



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

INTERIM REPORT 2019



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CORPORATE INFORMATION

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Wang Daxiong
(Chairman with effect from 5 July 2019)
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 with effect from 5 July 2019)
Mr. Liu Chong
Mr. Xu Hui

INVESTMENT STRATEGY COMMITTEE

Mr. Wang Daxiong
(Chairman with effect from 5 July 2019)
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 with effect from 20 August 2019)
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

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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Pudong New District
Shanghai
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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INTERNATIONAL AUDITOR

Ernst & Young

DOMESTIC AUDITOR

ShineWing Certified Public Accountants LLP

LEGAL ADVISERS TO THE COMPANY

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
Shanghai Pudong Development Bank
ABN Amro
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."



FINANCIAL HIGHLIGHTS (UNDER HKFRSs)

- Revenue amounted to RMB6,833,526,000
- Profit attributable to owners of the parent for the Period amounted to RMB904,362,000
- Basic earnings per share amounted to RMB0.0778

MANAGEMENT DISCUSSION AND ANALYSIS

1. MACROECONOMIC CONDITIONS

The first half of 2019 saw a complex international landscape and market conditions as well as slowing global economic and trade growth. In the latest World Economic Outlook report, the International Monetary Fund forecasts a slowdown in global economic growth in 2019, expecting the growth rate to decrease to 3.2% in 2019 and rebound slightly to 3.5% in 2020. With weaker-than-expected global economic activities, it is predicted that the developed economies will grow by 1.9% in 2019 while the growth rate of emerging markets and developing economies will slow down to 4.1% in 2019.

China's economic fundamentals maintained solid growth with improving quality of development. In the first half of the year, foreign import and export trade continued to grow steadily. According to China Customs statistics, China's total import and export value in foreign trade for the first half of the year amounted to RMB14.67 trillion, representing a year-on-year increase of 3.9%. In particular, the European Union became China's largest trading partner and the total value of Sino-European trade accounted for 15.7% of China's total import and export value. The growth in import and export with countries along the Belt and Road was 9.7%, higher than the overall growth. As far as foreign trade conditions are concerned, China saw a more solid foundation for quality development of foreign trade and the organic drivers continued to strengthen in the first half of the year.

2. SHIPPING MARKET

In the first half of 2019, given the lack of global economic and trade growth drivers and growing uncertainty over trade relations between the world's major economies, there was declining growth in container shipping demand. In addition, the growth in the world fleet capacity moderated while the new vessel delivery decreased year on year and vessel demolition increased. The simultaneous decline in the growth of market supply and demand enabled the shipping market to achieve overall supply and demand equilibrium. In the first half of the year, the average reading of China Containerized Freight Index (CCFI) was 828 points, representing a year-on-year increase of 3.9%. In the second half of the year, it is expected that the uncertainty over the international trade landscape will continue to affect demand for foreign trade shipping while China's total value of trade with regions and countries along the Belt and Road will keep growing at a faster pace, which can facilitate stable growth in shipping demand.



3. FINANCIAL MARKET

In the first half of 2019, the regulatory authorities adopted a series of policies and measures for steady growth, structural adjustment and risk prevention in a complex environment surrounded by evidently increasing domestic and overseas risks and challenges. As a result, the financial market remained stable overall. At the end of June 2019, China's balances of Money Supply definition 2 (M2) and total social financing recorded a year-on-year increase of 8.5% and 10.9% respectively. In the first half of the year, the SSE Composite Index saw a cumulative increase of 19.45% while the SZSE Component Index and the ChiNext Index recorded a cumulative increase of 26.78% and 20.87% respectively. In the second half of the year, the Chinese government and regulatory authorities will continue to spur the financial supply-side structural reform and strive to implement positive fiscal policies and solid monetary policies which should play out effectively and complement each other, so as to maintain constructive domestic economic development featuring overall stability with progress and support ongoing progress with quality economic development.

DEVELOPMENT STRATEGY OF THE COMPANY

1. STRATEGIC POSITION

As a shipping financing platform, COSCO SHIPPING Development Co., Ltd. (the "**Company**", together with its subsidiaries, the "**Group**") will integrate premium resources and give full play to its advantages in the shipping industry. Synergic development will be pursued for various financial business 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

We aim to bring into play the advantages in the shipping logistics industry and integrate industry chain resources 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, integrating various financial functions, and synergy of various business, featuring market 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 financing lease of various vessels such as container vessels and dry bulk cargo vessels. The Company will, on the basis of 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 Company will fully leverage its current fleet resources to revive its internal business; in the long run, it will gradually increase the proportion of external business and work out a “one-stop” business model by leveraging the advantages of full industrial chain deployment of China COSCO SHIPPING Corporation Limited (中國遠洋海運集團有限公司), 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 Company will strive to become a world’s leading container leasing company with unique competitive edges on the basis of the current leasing business of Florens International Limited. In the short-term, the Company will follow the guideline of “consolidating core business while seizing market opportunities” and achieve synergy among sale, cost and capability, so as to consolidate its core business. In the long-term, the Company will seize market opportunities to develop its special and refrigerated container leasing business, enhance its contract patterns and improve capital structure, so as to increase returns.

Other leasing business mainly focuses on areas of development potential such as medical services, education, new energy and intelligent manufacturing. The Company sets its focus on small and medium enterprise clients and small- to mid-sized projects, and strives to become a financial leasing industry leader by leveraging its existing business, experience and capital to promote integration of industry and finance, attract strategic investors and enhance independent development capabilities. In the industrial sector, the Company will support customer-oriented development and provide financial leasing value-added services, so as to establish a leasing business platform that offers one-stop professional services with uniform standards.

2) Container Manufacturing Business

We will enhance our comprehensive competitiveness through technology upgrading, management improvement and accelerating the promotion and upgrading of environmental technology. We will strengthen container manufacturing for bulk dry cargo, diversify the development of container products, increase the market share of special container market, and lay out refrigerated container manufacturing business. We will also seek the right opportunity to consolidate newly acquired assets of the Group and enhance operations, so as to build a technology-leading and world-class container manufacturing enterprise with high capacity usage and profitability.

3) Investment and Service Business

The Company will give equal weight to strategic value and financial returns, accord priority to both strategic synergy and performance drivers, and make full use of domestic and overseas resources to pool external capital through industry funds and various other methods, so as to support development of the shipping industry and emerging industry and promote the integration of industry and finance. The Company will strive to gain decent financial returns while incubating the Company’s future financial investment business.

FINANCIAL REVIEW OF THE GROUP

The Group recorded a revenue of RMB6,833,526,000 for the six months ended 30 June 2019 (the “Period”), representing a decrease of 16.9% as compared with the revenue of RMB8,221,346,000 for the same period of last year; profit before tax from continuing operations amounted to RMB987,167,000, representing an increase of 102.4% as compared with the profit of RMB487,624,000 for the same period of last year; profit for the Period attributable to owners of the parent amounted to RMB904,362,000, representing an increase of 176.9% as compared with the profit of RMB326,606,000 for the same period of last year, mainly due to the increase in share prices of listed equity investments held by the Group.

Analyses of segment results are as follows:

Unit: RMB' 000

Segment	Revenue		Change (%)	Cost		Change (%)
	For the six months ended 30 June 2019	For the six months ended 30 June 2018		For the six months ended 30 June 2019	For the six months ended 30 June 2018	
Shipping and industry-related leasing	5,243,507	5,011,856	5%	3,925,951	3,509,154	12%
Container manufacturing business	2,437,749	4,676,837	(48%)	2,362,104	4,364,719	(46%)
Investment and service business	24,540	21,935	12%	102	40	155%
Other business	–	–	0%	42,064	18,512	127%
Offset amount	(872,270)	(1,489,282)	(41%)	(891,724)	(1,371,344)	(35%)
Total	6,833,526	8,221,346	(17%)	5,438,497	6,521,081	(17%)

1. ANALYSIS OF SHIPPING AND INDUSTRY-RELATED LEASING BUSINESS

1) Operating Revenue

The Group recorded a revenue from the leasing business of RMB5,243,507,000 for the six months ended 30 June 2019, representing an increase of 4.6% as compared with RMB5,011,856,000 for the same period of last year, which accounted for 68.0% of the total revenue of the Group. The increase was mainly due to the expansion of the Company's container leasing business and other industry-related finance leasing during the Period.

Revenue from the vessel leasing business amounted to RMB2,446,168,000, representing a decrease of 1.8% as compared with RMB2,491,455,000 for the same period of last year. Revenue from vessel operating leasing amounted to RMB2,217,615,000 while revenue from vessel finance leasing and other shipping finance leasing amounted to approximately RMB228,553,000. As at 30 June 2019, the Group leased out 92 vessels (as at 31 December 2018: 94 vessels).



Revenue from leasing, management and sale of containers amounted to RMB1,641,074,000, representing an increase of 12.8% as compared with RMB1,454,527,000 for the same period of last year. The increase was mainly due to the expansion of the container leasing business during the Period.

Revenue from other industry-related finance leasing amounted to RMB1,156,265,000, representing an increase of 8.5% as compared with RMB1,065,874,000 for the same period of last year. The increase in revenue from other industry-related finance leasing was mainly due to further expansion of the finance leasing business during the Period.

2) Operating Costs

Operating costs of the leasing business mainly include the depreciation and maintenance costs of self-owned vessels, depreciation of self-owned containers, staff salaries, net carrying value of sale of containers returned upon expiry and financing costs of leased-in vessels and containers. Operating costs of the leasing business for the six months ended 30 June 2019 amounted to RMB3,925,951,000, representing an increase of 11.9% as compared with the costs of RMB3,509,154,000 for the same period of last year. Costs of vessel leasing increased by 6.9% year on year, mainly due to the increase in maintenance costs arising from the centralized maintenance of vessels during the Period; costs of container leasing increased by 10.3% year on year, mainly due to the expansion of the container leasing business and the provision for the impairment of obsolete containers during the Period; costs of other industry-related leasing business increased by 37.9% year on year, mainly due to further expansion of other industry-related leasing business and the increase in capital costs as a result of the issuance of several tranches of asset-backed securities by the Company during the Period.

2. ANALYSIS OF CONTAINER MANUFACTURING BUSINESS

1) Operating Revenue

For the six months ended 30 June 2019, the Group recorded an operating revenue from the container manufacturing business of RMB2,437,749,000, representing a decrease of 47.9% as compared with RMB4,676,837,000 for the same period of last year. Such decrease was mainly attributable to the decrease in the sales volume and prices in the container manufacturing sector as a result of the reduction in the purchase of containers by large container shipping companies during the Period following the downturn in the industry. The Group's container sales amounted to 222,000 TEU for the Period, representing a decrease of 39.8% as compared with 369,000 TEU for the same period of last year.

2) Operating Costs

Operating costs of the container manufacturing business mainly consist of raw material costs, employee compensation and depreciation expenses. The operating costs for the six months ended 30 June 2019 amounted to RMB2,362,104,000, representing a decrease of 45.9% as compared with RMB4,364,719,000 for the same period of last year. Such decrease was mainly due to the decrease in the sales volume of containers as a result of the downturn in the container manufacturing industry, as well as the decrease in raw material costs.



3. ANALYSIS OF INVESTMENT AND SERVICE BUSINESS

1) Operating Revenue

For the six months ended 30 June 2019, the Group recorded revenue from the financial service business of RMB24,540,000, representing an increase of 11.9% as compared with the revenue of RMB21,935,000 for the same period of last year. The increase was mainly attributable to better operating results of the insurance broker business for the Period as compared with the same period of last year.

2) Operating Costs

Operating costs for the six months ended 30 June 2019 amounted to RMB102,000, representing an increase of 155.0% as compared with the costs of RMB40,000 for the same period of last year. The increase was mainly attributable to the increase in stamp duty payable for business growth in the investment and service segment for the Period.

3) Net Investment Income

For the six months ended 30 June 2019, the Group recorded net income from the investment business of RMB1,841,480,000, representing an increase of 150.6% as compared with the income of RMB734,818,000 for the same period of last year. The increase was mainly attributable to the increase in the fair value of investments at fair value through profit or loss for the Period held by the Group.

GROSS PROFIT

Due to the above reasons, the Group recorded a gross profit of RMB1,395,029,000 for the six months ended 30 June 2019 (the gross profit for the same period of last year was RMB1,700,265,000).

SIGNIFICANT SECURITIES INVESTMENT

As at 30 June 2019, the Company's equity investments in associates and joint ventures generated a profit of RMB1,341,936,000, 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)	Shareholding at the beginning of the Period (%)	Shareholding at the end of the Period (%)	Book value at the end of the Period (RMB)	Gain during the Period (RMB)	Changes in other reserve during the Period (RMB)	Gain from disposal (RMB)	Dividends received during the Period (RMB)	Accounting ledger	Sources of the shareholding
000039/ 02039	China International Marine Containers (Group) Co., Ltd.	6,338,818,000	22.71	22.71	8,271,817,000	113,828,000	43,501,000	-	-	Investment in associates	Purchase
601818	China Everbright Bank Co., Ltd.	3,398,255,000	1.38	1.38	4,174,561,000	271,950,000	8,826,000	-	116,564,000	Investment in associates	Purchase
600643	Shanghai AJ Group Co., Ltd.	25,452,000	0.22	0.22	33,865,000	3,853,000	-	-	-	Financial assets at fair value through profit or loss	Purchase
000617	CN PC Capital Company Limited	950,000,000	0.97	0.97	988,457,000	175,992,000	-	-	-	Financial assets at fair value through profit or loss	Purchase
600390	Minmetals Capital Co., Ltd.	1,500,000,000	3.94	3.94	1,268,172,000	373,315,000	-	-	-	Financial assets at fair value through profit or loss	Purchase
Total		12,212,525,000	/	/	14,736,872,000	938,938,000	52,327,000	-	116,564,000		

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 (%)	Book value at the end of the Period (RMB)	Gain during the Period (RMB)	Changes in other reserve during the Period (RMB)	Gain from disposal (RMB)	Dividends received during the Period (RMB)	Accounting ledger	Sources of the shareholding
China Bohai Bank Co., Ltd.	5,749,379,000	13.67	13.67	8,457,551,000	775,878,000	45,618,000	-	-	Investment in associates	Purchase
Bank of Kunlun Co., Ltd.	838,959,000	3.74	3.74	1,277,962,000	65,198,000	587,000	-	21,922,000	Investment in associates	Purchase
Shanghai Life Insurance Co., Ltd.	320,000,000	16	16	949,440,000	16,121,000	50,231,000	-	-	Investment in associates	Purchase
CIB Fund Management Co., Ltd.	50,000,000	10	10	295,721,000	21,014,000	-	-	-	Investment in associates	Purchase
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd.	125,000,000	25	25	133,762,000	114,000	-	-	-	Investment in joint ventures	Purchase
Chinese Enterprise Elephant Financial Information Services Company Limited	20,000,000	12.5	12.5	18,697,000	(76,000)	-	-	-	Investment in associates	Purchase
Shanghai COSCO SHIPPING Micro-finance Company	90,000,000	45	45	90,290,000	263,000	-	-	-	Investment in associates	Purchase
COSCO SHIPPING Finance Company Limited	1,186,390,000	23.38	23.38	1,254,280,000	77,244,000	(191,000)	-	70,070,000	Investment in associates	Purchase
Total	8,379,728,000	/	/	12,477,703,000	955,756,000	96,245,000	-	91,992,000		

(a) **Summary of principal business of the investees in the investments**

Name of investee	Exchange	Principal business
China International Marine Containers (Group) Co., Ltd.	Shenzhen Stock Exchange / Hong Kong Stock Exchange	Manufacturing and sales of containers
China Everbright Bank Co., Ltd.	Shanghai Stock Exchange	Bank business
Shanghai AJ Group Co., Ltd.	Shanghai Stock Exchange	Investment in industries and other financial business
CNPC Capital Company Limited	Shenzhen Stock Exchange	Integrated financial business
Minmetals Capital Co., Ltd.	Shanghai Stock Exchange	Integrated financial business
China Bohai Bank Co., Ltd.	/	Bank business
Bank of Kunlun Co., Ltd.	/	Bank 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 Micro-finance Company	/	Loan extending and other business
COSCO SHIPPING Finance Company Limited	/	Deposit absorbing, loan extending and other business

The stock market was volatile for the six months ended 30 June 2019. The Company expects the investment portfolio of the Group (including the above significant investments) will be subject to the movement of interest rates, market factors and macroeconomic factors, etc. Moreover, the market value of individual shares will be affected by the financial results, development plans as well as prospects of the industries of the relevant companies. To mitigate relevant risks, the Group will take appropriate measures in due course and adjust its investment strategies in response to market circumstances.

INCOME TAX

For the six months ended 30 June 2019, the corporate income tax (“CIT”) rate applicable to the Company and its 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 regulations to pay CIT on profits of the offshore subsidiaries.

SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

For the six months ended 30 June 2019, the Group’s selling, administrative and general expenses amounted to RMB448,084,000, representing an increase of 10.5% as compared with the selling, administrative and general expenses for the same period of last year.



OTHER GAINS/(LOSSES)

For the six months ended 30 June 2019, other gains of the Group amounted to RMB551,649,000, representing an increase of gains of approximately RMB1,001,757,000 as compared with other losses of RMB450,108,000 for the same period of last year, mainly attributable to the increase in share prices of listed equity investments held by the Group.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT FOR THE PERIOD

The profit attributable to owners of the parent of the Company for the six months ended 30 June 2019 was RMB904,362,000, representing an increase of 176.9% as compared with the profit attributable to owners of the parent of RMB326,606,000 for the same period of last year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

LIQUIDITY AND BORROWINGS

The Group's principal sources of liquidity are operating cash inflow and short-term bank borrowings. The Group's cash is mainly used for operating expenses, repayment of loans, procurement of containers, and the Group's financial leasing business. During the Period, the Group's net operating cash inflow was RMB2,895,941,000. As at 30 June 2019, the Group's cash and cash equivalents amounted to RMB12,802,452,000.

As at 30 June 2019, the Group's total bank and other borrowings amounted to RMB97,663,494,000, with RMB36,155,579,000 repayable within one year. The Group's long-term bank and other borrowings are mainly used for the procurement of containers, equity acquisitions and replenishment of liquidity.

As at 30 June 2019, the Group's RMB-denominated corporate bonds payable amounted to RMB12,022,969,000, which were used for the purchase of financial lease assets, repayment of loans and replenishment of liquidity.

The Group's RMB-denominated borrowings at fixed interest rates amounted to RMB35,582,135,000. USD-denominated borrowings at fixed interest rates amounted to USD260,646,000 (equivalent to approximately RMB1,791,866,000), RMB-denominated borrowings at floating interest rates amounted to RMB1,026,650,000, and USD-denominated borrowings at floating interest rates amounted to USD8,620,426,000 (equivalent to approximately RMB59,262,843,000). The Group's borrowings are settled in RMB or USD while its cash and cash equivalents are primarily denominated in RMB and USD.

It is expected that capital needs for regular cash flow and capital expenditure can be funded by the internal cash flow of the Group or external financing. The board of directors of the Company ("**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 30 June 2019, the Group's net current liabilities amounted to RMB17,395,034,000. Current assets mainly included inventories of RMB1,483,257,000, trade and notes receivables of RMB1,511,069,000, prepayments and other receivables of RMB950,906,000, the current portion of finance lease receivables of RMB12,970,581,000, and cash and cash equivalents and restricted deposits of RMB13,668,807,000. Current liabilities mainly included trade payables of RMB2,387,169,000, other payables and accruals of RMB3,372,394,000, contract liabilities of RMB93,541,000, tax payable of RMB160,509,000, short-term bank borrowings of RMB11,972,664,000, current portion of long-term borrowings of RMB24,182,915,000, corporate bonds of RMB5,952,625,000, and current portion of lease liabilities of RMB501,057,000.

CASH FLOWS

For the six months ended 30 June 2019, the Group's net cash inflow generated from operating activities was RMB2,895,941,000, denominated principally in RMB and USD, representing an increase of RMB1,160,251,000 as compared with the net cash inflow generated from operating activities of RMB1,735,690,000 for the corresponding period of 2018. The balance of cash and cash equivalents at the end of June 2019 decreased by RMB2,446,742,000 as compared with the beginning of the Period, mainly because the net cash inflow generated from operating activities was less than the net cash outflow used in financing activities and investing activities. The cash inflow generated from financing activities of the Group for the Period was mainly derived from bank and other borrowings and such funds were used mainly for short-term operation and the purchase and construction of containers.

The following table provides the information regarding the Group's cash flow for the six months ended 30 June 2019 and 30 June 2018:

Unit: RMB

	For the six months ended 30 June	
	2019	2018
Net cash generated from operating activities	2,895,941,000	1,735,690,000
Net cash used in investing activities	(4,653,192,000)	(6,394,122,000)
Net cash used in financing activities	(686,384,000)	(338,458,000)
Exchange movement on cash	(3,107,000)	(77,651,000)
Cash and cash equivalents attributable to discontinued operations	–	(12,448,441,000)

NET CASH GENERATED FROM OPERATING ACTIVITIES

For the six months ended 30 June 2019, the net cash inflow generated from operating activities was RMB2,895,941,000, representing an increase of RMB1,160,251,000 as compared with the net inflow of RMB1,735,690,000 for the corresponding period of 2018. Excluding the effect of the merger by absorption of China Shipping Finance Company Limited, the net inflow increased by RMB426,266,000 as compared with the corresponding period of 2018. The overall cash flows generated from operating activities remained on a stably improving trend.



NET CASH USED IN INVESTING ACTIVITIES

For the six months ended 30 June 2019, the net cash outflow used in investing activities was RMB4,653,192,000, representing a decrease of RMB1,740,930,000 as compared with the net cash outflow used in investing activities of RMB6,394,122,000 for the corresponding period of 2018. The decrease in net cash used in investing activities of the Group was primarily attributable to the decrease in the Group's purchase of containers for the six months ended 30 June 2019.

NET CASH USED IN FINANCING ACTIVITIES

For the six months ended 30 June 2019, the net cash outflow used in financing activities was RMB686,384,000, representing an increase of RMB347,926,000 as compared with the net cash outflow used in financing activities of RMB338,458,000 for the corresponding period of 2018. For the six months ended 30 June 2019, the Group's bank and other borrowings amounted to RMB24,718,170,000, and repayment of bank and other borrowings amounted to RMB33,523,638,000.

AVERAGE TURNOVER DAYS OF TRADE AND NOTES RECEIVABLES

As at 30 June 2019, the Group's net balance of trade and notes receivables amounted to RMB1,511,069,000, representing an increase of RMB476,197,000 as compared with 31 December 2018, of which note receivables increased by RMB43,676,000 and trade receivables increased by RMB432,521,000, which was mainly due to the pending payment for the sales orders of the container manufacturing segment newly signed at the end of the Period.

GEARING RATIO

As at 30 June 2019, the Company's net gearing ratio (i.e. net debts over shareholders' equity) was 411%, which was lower than 533% as at 31 December 2018. The decrease in net gearing ratio was mainly due to the increase in shareholders' equity as a result of the issuance of perpetual bonds during the Period.

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. For the six months ended 30 June 2019, the Group recorded an exchange gain of RMB4,721,000 which was mainly due to fluctuations of the USD exchange rate during the Period; the decrease in exchange difference which was charged to equity attributable to shareholders of the parent amounted to RMB29,767,000. The Group will continue to monitor the exchange rate fluctuation of RMB and major international settlement currencies, reduce the loss arising from exchange rate fluctuation, and take appropriate measures to mitigate the Group's foreign exchange risk when necessary.

CAPITAL EXPENDITURES

For the six months ended 30 June 2019, the Group's expenditures on the acquisition of containers, machinery and equipment and other expenditures amounted to RMB969,388,000, expenditures on the acquisition of finance lease assets amounted to RMB10,106,756,000.

CAPITAL COMMITMENTS

As at 30 June 2019, the Group had RMB266,891,000 in capital commitment to fixed assets which had been contracted but not provided for, and RMB890,134,000 in equity investment commitment.



PLEDGE

As at 30 June 2019, certain container vessels and containers with net carrying value of approximately RMB22,179,898,000 (31 December 2018: RMB22,735,030,000), finance lease receivables of RMB20,554,136,000 (31 December 2018: RMB12,752,131,000) and restricted deposits of RMB551,623,000 (31 December 2018: RMB597,465,000) of the Group were pledged for the grant of bank borrowings and issuance of bonds.

SUBSEQUENT EVENTS

There were no significant subsequent events for the Group after 30 June 2019.

CONTINGENT LIABILITIES

As at 30 June 2019, there were no significant contingent liabilities for the Group.

EMPLOYEES, TRAINING AND BENEFITS

As at 30 June 2019, the Group had 7,470 employees, and the total staff costs for the Period (including staff remuneration, welfare and social insurance) amounted to approximately RMB860,634,000 (including outsourced labour costs).

Remuneration management, as one of the most effective incentives and a form of enterprise value distribution, was carried out on the basis of total budget control, value creation, internal fairness, market competition and sustainable development. Based on the principle of “contractualized management, differential compensation”, the senior 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 comprehensive remuneration system applicable to the employees of the Company mainly consists of: (1) salaries, including position and title salary, performance salary, special incentives and allowances; (2) benefits, including mandatory social insurance, provident housing fund and corporate welfares; (3) approved schemes, and other items in support of corporate strategies and corporate culture.

To support the Company’s human resources management reform, talent development and training, the Company has reconstructed its employee training system to make it base on identification of demand, with the support of clearly defined responsibilities and list-based management. We have enhanced the training content and implementation system, and improved the effectiveness of training resource allocation, staff training participation and satisfaction. Based on the 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 personal attributes.

DIVIDEND

The Board did not recommend the payment of any dividend for the six months ended 30 June 2019.

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

For the six months ended 30 June 2019, the Company repurchased 79,627,003 A shares and 75,000,000 H shares respectively on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, of which 75,000,000 H shares were cancelled during the Period.

SHARE CAPITAL

As at 30 June 2019, the share capital of the Company was as follows:

Types of shares	Number of issued shares	Percentage (%)
A shares	7,932,125,000	68.33
H shares	3,676,000,000	31.67
Total	11,608,125,000	100.00

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

As at 30 June 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 Securities and Futures Ordinance (the "SFO")) which were 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) are taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were 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") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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 funds, 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 30 June 2019, 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 30 June 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 30 June 2019. As at 30 June 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 30 June 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 30 June 2019. As at 30 June 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 30 June 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 30 June 2019. As at 30 June 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 30 June 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 were 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) are taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

As at 30 June 2019, so far as was known to 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 of the Company 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 disclosed to the Company or 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
The Northern Trust Company (ALA)	H shares	Approved lending agent	249,945,900 (P)	6.80	2.15

Notes:

- "L" means long position in the shares and "P" means shares in the lending pool.
- Such 4,458,195,175 A shares represent the same block of shares.
- 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 30 June 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.

CHANGES IN INFORMATION ON DIRECTORS AND SUPERVISORS

The changes in the information on the directors or supervisors that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules following the date of the 2018 Annual Report of the Company are set out as follows:

Name	Position	Change
Sun Yueying	Chairman of the Board	Resigned
	Executive director	Resigned
	Chairman of the executive committee of the Company	Resigned
	Chairman of the investment strategy committee of the Company	Resigned
	Member of the nomination committee of the Company	Resigned
Wang Daxiong	Chairman of the Board	Appointed
	Chairman of the executive committee of the Company	Appointed
	Chairman of the investment strategy committee of the Company	Appointed
	Chairman of the risk control committee of the Company	Resigned
Zhang Weihua	Chairman of the risk control committee of the Company	Appointed
Gu Xu	Independent non-executive director	Retired
	Member of the nomination committee of the Company	Retired

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) consists of two independent non-executive directors, namely Mr. Lu Jianzhong and Mr. Cai Hongping, and one non-executive director, namely Mr. Huang Jian.

The Audit Committee has reviewed the interim report of the Company for the Period and agreed to the accounting treatment adopted by the Company.

CORPORATE GOVERNANCE CODE

The Company was in full compliance with all the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules during the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors, supervisors and relevant employees on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors and supervisors of the Company, the directors and supervisors have each confirmed their compliance with the required standard set out in the Model Code regarding securities transactions by directors and supervisors during the Period. The Company is not aware of any non-compliance with these guidelines by the relevant employees.

By order of the Board
COSCO SHIPPING Development Co., Ltd.
Yu Zhen
Company Secretary

Shanghai, the People’s Republic of China
30 August 2019



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Independent Review Report

To the board of directors of COSCO SHIPPING Development Co., Ltd.

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 21 to 50, which comprises the condensed consolidated statement of financial position of COSCO SHIPPING Development Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2019 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young

Certified Public Accountants

Hong Kong

30 August 2019

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Notes	FOR THE SIX MONTHS ENDED 30 JUNE	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
CONTINUING OPERATIONS			
REVENUE	4	6,833,526	8,221,346
Cost of sales		(5,438,497)	(6,521,081)
Gross profit		1,395,029	1,700,265
Other income	5	141,836	159,246
Other gains/(losses), net	6	551,649	(450,108)
Selling, administrative and general expenses		(448,084)	(405,639)
Expected credit losses		(241,847)	(182,208)
Finance costs		(1,753,352)	(1,563,438)
Share of profits/(losses) of:			
Associates		1,342,949	1,222,322
Joint ventures		(1,013)	7,184
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	987,167	487,624
Income tax expense	8	(82,805)	(255,967)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		904,362	231,657
DISCONTINUED OPERATION			
Profit for the period from a discontinued operation	9	–	146,967
PROFIT FOR THE PERIOD		904,362	378,624
Attributable to:			
Owners of the parent		904,362	326,606
Non-controlling interests		–	52,018
		904,362	378,624
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (expressed in RMB per share)			
Basic and diluted	10		
– For profit for the period		0.0778	0.0280
– For profit for the period from continuing operations		0.0778	0.0196

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	FOR THE SIX MONTHS ENDED	
	30 JUNE	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	904,362	378,624
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	(27,063)	9,527
Exchange differences:		
Exchange differences on translation of foreign operations	(29,767)	(128,238)
Associates and joint ventures:		
Share of other comprehensive income of associates and joint ventures	140,917	18,044
Net comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	84,087	(100,667)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Associates:		
Share of other comprehensive income/(loss) of associates	8,003	(11,496)
Net comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	8,003	(11,496)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	92,090	(112,163)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	996,452	266,461
Attributable to:		
Owners of the parent	996,452	214,443
Non-controlling interests	–	52,018
	996,452	266,461

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2019

	Notes	30 June 2019 <i>RMB'000</i> (Unaudited)	31 December 2018 <i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	56,040,140	56,483,496
Investment properties		104,315	104,443
Right-of-use assets		259,960	–
Prepaid land lease payments		–	110,795
Intangible assets		22,248	18,388
Investments in associates		24,843,278	23,629,294
Investments in joint ventures		188,865	193,308
Financial assets at fair value through profit or loss		3,958,827	3,446,701
Finance lease receivables		25,601,589	23,220,091
Factoring receivables		197,368	150,937
Derivative financial instruments		2,135	16,283
Deferred tax assets		264,371	197,740
Other long term prepayments		35,041	24,437
Total non-current assets		111,518,137	107,595,913
CURRENT ASSETS			
Inventories		1,483,257	1,017,748
Trade and notes receivables	13	1,511,069	1,034,872
Prepayments and other receivables		950,906	591,777
Prepaid land lease payments		–	3,587
Finance lease receivables		12,970,581	10,711,620
Factoring receivables		643,363	673,737
Derivative financial instruments		2,860	7,309
Restricted cash		866,355	951,665
Cash and cash equivalents		12,802,452	15,249,194
Total current assets		31,230,843	30,241,509
Total assets		142,748,980	137,837,422

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

30 JUNE 2019

	Notes	30 June 2019 <i>RMB'000</i> (Unaudited)	31 December 2018 <i>RMB'000</i> (Audited)
CURRENT LIABILITIES			
Trade payables	14	2,387,169	1,686,104
Other payables and accruals		3,372,394	2,665,101
Contract liabilities		93,541	26,811
Bank and other borrowings		36,155,579	47,469,440
Corporate bonds		5,952,625	2,631,916
Finance lease obligations		–	187,197
Lease liabilities		501,057	–
Derivative financial instruments		3,003	883
Tax payable		160,509	225,114
Total current liabilities		48,625,877	54,892,566
NET CURRENT LIABILITIES		(17,395,034)	(24,651,057)
TOTAL ASSETS LESS CURRENT LIABILITIES		94,123,103	82,944,856
NON-CURRENT LIABILITIES			
Bank and other borrowings		61,507,915	57,346,797
Corporate bonds		6,070,344	3,381,784
Finance lease obligations		–	1,359,478
Lease liabilities		262,557	–
Derivative financial instruments		9,697	3,071
Government grants		12,259	13,035
Deferred tax liabilities		338,135	371,812
Other long term payables		2,361,097	2,428,744
Total non-current liabilities		70,562,004	64,904,721
Net assets		23,561,099	18,040,135

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

30 JUNE 2019

	<i>Notes</i>	30 June 2019 <i>RMB'000</i> (Unaudited)	31 December 2018 <i>RMB'000</i> (Audited)
EQUITY			
Equity attributable to owners of the parent			
Share capital	15	11,608,125	11,683,125
Treasury shares		(233,428)	–
Special reserve		890	–
Other reserves		(2,476,439)	(2,788,156)
Other equity instrument		7,000,000	2,000,000
Other comprehensive income		(2,851,200)	(2,943,290)
Retained profits		10,513,151	10,088,456
Total equity		23,561,099	18,040,135

Wang Daxiong

Director

Liu Chong

Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Attributable to owners of the parent										Non-controlling interests	Total equity
	Share capital	Treasury shares	Special reserve	General reserve	Other reserves	Other equity instrument	Other comprehensive income	Retained profits	Total			
Notes	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000	RMB' 000
At 1 January 2019	11,683,125	-	-	-	(2,788,156)	2,000,000	(2,943,290)	10,088,456	18,040,135	-	18,040,135	
Impact of adopting HKFRS 16	2.2	-	-	-	-	-	-	(3,239)	(3,239)	-	(3,239)	
At 1 January 2019 as restated	11,683,125	-	-	-	(2,788,156)	2,000,000	(2,943,290)	10,085,217	18,036,896	-	18,036,896	
Profit for the period	-	-	-	-	-	-	-	904,362	904,362	-	904,362	
Other comprehensive income for the period:												
Cash flow hedges, net of tax:												
Effective portion of changes in fair value of hedging instruments arising during the period	-	-	-	-	-	-	(27,063)	-	(27,063)	-	(27,063)	
Exchange differences:												
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(29,767)	-	(29,767)	-	(29,767)	
Associates and joint ventures:												
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	148,920	-	148,920	-	148,920	
Total comprehensive income for the period	-	-	-	-	-	-	92,090	904,362	996,452	-	996,452	
Share of capital reserve of associates	-	-	-	-	303,494	-	-	-	303,494	-	303,494	
Repurchases of shares	15	(300,205)	-	-	-	-	-	-	(300,205)	-	(300,205)	
Cancellation of treasury shares	15	(75,000)	66,777	-	8,223	-	-	-	-	-	-	
Final 2018 dividend declared	11	-	-	-	-	-	-	(380,440)	(380,440)	-	(380,440)	
Issue of other equity instruments	-	-	-	-	-	5,000,000	-	-	5,000,000	-	5,000,000	
Dividends for other equity instruments	-	-	-	-	-	-	-	(95,098)	(95,098)	-	(95,098)	
Transfer from retained profits	-	-	17,258	-	-	-	-	(17,258)	-	-	-	
Utilisation of special reserve	-	-	(16,368)	-	-	-	-	16,368	-	-	-	
At 30 June 2019 (unaudited)	11,608,125	(233,428)	890	-	(2,476,439)	7,000,000	(2,851,200)	10,513,151	23,561,099	-	23,561,099	

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Attributable to owners of the parent										
	Share capital RMB'000	Treasury shares RMB'000	Special reserve RMB'000	General reserve RMB'000	Other reserves RMB'000	Other equity instrument RMB'000	Other comprehensive income RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018 (audited)	11,683,125	-	1,912	142,932	(2,851,748)	1,000,000	(2,502,567)	8,674,039	16,147,693	597,625	16,745,318
Profit for the period	-	-	-	-	-	-	-	326,606	326,606	52,018	378,624
Other comprehensive loss for the period:											
Cash flow hedges, net of tax:											
Effective portion of changes in fair value of hedging instruments arising during the period	-	-	-	-	-	-	9,527	-	9,527	-	9,527
Exchange differences:											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(128,238)	-	(128,238)	-	(128,238)
Associates and joint ventures:											
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	6,548	-	6,548	-	6,548
Total comprehensive income for the period	-	-	-	-	-	-	(112,163)	326,606	214,443	52,018	266,461
Share of capital reserve of associates	-	-	-	-	12,544	-	-	-	12,544	-	12,544
Dividends for other equity instruments	-	-	-	-	-	-	-	(29,322)	(29,322)	-	(29,322)
Transfer from retained profits	-	-	14,858	-	-	-	-	(14,858)	-	-	-
Utilisation of special reserve	-	-	(15,244)	-	-	-	-	15,244	-	-	-
At 30 June 2018 (unaudited)	11,683,125	-	1,526	142,932	(2,839,204)	1,000,000	(2,614,730)	8,971,709	16,345,358	649,643	16,995,001

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	FOR THE SIX MONTHS ENDED	
	30 JUNE	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	3,098,784	2,014,388
Income tax paid	(202,843)	(278,698)
Net cash generated from operating activities	2,895,941	1,735,690
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	89,660	36,231
Dividends received from associates	208,556	29,071
Dividends received from joint ventures	3,345	6,535
Dividends received from financial assets at fair value through profit or loss	1,668	17,786
Purchases of items of property, plant and equipment	(969,388)	(2,663,900)
Purchases of intangible assets	(20,735)	(8,779)
Proceeds from disposal of items of property, plant and equipment	66,933	37,795
Purchases of equity in an associate	–	(70,000)
Purchases of financial assets at fair value through profit or loss	(28,500)	(5,744,619)
Proceeds from disposals of financial assets at fair value through profit or loss	20,867	5,635,373
Increase in factoring receivables	(3,179)	(89,837)
Increase in finance lease receivables	(4,160,445)	(3,436,561)
Decrease/(increase) in restricted cash	45,793	(200,016)
Increase in other long term payables	92,233	56,799
Net cash flows used in investing activities	(4,653,192)	(6,394,122)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	FOR THE SIX MONTHS ENDED	
	30 JUNE	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on repurchases of shares	(300,205)	–
Proceeds from issue of other equity instruments	5,000,000	–
New bank and other borrowings	24,718,170	17,262,595
Repayment of bank and other borrowings	(33,523,638)	(16,054,728)
New corporate bonds	8,280,000	1,860,000
Repayment of corporate bonds	(2,270,731)	(1,027,809)
Principal portion of lease payments/finance lease payments	(243,148)	(43,229)
Interest paid	(2,363,352)	(1,997,482)
Dividends paid for other equity instrument	(29,322)	(29,322)
Decrease/(increase) in restricted cash	45,842	(308,483)
Net cash flows used in financing activities	(686,384)	(338,458)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,443,635)	(4,996,890)
Cash and cash equivalents at beginning of period	15,249,194	23,193,300
Effect of foreign exchange rate changes, net	(3,107)	(77,651)
Cash and cash equivalents balance attributable to the discontinued operation	–	(12,448,441)
Cash and cash equivalents at end of period	12,802,452	5,670,318



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2019

1. CORPORATE INFORMATION

COSCO SHIPPING Development Co., Ltd. (the “Company”) is a joint stock company with limited liability incorporated 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 six months ended 30 June 2019, 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;
- (d) Equity investment; and
- (e) Cargo and liner agency services.

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.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2018.

Going concern

The Group had net current liabilities of RMB17,395,034,000 as at 30 June 2019. The directors are of the opinion that based on the available unutilised banking facilities as at 30 June 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 interim condensed consolidated financial information on a going concern basis.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019.

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

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and 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. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. HKFRS 16 substantially carries forward the lessor accounting model in HKAS 17.

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

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.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

30 JUNE 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

New definition of a lease *(Continued)*

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their stand-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

Nature of the effect of adoption of HKFRS 16

As a lessee – Leases previously classified as operating leases

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 short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Sublease

A sublease is a transaction for which an underlying asset is re-leased by a lessee (“intermediate lessor”) to a third party, and the lease (“head lease”) between the head lessor and lessee remains in effect. As an intermediate lessor, the Group previously classified subleases as either finance leases or operating leases by reference to the underlying assets. Under HKFRS 16, the Group shall classify them by reference to the head leases.

If a lessee subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset mentioned above.

The intermediate lessor accounts for the sublease in accordance with its classification using the lessor accounting model under HKFRS 16.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Impacts on transition (Continued)

For subleases, the Group reassesses each existing operating sublease at the date of initial application to determine whether it is classified as an operating lease or a finance lease under the requirements of HKFRS 16. This reassessment is based on the remaining contractual terms of the head lease and the sublease with reference to the right-of-use asset associated with the head lease and not the underlying asset. If a sublease was classified as an operating lease under HKAS 17 but is classified as a finance lease under HKFRS 16, the Group accounts for the sublease as a new finance lease entered into on the date of initial application. Any gain or loss arising on the sublease arrangement is included in the cumulative catch-up adjustment to retained earnings at the date of initial application.

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

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application; and
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

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

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

30 JUNE 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. 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. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

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 the incremental borrowing rate at the lease commencement date if 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 future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Sublease

The Group classifies the sublease as follows:

- If the head lease is a short-term lease that the entity, as a lessee, has been elected not to recognise right-of-use assets and lease liabilities, the sublease shall be classified as an operating lease; and
- Otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

Summary of new accounting policies (Continued)

Sublease (Continued)

If the sublease is classified as an operating lease, the intermediate lessor continues to account for the lease liability and right-of-use asset on the head lease like any other lease.

If the sublease is classified as a finance lease, the intermediate lessor (i) derecognises the right-of-use asset on the head lease and recognises the net investment in the sublease at the sublease commencement date; (ii) recognizes the difference between the right-of-use asset and the net investment in the sublease in profit or loss; and (iii) continues to account for the original lease liability in accordance with the lessee accounting model.

2.3 A CHANGE IN ACCOUNTING ESTIMATES

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
- 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 is more appropriately reflected by the change.

The change has been applied prospectively and has resulted in a decrease in depreciation of approximately RMB119,847,000 for the six months ended 30 June 2019.

3. OPERATING SEGMENT INFORMATION

The following table presents revenue and profit information for the Group's operating segments for the six months ended 30 June 2019 and 2018, respectively:

	For the six months ended 30 June 2019				For the six months ended 30 June 2018				
	Shipping and industry-related leasing RMB' 000 (Unaudited)	Container manufacturing RMB' 000 (Unaudited)	Investment and service RMB' 000 (Unaudited)	Others RMB' 000 (Unaudited)	Total Shipping and industry-related leasing RMB' 000 (Unaudited)	Container manufacturing RMB' 000 (Unaudited)	Investment and service RMB' 000 (Unaudited)	Others RMB' 000 (Unaudited)	Total RMB' 000 (Unaudited)
Segment revenue:									
Sales of containers	-	1,570,046	-	-	1,570,046	3,191,266	-	-	3,191,266
Sales of shipping related spare parts	127,978	-	-	-	127,978	-	-	-	120,528
Rendering of shipping related services	506,085	-	-	-	506,085	-	-	-	502,134
Rendering of insurance brokerage services	-	-	19,973	-	19,973	-	18,224	-	18,224
Total revenue from contracts with customers to external customers from continuing operations	634,063	1,570,046	19,973	-	2,224,082	3,191,266	18,224	-	3,832,152
Income from subleasing right-of-use assets	14,638	-	-	-	14,638	-	-	-	-
Leasing revenue to external customers from continuing operations	4,594,806	-	-	-	4,594,806	4,389,194	-	-	4,389,194
Total revenue to external customers from continuing operations	5,243,507	1,570,046	19,973	-	6,833,526	3,191,266	18,224	-	8,221,346
Intersegment revenue from contracts with customers	-	867,703	4,567	-	872,270	1,485,571	3,711	-	1,489,282
Total revenue from continuing operations	5,243,507	2,437,749	24,540	-	7,705,796	4,676,837	21,935	-	9,710,628
Segment results	233,017	(20,281)	1,234,662	(31,173)	1,416,225	207,360	202,316	(16,867)	992,982
Elimination of intersegment results				19,454		600,173			(168,777)
Unallocated administrative and general expenses				(53,008)					(45,044)
Unallocated finance costs				(395,504)					(291,537)
Profit before tax from continuing operations				987,167					487,624

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2019

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

The disaggregation of the Group's revenue from contracts with customers, including sale of goods and rendering of services above, for the six months ended 30 June 2019 and 30 June 2018 is as follows:

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Type of goods or services		
Sales of containers	1,570,046	3,191,266
Sales of shipping related spare parts	127,978	120,528
Rendering of shipping related services	506,085	502,134
Rendering of insurance brokerage services	19,973	18,224
Total revenue from contracts with customers	2,224,082	3,832,152
Geographical markets		
Hong Kong	1,066,132	1,531,689
Mainland China	711,172	1,546,815
Asia (excluding Hong Kong and Mainland China)	374,591	198,750
United States	64,939	535,908
Europe	2,732	10,601
Others	4,516	8,389
Total revenue from contracts with customers	2,224,082	3,832,152
Timing of revenue recognition		
Goods transferred at a point in time	1,698,024	3,311,794
Services transferred over time	526,058	520,358
Total revenue from contracts with customers	2,224,082	3,832,152

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2019

5. OTHER INCOME

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Interest income	94,208	45,404
Government grant related to expense items	25,068	95,160
Dividends income from financial assets at fair value through profit or loss	1,668	894
Others	20,892	17,788
	141,836	159,246

6. OTHER GAINS/(LOSSES), NET

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Gain on disposal of items of property, plant and equipment	46,926	23,707
Fair value gain/(loss) on financial assets at fair value through profit or loss	497,876	(495,582)
Net foreign exchange gain	4,721	21,767
Others	2,126	–
	551,649	(450,108)

7. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Minimum lease payments under operating leases	–	571,897
Depreciation of right-of-use assets	14,456	–
Expense relating to short term leases	92,012	–
Expense relating to leases low-value assets	251	–
Impairment of finance lease receivables recognised	223,382	108,760
Impairment of trade receivables recognised	19,677	47,597
Write-down of inventories to net realisable value	80,732	–



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

30 JUNE 2019

8. 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 six months ended 30 June 2019 and 2018.

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 the PRC. 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 the PRC in respect of earnings generated from 1 January 2008.

Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits of the Group's companies operating in Hong Kong for the six months ended 30 June 2019 (six months ended 30 June 2018: 16.5%).

The major components of income tax expense of the Group are as follows:

	For the six months ended 30 June	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current income tax		
– PRC	129,390	264,993
– Hong Kong	3,777	5,588
– elsewhere	5,071	7,895
Deferred income tax	(55,433)	(22,509)
	82,805	255,967

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2019

9. 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 the six months ended 30 June 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 of COSCO SHIPPING Finance as the consideration for its 65% equity interests of CS Finance. In the opinion of the directors, the Merger includes the deemed disposal of CS Finance and an acquisition of an associate. CS Finance represents a separate major operation, provision of banking services. As a result, CS Finance was classified as a discontinued operation.

The results of the discontinued operation are presented below:

	For the six months ended 30 June 2018 RMB'000 (Unaudited)
Revenue	305,983
Cost	(111,851)
Selling and administrative expenses	(42,405)
Other income	24,262
Other gains, net	15,250
<hr/>	
Profit before tax from the discontinued operation	191,239
Income tax expense related to ordinary activities	(44,272)
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Profit for the period from the discontinued operation	146,967
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2019

9. DISCONTINUED OPERATION (Continued)

The net cash flows incurred by CS Finance are as follows:

	For the six months ended 30 June 2018 RMB'000 (Unaudited)
Operating activities	(1,231,499)
Investing activities	61,867
Financing activities	–
Effect of foreign exchange rate changes, net	1,768
Net cash flows	(1,167,864)
Earnings per share (expressed in RMB per share):	
Basic and diluted, from the discontinued operation	0.0084

10. EARNINGS PER SHARE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic earnings per share amount is calculated by dividing the profit attributable to holders of the parent by the weighted average number of ordinary shares in issue during the period.

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	904,362	228,657
From a discontinued operation	–	97,949
	904,362	326,606

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2019

10. EARNINGS PER SHARE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

	Number of shares for the six months ended	
	2019 '000	2018 '000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	11,623,709	11,683,125

There was no dilution effect on the ordinary shares for the period (six months ended 30 June 2018: nil).

11. DIVIDENDS

	For the six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Final declared – RMB0.033 (2018:Nil) per ordinary share	380,440	–

During the period, the Company's shareholders approved the 2018 proposed final dividend with a total amount of RMB380,440,434 (six months ended 30 June 2018: Nil). The amount of the 2018 final dividend was calculated based on the number of shares upon completion of the share repurchase (note 15).

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired items of property, plant and equipment with a carrying amount of RMB1,339,517,000 (six months ended 30 June 2018: RMB2,998,979,000). Depreciation for items of property, plant and equipment was RMB1,531,100,000 during the period (six months ended 30 June 2018: RMB1,537,819,000).

The Group disposed of items of property, plant and equipment with a carrying amount of RMB323,586,000 during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB109,101,000).



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

30 JUNE 2019

13. TRADE AND NOTES RECEIVABLES

	30 June 2019 <i>RMB'000</i> (Unaudited)	31 December 2018 <i>RMB'000</i> (Audited)
Trade receivables	1,594,456	1,142,482
Notes receivable	51,356	7,180
	1,645,812	1,149,662
Impairment	(134,743)	(114,790)
	1,511,069	1,034,872

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	30 June 2019 <i>RMB'000</i> (Unaudited)	31 December 2018 <i>RMB'000</i> (Audited)
Within 3 months	1,272,228	891,139
4 to 6 months	101,916	84,953
7 to 12 months	85,569	37,781
Over 1 year	–	13,819
	1,459,713	1,027,692

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2019

14. TRADE PAYABLES

An ageing analysis of the trade payables as at end of the reporting date, based on the invoice date, is as follows:

	30 June 2019 <i>RMB'000</i> (Unaudited)	31 December 2018 <i>RMB'000</i> (Audited)
Within 3 months	1,623,817	1,235,434
4 to 6 months	232,601	243,238
7 to 12 months	490,867	190,298
Over 1 year	39,884	17,134
	2,387,169	1,686,104

15. SHARE CAPITAL

The Company purchased 79,627,003 A shares and 75,000,000 H Shares on the Shanghai Stock Exchange and Hong Kong Stock Exchange for considerations of RMB233,428,000 and RMB66,777,000, respectively. 75,000,000 repurchased H Shares were cancelled during the period.

16. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2019 <i>RMB'000</i> (Unaudited)	31 December 2018 <i>RMB'000</i> (Audited)
Contracted, but not provided for:		
Equity investments	890,134	895,885
Property, plant and equipment	266,891	–
	1,157,025	895,885



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

30 JUNE 2019

17. SIGNIFICANT RELATED PARTY TRANSACTIONS

	For the six months ended 30 June	
	2019 <i>RMB'000</i> (Unaudited)	2018 <i>RMB'000</i> (Unaudited)
Interest income from:		
Immediate holding company	–	15,774
Fellow subsidiaries	–	76,534
An associate	42,536	–
Interest expenses to:		
Immediate holding company	10,260	10,694
Fellow subsidiaries	49	264,830
An associate	52,123	–
Sales of goods to:		
Fellow subsidiaries	750,805	1,306,312
Purchases of goods from:		
Fellow subsidiaries	213,787	93,718
Rendering of services to fellow subsidiaries:		
Vessel chartering and container leasing	2,886,769	3,011,316
Management fee income	10,000	10,000
Finance lease income	3,674	5,722
Others	14,109	8,781
Receiving of services from:		
Fellow subsidiaries	750,015	637,643

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2019

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2019 <i>RMB'000</i> (Unaudited)	31 December 2018 <i>RMB'000</i> (Audited)	30 June 2019 <i>RMB'000</i> (Unaudited)	31 December 2018 <i>RMB'000</i> (Audited)
Factoring receivables	197,368	150,937	193,969	148,313
Bank and other borrowings	61,507,915	57,346,797	61,033,651	57,028,232
Corporate bonds	6,070,344	3,381,784	5,894,865	3,246,988
Other long term payables	2,361,097	2,428,744	2,183,658	2,215,435
	70,136,724	63,308,262	69,306,143	62,638,968

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade and notes receivables, financial assets included in prepayments and other receivables, the current portion of finance lease receivables, 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, the current portion of finance lease obligations 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 finance lease obligations and the non-current portion of lease liabilities of the Group approximate to their fair values since their carrying amounts are present value and the 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 factoring receivables, 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2019

18. 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

30 June 2019

	Fair value measurement categorised into			Total RMB'000 (Unaudited)
	Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)	
Financial assets at fair value through profit or loss	2,291,006	1,667,821	–	3,958,827
Derivative financial instruments	–	4,995	–	4,995
	2,291,006	1,672,816	–	3,963,822

31 December 2018

	Fair value measurement categorised into			Total RMB'000 (Audited)
	Level 1 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Level 3 RMB'000 (Audited)	
Financial assets at fair value through profit or loss	1,737,334	1,709,367	–	3,446,701
Derivative financial instruments	–	23,592	–	23,592
	1,737,334	1,732,959	–	3,470,293

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2019

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

Financial liabilities measured at fair value

30 June 2019

	Fair value measurement categorised into			Total RMB'000 (Unaudited)
	Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)	
Derivative financial instruments	–	12,700	–	12,700

31 December 2018

	Fair value measurement categorised into			Total RMB'000 (Audited)
	Level 1 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Level 3 RMB'000 (Audited)	
Derivative financial instruments	–	3,954	–	3,954

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (six months ended 30 June 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 the fund manager. For the other investments, if there is a recent deal regarding these investments, the fair values are estimated based on the 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 calculates 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 interim condensed 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.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

30 JUNE 2019

19. EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 30 June 2019.

20. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 30 August 2019.