements.

(d) Operating lease commitments as at 31 December 2018

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2018 RMB'000
Within one year	668,946
In the second to fifth years, inclusive	500,401
After five years	14,326
	1,183,673

45. COMMITMENTS

In addition to the operating lease commitments detailed in note 44(b) above, the Group had the following commitments at the end of the reporting period:

CAPITAL COMMITMENTS

	31 December 2019 RMB'000	31 December 2018 RMB'000
Contracted, but not provided for:		
Equity investment	**757,005**	1,313,775
Property, plant and equipment	**67,665**	–
	824,670	1,313,775

46. SIGNIFICANT RELATED PARTY TRANSACTIONS

(A) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2018 RMB'000
Interest income from:		
Immediate holding company*	**–**	15,774
Fellow subsidiaries*	**–**	76,534
Associates*	**73,197**	31,158
Interest expenses to:		
Immediate holding company*	**21,900**	19,244
Fellow subsidiaries*	**1,331**	271,203
Associates*	**105,061**	27,171
Sales of goods to:		
Fellow subsidiaries*	**1,251,341**	2,388,600
Purchases of goods from:		
Fellow subsidiaries*	**816,509**	335,767
Rendering of services to fellow subsidiaries:		
Vessel chartering and container leasing*	**5,814,614**	6,108,313
Finance lease income *	**9,111**	7,291
Management fee income*	**24,027**	18,868
Others*	**30,956**	29,590
Receiving of services from:		
Fellow subsidiaries*	**1,616,371**	1,145,213
Associates	**–**	311
Sales of items of property, plant and equipment to:		
Fellow subsidiaries*	**10,294**	–

The related party transactions above were made according to the published prices or interest rates and conditions similar to those offered to the respective major customers.

* Certain related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

46. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(B) COMMITMENTS WITH RELATED PARTIES

The tables below summarise the commitments with fellow subsidiaries:

As lessor

	31 December 2019	31 December 2018
	RMB'000	RMB'000
Within one year	**4,322,009**	5,443,437
After one year but within two years	**1,405,127**	4,635,192
After two years but within three years	**394,902**	1,370,588
After three years but within four years	**184,963**	382,253
After four years but within five years	**83,109**	161,553
After five years	**18,665**	100,830
	6,408,775	12,093,853

As lessee

	31 December 2019	31 December 2018
	RMB'000	RMB'000
Within one year	**–**	23,643
In the second to fifth years, inclusive	**–**	88,207
	–	111,850

46. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(C) OUTSTANDING BALANCES WITH RELATED PARTIES

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000
Amounts due from:			
Fellow subsidiaries	*(i)*	**370,920**	643,078
Associates		**6,334,490**	9,912,583
Amounts due to:			
Immediate holding company		**660**	480
Fellow subsidiaries		**1,229,028**	499,048
Associates		**6,297**	–
Loans from:			
Immediate holding company	*(ii)*	**600,000**	600,000
Fellow subsidiaries	*(ii)*	**697,620**	–
Associates	*(ii)*	**4,899,500**	5,700,000
Lease liabitilies due to:			
Fellow subsidiaries	*(iii)*	**75,899**	–

Notes:

(i) The Group placed a certain portion of its cash at a certain fellow subsidiary. All of deposits at each of the end of reporting period were demand deposits, and were therefore, presented in cash and cash equivalents. Interest was charged according to the rates and terms agreed with the fellow subsidiary.

(ii) Details of the Group's loans from the immediate holding company, fellow subsidiaries and associates as at the end of the reporting period are included in note 34 to the financial statements.

(iii) With the initial adoption of HKFRS 16, the Group recognised right-of-use assets of RMB99,220,000 and lease liabilities of RMB100,032,000 for the operating lease on 1 January 2019. At 31 December 2019, the balances of those right-of-use assets and lease liabilities were RMB76,434,000 and RMB75,899,000, respectively. Before 1 January 2019, the Group recognised rental expenses under operating leases on a straight-line basis over the lease term according to HKAS 17. The amount of rent payable by the Group under the lease is RMB2,096,000 per month.

Save as disclosed above, the rest of the outstanding balances with related parties were unsecured, non-interest-bearing and had no fixed repayment terms.

46. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(D) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

	31 December 2019 RMB'000	31 December 2018 RMB'000
Salaries, allowances and benefits in kind	**7,949**	8,910
Performance related bonuses	**6,954**	5,365
Pension scheme contributions	**1,501**	1,090
	16,404	15,365

47. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

FINANCIAL ASSETS – AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2019 RMB'000	31 December 2018 RMB'000
Financial assets at fair value through profit or loss	**4,757,275**	3,446,701
Derivative financial instruments	**1,529**	23,592
	4,758,804	3,470,293

FINANCIAL ASSETS – AT AMORTISED COST

	31 December 2019 RMB'000	31 December 2018 RMB'000
Finance lease receivables	**42,156,065**	33,931,711
Factoring receivables	**1,551,898**	824,674
Trade and notes receivables	**1,111,000**	1,034,872
Financial assets included in prepayments and other receivables	**187,298**	141,849
Pledged deposits	**566,339**	951,665
Cash and cash equivalents	**9,635,096**	15,249,194
	55,207,696	52,133,965

47. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

FINANCIAL LIABILITIES – DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2019 RMB'000	31 December 2018 RMB'000
Derivative financial instruments	**12,035**	3,954

FINANCIAL LIABILITIES – AT AMORTISED COST

	31 December 2019 RMB'000	31 December 2018 RMB'000
Trade payables	**2,553,700**	1,686,104
Financial liabilities included in other payables and accruals	**3,454,101**	2,479,962
Bank and other borrowings	**97,919,728**	106,362,913
Corporate bonds	**12,544,867**	6,013,700
Lease liabilities	**539,730**	–
Other long term payables	**2,370,536**	2,428,744
	119,382,662	118,971,423

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those measured at fair value or with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	31 December 2019 RMB'000	31 December 2018 RMB'000	**31 December 2019 RMB'000**	31 December 2018 RMB'000
Bank and other borrowings	**54,853,209**	58,813,831	**54,543,065**	58,406,637
Corporate bonds	**8,271,400**	3,381,784	**8,162,984**	3,246,988
Other long term payables	**2,370,536**	2,428,744	**2,169,397**	2,215,435
	65,495,145	64,624,359	**64,875,446**	63,869,060

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and notes receivables, financial assets included in prepayments and other receivables, the current portion of finance lease receivables and the current portion of factoring receivables, trade payables, financial liabilities included in other payables and accruals, the current portion of bank and other borrowings, the current portion of corporate bonds and the current portion of lease liabilities, respectively, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The non-current portion of finance lease receivables, the non-current portion of factoring receivables and the non-current portion of lease liabilities of the Group approximate to their fair values due to their carrying amounts are present value and internal rates of return are close to rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair value of the non-current portion of bank and other borrowings, corporate bonds and other long term payables has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The differences between the carrying amounts and fair values of those financial liabilities are not significant.

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

FAIR VALUE HIERARCHY

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Financial assets measured at fair value

31 December 2019

	Fair value measurement categorised into			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial assets at fair value through profit or loss	**2,496,638**	**1,803,605**	**457,032**	**4,757,275**
Derivative financial instruments	**–**	**1,529**	**–**	**1,529**
	2,496,638	**1,805,134**	**457,032**	**4,758,804**

31 December 2018

	Fair value measurement categorised into			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss	1,737,837	1,708,864	–	3,446,701
Derivative financial instruments	–	23,592	–	23,592
	1,737,837	1,732,456	–	3,470,293

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

FAIR VALUE HIERARCHY (continued)

Financial liabilities measured at fair value

31 December 2019

	Fair value measurement categorised into			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Derivative financial instruments	**–**	**12,035**	**–**	**12,035**

31 December 2018

	Fair value measurement categorised into			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial instruments	–	3,954	–	3,954

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities (2018: Nil).

For all the financial assets with fair value measurement categorised into level 2, the Group estimates their fair values using market approach. For investments in private funds, the fair values are calculated in accordance with net asset value prepared by fund manager. For the other investments, if there is a recent deal regarding these investments, the fair values are estimated based on deal price. If there is no such deal to be referenced, the directors will determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculate an appropriate price multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by net assets or net profit. The trading multiple is then discounted for considerations such as illiquidity based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding net assets or net profit of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

All financial assets at fair value through profit or loss categorised into level 3 represent wealth management products issued by banks in Mainland China. The Group has estimated their fair value by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

FAIR VALUE HIERARCHY (continued)

The recurring fair value measurement for the Group's financial assets at fair value through profit or loss was performed using significant unobservable inputs (Level 3) as at 31 December 2019. Below is a summary of the valuation techniques used and the key input to the valuation:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Discounted cash flow method	Discount rate per annum	4.7%-5.2%	5% increase/ decrease would result in decrease/ increase in fair value by 0.08%

The movements in financial assets categorised into Level 3 during the year are as follows:

	Financial assets at fair value through profit or loss RMB'000
At 1 January 2018, 31 December 2018 and at 1 January 2019	–
Purchases	500,000
Disposals	(50,644)
Total gains recognised in the statement of profit or loss included in other income and gains	7,676
As at 31 December 2019	457,032

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank and other borrowings, corporate bonds, lease liabilities and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables, and trade and notes payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swaps. The purpose is to manage the interest rate arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

INTEREST RATE RISK

The Group's exposure to risk of changes in market interest rates relates primarily to the Group's bank borrowings with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts and using interest rate swaps contracts.

As at 31 December 2019, if interest rates had been 100 basis points higher/lower with all other variables held constant, profit before tax for the year would have been RMB595,706,000 lower/higher (2018: RMB594,264,000 lower/higher), mainly as a result of higher/lower interest expense on floating rate bank borrowings.

CREDIT RISK

The Group is exposed to credit risk primarily from finance lease receivables, factoring receivables and trade receivables in its operation.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all counterparties are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis.

(a) Maximum credit risk exposure

The credit risk of the Group's financial assets arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments without taking account of any collateral held or other credit enhancements.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CREDIT RISK (continued)

(b) Impairment assessment

The detailed accounting policy and significant accounting judgements and estimates for impairment in relation to credit risk are given in notes 2.4 and 3 to the financial statements, respectively.

The movements in the provision for impairment of finance lease receivables, factoring receivables and trade receivables, which account for the primary credit risk of the Group, are as follows:

	Finance lease receivables				Factoring receivables				Trade receivables
	31 December 2019				31 December 2019				31 December 2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	356,218	195,812	234,871	786,901	10,801	–	5,280	16,081	114,790
Impairment losses recognised/(reversed)	251,235	(9,727)	117,509	359,017	11,911	–	(4,255)	7,656	44,046
Transfer to Stage 1	3,725	(3,725)	–	–	–	–	–	–	–
Transfer to Stage 2	(113,717)	113,717	–	–	–	–	–	–	–
Transfer to Stage 3	(242,744)	(249)	242,993	–	–	–	–	–	–
Amount written off as uncollectable	–	–	(232,105)	(232,105)	–	–	–	–	–
Exchange realignment	184	568	497	1,249	–	–	–	–	2,088
At 31 December 2019	254,901	296,396	363,765	915,062	22,712	–	1,025	23,737	160,924

	Finance lease receivables				Factoring receivables				Trade receivables
	31 December 2019				31 December 2019				31 December 2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	174,826	164,273	134,201	473,300	5,070	9,169	–	14,239	130,683
Impairment losses recognised/(reversed)	192,227	211,678	(93,074)	310,831	7,912	(6,070)	–	1,842	(23,475)
Transfer to Stage 1	146,111	(146,111)	–	–	3,099	(3,099)	–	–	–
Transfer to Stage 2	(119,544)	119,544	–	–	–	–	–	–	–
Transfer to Stage 3	(38,337)	(153,695)	192,032	–	(5,280)	–	5,280	–	–
Amount written off as uncollectable	–	–	(1,185)	(1,185)	–	–	–	–	(555)
Exchange realignment	935	123	2,897	3,955	–	–	–	–	8,137
At 31 December 2018	356,218	195,812	234,871	786,901	10,801	–	5,280	16,081	114,790

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CREDIT RISK (continued)

(c) Credit quality

The Group manages the credit quality by credit risk rating grades, classified in descending credit quality order as neither past due nor impaired, not past due and individually impaired, past due but not impaired, past due and collectively impaired and past due and individually impaired.

Finance lease receivables, factoring receivables and trade receivables, which account for the primary credit risk of the Group, are classified as follows:

Finance lease receivables and factoring receivables

	Finance lease receivables				Factoring receivables			
	31 December 2019				31 December 2019			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Not past due and collectively impaired	39,248,338	–	–	39,248,338	1,567,583	–	–	1,567,583
Past due and collectively impaired	671,467	2,629,113	–	3,300,580	–	–	–	–
Past due and individually impaired	–	–	522,209	522,209	–	–	8,052	8,052
	39,919,805	2,629,113	522,209	43,071,127	1,567,583	–	8,052	1,575,635

	Finance lease receivables				Factoring receivables			
	31 December 2018				31 December 2018			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Not past due and collectively impaired	31,724,469	–	–	31,724,469	783,253	–	–	783,253
Past due and collectively impaired	391,605	1,926,481	–	2,318,086	42,354	–	–	42,354
Past due and individually impaired	–	–	676,057	676,057	–	–	15,148	15,148
	32,116,074	1,926,481	676,057	34,718,612	825,607	–	15,148	840,755

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CREDIT RISK (continued)

(c) *Credit quality (continued)*

Trade receivables

	31 December 2019					31 December 2018				
	Ageing based on the invoice date					Ageing based on the invoice date				
	Within 1 year RMB'000	1-2 years RMB'000	2-3 years RMB'000	Over 3 years RMB'000	Total RMB'000	Within 1 year RMB'000	1-2 years RMB'000	2-3 years RMB'000	Over 3 years RMB'000	Total RMB'000
Not past due and collectively impaired	998,709	–	–	–	998,709	889,128	–	–	–	889,128
Past due and collectively impaired	124,924	4,861	–	–	129,785	156,100	15,355	–	–	171,455
Past due and individually impaired	–	35,621	13,651	77,457	126,729	–	–	7,935	73,964	81,899
	1,123,633	40,482	13,651	77,457	1,255,223	1,045,228	15,355	7,935	73,964	1,142,482

(d) *Concentration*

Concentrations of credit risk are managed by counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the receivables are widely dispersed in different sectors and industries.

LIQUIDITY RISK

The Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations, bank and other borrowings, corporate bonds and lease liabilities.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

LIQUIDITY RISK (continued)

31 December 2019

	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	2,553,700	–	–	–	2,553,700
Financial liabilities included in other payables and accruals	3,454,101	–	–	–	3,454,101
Bank and other borrowings	45,960,999	23,887,375	29,748,080	5,726,619	105,323,073
Corporate bonds	4,721,200	3,588,181	5,246,022	–	13,555,403
Lease liabilities	422,112	104,887	42,365	8,787	578,151
Other long term payables	–	823,861	1,287,902	258,773	2,370,536
Total	57,112,112	28,404,304	36,324,369	5,994,179	127,834,964

31 December 2018

	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	1,686,104	–	–	–	1,686,104
Financial liabilities included in other payables and accruals	2,479,962	–	–	–	2,479,962
Bank and other borrowings	50,302,506	25,273,376	34,631,159	3,843,987	114,051,028
Corporate bonds	2,898,437	1,709,640	1,873,087	–	6,481,164
Other long term payables	–	362,876	1,605,909	459,959	2,428,744
Total	57,367,009	27,345,892	38,110,155	4,303,946	127,127,002

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

EQUITY PRICE RISK

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments included in financial assets at fair value through profit or loss as at 31 December 2019, which are valued at quoted market prices.

As at 31 December 2019, if fair values of the equity investments had been 10% higher/lower with all other variables held constant, profit before tax for the year would have been RMB249,664,000 higher/lower (2018: RMB173,784,000) and equity would have been RMB187,248,000 higher/lower (2018: RMB130,338,000 higher/lower).

CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 31 December 2018.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CAPITAL MANAGEMENT (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. Net debt includes bank and other borrowings, corporate bonds and lease liabilities, less pledged deposits and cash and cash equivalents. The gearing ratios as at the end of the reporting periods were as follows:

	31 December 2019	31 December 2018
	RMB'000	RMB'000
Bank and other borrowings	**97,919,728**	106,362,913
Corporate bonds	**12,544,867**	6,013,700
Lease liabilities	**539,730**	–
Pledged deposits	**(566,339)**	(951,665)
Cash and cash equivalents	**(9,635,096)**	(15,249,194)
Net debt	**100,802,890**	96,175,754
Total equity	**24,207,718**	18,040,135
Gearing ratio	**416%**	533%

Note: The Group has adopted HKFRS 16 using the modified retrospective approach and the effect of the initial adoption is adjusted against the opening balances as at 1 January 2019 with no adjustments to the comparative amounts as at 31 December 2018, which has no significant impact on gearing ratio on 1 January 2019.

50. EVENTS AFTER THE REPORTING PERIOD

On 27 March 2019, the Board proposed the payment of a final dividend of RMB0.045 per share (inclusive of applicable tax), totalling approximately RMB518,782,000 calculated based on 11,528,497,997 shares, being the number of issued shares of the Company of 11,608,125,000 as at 27 March 2020 deducting 79,627,003 A shares repurchased by the Company, for the year ended 31 December 2019, which is subject to the approval of shareholders of the Company at the forthcoming annual general meeting of the Company.

On 5 March 2020, the extraordinary general meeting and the class meetings of the Company approve the share option incentive scheme of the Company. Under the share option incentive scheme, up to a total of 88,474,448 share options will be granted to certain of the directors and core management and business personnel of the Group in respect of their services to the Group in the forthcoming year.

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	31 December 2019 RMB'000	31 December 2018 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**11,809,825**	12,595,420
Right-of-use assets	**55,707**	–
Intangible assets	**1,894**	547
Investments in associates	**877,425**	877,425
Investments in subsidiaries	**38,332,369**	37,332,369
Financial assets at fair value through profit or loss	**2,738,058**	1,881,637
Loans and receivables	**3,092,860**	2,358,960
Total non-current assets	**56,908,138**	55,046,358
CURRENT ASSETS		
Inventories	**330,260**	310,930
Trade and notes receivables	**460,027**	286,052
Prepayments and other receivables	**2,376,467**	3,866,337
Loans and receivables	**2,909,286**	5,690,000
Pledged deposits	**19,507**	200,057
Cash and cash equivalents	**2,835,921**	4,739,115
Total current assets	**8,931,468**	15,092,491
Total assets	**65,839,606**	70,138,849
CURRENT LIABILITIES		
Trade payables	**270,473**	142,185
Other payables and accruals	**8,368,154**	6,993,081
Bank and other borrowings	**9,671,000**	17,547,000
Lease liabilities	**12,906**	–
Total current liabilities	**18,322,533**	24,682,266
NET CURRENT LIABILITIES	**(9,391,065)**	(9,589,775)
TOTAL ASSETS LESS CURRENT LIABILITIES	**47,517,073**	45,456,583

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	31 December 2019 RMB'000	31 December 2018 RMB'000
NON-CURRENT LIABILITIES		
Bank and other borrowings	**4,833,600**	11,571,500
Corporate bonds	**5,000,000**	1,500,000
Lease liabilities	**31,223**	–
Other long term payables	**17,525**	–
Total non-current liabilities	**9,882,348**	13,071,500
Net assets	**37,634,725**	32,385,083
EQUITY		
Share capital	**11,608,125**	11,683,125
Treasury shares	**(233,428)**	–
Other reserves *(note)*	**19,211,565**	19,068,767
Other equity instrument *(note)*	**7,000,000**	2,000,000
Retained profits/(accumulated losses) *(note)*	**48,463**	(366,809)
Total equity	**37,634,725**	32,385,083

51. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves and accumulated losses is as follows:

	Special reserve RMB'000	Other reserves RMB'000	Other equity instrument RMB'000	(Accumulated losses)/ retained profits RMB'000
At 1 January 2018	–	19,012,889	1,000,000	(1,791,481)
Profit and total comprehensive income for the year	–	–	–	1,539,356
Issue of other equity instruments	–	–	1,000,000	–
Dividends to holders of the other equity instruments	–	–	–	(58,806)
Transfer from retained profits	23,954	55,878	–	(79,832)
Utilisation of reserve funds	(23,954)	–	–	23,954
At 31 December 2018	–	19,068,767	2,000,000	(366,809)
Effect of adoption of HKFRS 16	–	–	–	(548)
At 1 January 2019 (restated)	**–**	**19,068,767**	**2,000,000**	**(367,357)**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**1,267,884**
Issue of other equity instruments	**–**	**–**	**5,000,000**	**–**
Cancellation of treasury shares	**–**	**8,223**	**–**	**–**
Dividends declared	**–**	**–**	**–**	**(380,440)**
Dividends to holders of the other equity instruments	**–**	**–**	**–**	**(337,049)**
Transfer from retained profits	**17,669**	**134,575**	**–**	**(152,244)**
Utilisation of reserve funds	**(17,669)**	**–**	**–**	**17,669**
At 31 December 2019	**–**	**19,211,565**	**7,000,000**	**48,463**

52. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2020.

RESULTS

	Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CONTINUING OPERATIONS					
REVENUE	**14,155,859**	16,242,002	15,901,155	15,235,611	32,546,892
Costs of sales	**(10,615,484)**	(12,342,761)	(12,745,552)	(13,784,404)	(32,054,974)
Gross profit	**3,540,375**	3,899,241	3,155,603	1,451,207	491,918
Other income	**414,051**	393,967	191,249	416,273	661,300
Other (losses)/gains, net	**835,317**	(272,695)	(25,886)	108,856	(82,032)
Selling and administrative expenses	**(1,178,677)**	(930,121)	(961,876)	(1,536,466)	(2,123,395)
Expected credit losses	**(417,563)**	(289,157)	–	–	–
Finance costs	**(3,540,784)**	(3,406,547)	(2,701,922)	(1,690,941)	(896,737)
Share of profit of associates	**2,292,840**	2,314,450	2,057,169	1,538,043	1,786,971
Share of profit/(loss) of joint ventures	**(1,077)**	6,467	7,155	8,532	3,841
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**1,944,482**	1,715,605	1,721,492	295,504	(158,134)
Income tax expenses	**(199,749)**	(356,208)	(360,142)	(168,414)	(145,572)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**1,744,733**	1,359,397	1,361,350	127,090	(303,706)
DISCONTINUED OPERATION					
Profit for the year from a discontinued operation	**–**	76,878	172,982	265,985	200,736
PROFIT/(LOSS) FOR THE YEAR	**1,744,733**	1,436,275	1,534,332	393,075	(102,970)
Attributable to:					
Owners of the parent	**1,744,733**	1,384,257	1,463,803	347,503	(199,511)
Non-controlling interests	**–**	52,018	70,529	45,572	96,541
	1,744,733	1,436,275	1,534,332	393,075	(102,970)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	Year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
TOTAL ASSETS	**144,494,119**	137,837,422	139,037,660	125,460,305	112,237,165
TOTAL LIABILITIES	**(120,286,401)**	(119,797,287)	(122,163,873)	(111,897,191)	(66,960,542)
NON-CONTROLLING INTERESTS	**–**	–	(597,625)	(313,067)	(497,549)
	24,207,718	18,040,135	16,276,162	13,250,047	44,779,074