CSSC (Hong Kong) Shipping Company Limited
中國船舶(香港)航運租賃有限公司

(Incorporated in Hong Kong with limited liability)

Stock Code: 3877

2020

INTERIM REPORT

Contents

	Page
Company Profile	2
Company Information	3
Financial Highlights	5
Management Discussion and Analysis	8
Corporate Governance/Other Information	23
Independent Review Report	27
Condensed Consolidated Income Statement	28
Condensed Consolidated Statement of Comprehensive Income	29
Condensed Consolidated Statement of Financial Position	30
Condensed Consolidated Statements of Changes in Equity	31
Condensed Consolidated Statement of Cash Flows	32
Notes to the Interim Financial Information	33

Company Profile

Established in June 2012, CSSC (Hong Kong) Shipping Company Limited (the "Company", together with its subsidiaries, the "Group") is the first shipyard-affiliated leasing company in Greater China# and one of the world's leading ship leasing companies which offers customised and flexible ship leasing solutions to global ship operators and traders.

The shares of the Company (the "Shares") were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing") on 17 June 2019 (the "Listing Date"). Upon Listing, China State Shipbuilding Corporation Limited* (中國船舶工業集團有限公司) ("CSSC Group") indirectly holds 75.0% equity interests in the Company, and public investors hold 25.0% equity interests in the Company. CSSC Group is the world's leading shipbuilding group encompassing the whole industry chain and with competitive advantages in terms of research and development, design and manufacturing of advanced vessels and marine equipment, which provides a solid industrial foundation for the Company's future business development.

The Company focuses on the business of the leasing of ships and marine equipment. We capitalize on our deep understanding on shipping cycles and carry out counter-cyclical investment for our high-quality assets. We have successfully implemented a series of high-end and high value-added leasing projects, such as China's first 18,000 twenty-foot equivalent unit ("TEU") ultra-large container vessels, China's first floating storage re-gasification unit ("FSRU") of 174,000 cubic meter, and the world's first polar unit carrier. Meanwhile, the Company seized the opportunity of international energy transformation and took the lead in the distribution of floating liquefied natural gas ("FLNG") plants and FLNG re-gasification stations, thus becoming the first leasing company to have achieved a comprehensive distribution of the offshore clean energy industry chain.

Leveraging its robust expertise and strong industrial background in the marine business, the Group focuses on developing ship and marine equipment leasing business, and has maintained close cooperation with customers in 13 countries and regions around the world. While its marine business remains in the doldrums, the Company continues to implement counter-cyclical investment strategies so as to provide leasing services to leading partners in various market segments of the marine industry, thereby establishing long-term strategic cooperative relations.

The Company is headquartered in Hong Kong. In order to develop its ship leasing and marine equipment leasing business in the Asia-Pacific region, the Company has established subsidiaries in Singapore, Shanghai, Tianjin and Guangzhou.

\# *For the purpose of this report, includes the People's Republic of China (the "PRC"), Hong Kong, Macau and Taiwan*

* *For identification purpose only*

Company Information

Board of Directors

Executive Directors

Mr. Zhong Jian *(Chairman)*
(re-designated as an executive director and appointed as the chairman on 29 April 2020)
Mr. Hu Kai
Mr. Yang Li (resigned on 29 April 2020)

Non-Executive Directors

Mr. Li Wei
Mr. Zou Yuanjing

Independent Non-Executive Directors

Dr. Wong Yau Kar David, *GBS, JP*
Mdm. Shing Mo Han Yvonne, *BBS, JP*
Mr. Li Hongji

Audit Committee

Mdm. Shing Mo Han Yvonne, *BBS, JP (Chairperson)*
Dr. Wong Yau Kar David, *GBS, JP*
Mr. Li Hongji
Mr. Li Wei
Mr. Zou Yuanjing

Remuneration Committee

Dr. Wong Yau Kar David, *GBS, JP (Chairperson)*
Mdm. Shing Mo Han Yvonne, *BBS, JP*
Mr. Li Hongji

Nomination Committee

Mr. Zhong Jian *(Chairperson)*
(appointed as chairperson on 29 April 2020)
Dr. Wong Yau Kar David, *GBS, JP*
Mdm. Shing Mo Han Yvonne, *BBS, JP*
Mr. Li Hongji
Mr. Yang Li (resigned on 29 April 2020)

Company Secretary

Mr. Ding Weisong

Assistant Company Secretary

Ms. Wong Sau Ping *(FCIS, FCS)*

Authorised Representatives

Mr. Hu Kai
Ms. Wong Sau Ping

Hong Kong Legal Adviser

King & Wood Mallesons
13/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

Compliance Adviser

Red Solar Capital Limited
Unit 402B, 4/F
China Insurance Group Building
No. 141 Des Voeux Road Central
Hong Kong

Registered Office

1801, 18/F, World-wide House
19 Des Voeux Road Central
Hong Kong

Company Information

Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

Auditor

Grant Thornton Hong Kong Limited
Certified Public Accountants
12/F, 28 Hennessy Road
Wan Chai
Hong Kong

Principal Banks

Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
China Development Bank
The Export-Import Bank of China
Bank of Communications

Company's Website

http://www.csscshipping.cn

Stock Code

3877

Listing Date

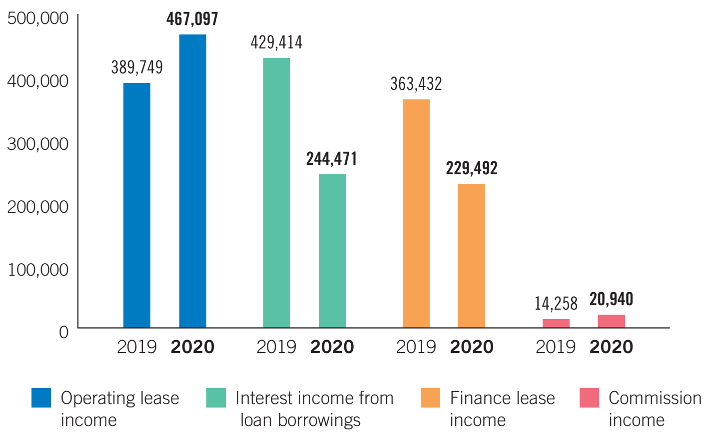
17 June 2019

Financial Highlights

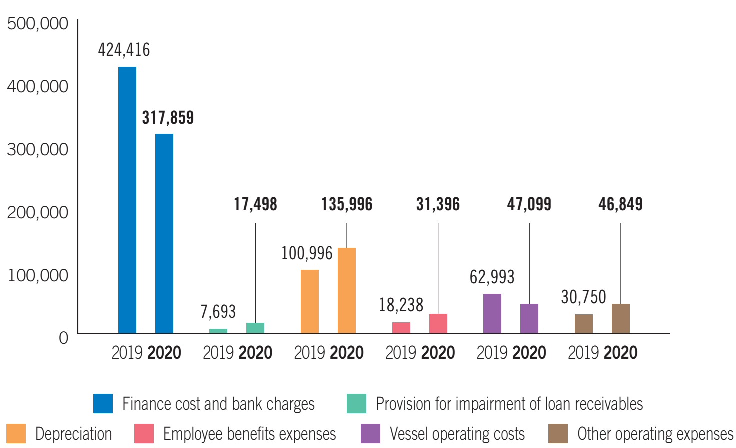
1. Summary of Condensed Consolidated Income Statement

	Six months ended 30 June		
	2020 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)	**Change**
Total revenue and other income	**1,027,210**	1,135,110	(9.5)%
Total expenses	**(596,697)**	(645,086)	(7.5)%
Profit from operations	**430,513**	490,024	(12.1)%
Profit for the period	**498,436**	452,401	10.2%
Earnings per share (basic and diluted) (Note)	**0.082**	0.096	

Revenue
(HK$'000)



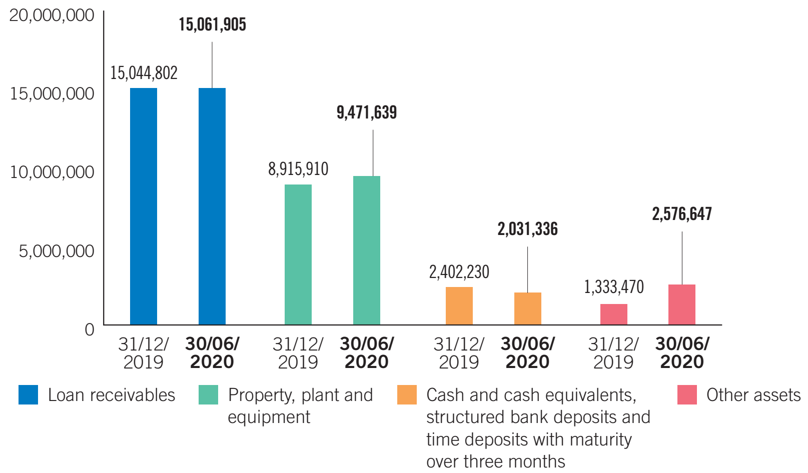
Expenses
(HK$'000)



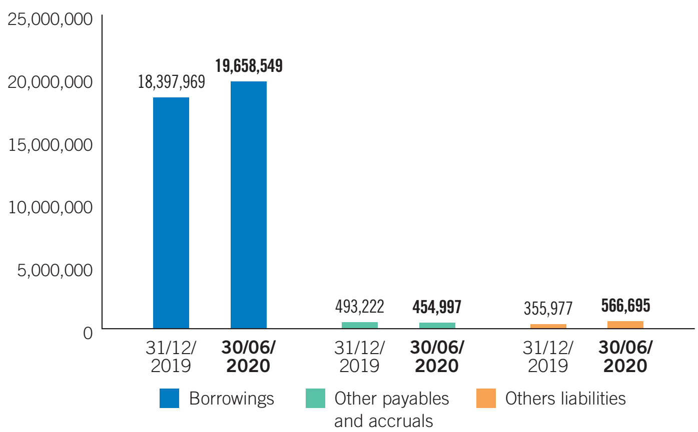
2. Summary of Condensed Consolidated Statement of Financial Position

	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000	Change
Total assets	**29,141,527**	27,696,412	5.2%
Total liabilities	**20,680,241**	19,247,168	7.4%
Total equity	**8,461,286**	8,449,244	0.1%

Total Assets
(HK$'000)



Total Liabilities
(HK$'000)



3. Selected Financial Ratios

	Six months ended/ As at 30 June 2020	Year ended/ As at 31 December 2019
Profitability indicators		
Return on average assets[1]	**3.5%**	3.1%
Return on average net assets[2]	**12.0%**	12.5%
Average cost of interest-bearing liabilities[3]	**3.3%**	4.1%
Net profit margin[4]	**51.8%**	38.9%
Liquidity indicators		
Asset-liability ratio[5]	**71.0%**	69.5%
Risk asset-to-equity ratio[6]	**3.3 times**	3.0 times
Gearing ratio[7]	**2.3 times**	2.2 times
Net debt-to-equity ratio[8]	**2.2 times**	1.9 times

Notes:

(1) Calculated by dividing annualised net profit for the period/year by the average balance of total assets at the beginning and the end of the period/year.

(2) Calculated by dividing annualised net profit attributable to the equity holders of the Company for the period/year by the average balance of net assets attributable to the equity holders of the Company at the beginning and the end of the period/year.

(3) Calculated by dividing annualised finance costs and bank charges for the period/year by the average balance of borrowings at the beginning and the end of the period/year.

(4) Calculated by dividing annualised net profit for the period/year by total revenue for the period/year.

(5) Calculated by dividing total liabilities by total assets.

(6) Calculated by dividing risk assets by total equity. Risk assets are total assets minus cash and cash equivalents and time deposits with maturity over three months.

(7) Calculated by dividing total borrowings by total equity.

(8) Calculated by dividing net debts by total equity. Net debts are borrowings minus cash and cash equivalents.

Management Discussion and Analysis

1. Industry Conditions

Since 2020, the global economy has faced the impact of many uncertainties. The combination of the global spread of the COVID-19 epidemic, the extreme volatility of oil prices, and the Sino-US trade frictions have significantly affected the volume of global seaborne trade. According to the forecast of Clarksons, a maritime research institute, as affected by the COVID-19 epidemic, the volume of seaborne trade will decline by 5.24% in 2020. The industry has once again fallen into a severe situation since the 2008 global financial crisis, and the global shipping industry is facing challenges. The International Maritime Organization (IMO) has implemented regulations to limit sulfur emissions. Meanwhile, it has also set stricter carbon emission targets for new ships. The new environmental protection requirements will have a profound impact on the international shipping industry. Under the impact of the COVID-19 epidemic in the first half of 2020, the international shipping industry declined at first but rebounded subsequently. The recovery was better than expected, and the performance of tanker and other markets was even better than the corresponding period of last year. The market downturn has restricted the supply of new shipbuilding capacity, the new environmental protection measures have accelerated the withdrawal of old capacity from the market, and the economic stimulus policies implemented by governments in response to the COVID-19 epidemic were conducive to the gradual recovery of the international shipping industry.

For dry bulk market, in the first half of this year, due to the impact of the COVID-19 epidemic and multiple unfavorable factors such as the extension of the rainy season in Brazil, the dry bulk market continued to fluctuate at a low level, and the Baltic Dry Bulk Index (BDI) remained in the negative range for nearly two months. Recently, due to the full resumption of work and production in the PRC, downstream demand rose substantially. Brazilian shipments have also improved significantly, and the charter hire for dry bulk carrier has quickly recovered. On 17 June 2020, the Baltic Dry Bulk Index ("BDI") closed at 1,246 points, and the charter hire for capesize vessels rose to US$19,036 per day, both hitting record annual highs. The positive factors for the dry bulk market continued in the second quarter of the year. Factors such as the resumption of work and production globally, the rebound of seasonal demand for iron ore transportation, the significant increase in the amount of Brazilian iron ore procured by China, and the release of bauxite production capacity in Africa have strongly boosted the recovery of the dry bulk market.

For tanker market, in the first quarter of 2020, oil prices plunged, and the demand for ship chartering and oil storage for major routes increased, resulting in a shortage of tanker capacity. In March 2020, the freight rate of crude oil vessels surged in a single day, and the daily chartering rate hit a record high. Following the rebound of oil price and the impact of the spread of the COVID-19 epidemic on economic activities, the oil tanker market has gradually declined, and the performance in the first half of the year was better than that of the same period last year.

For container market, according to Clarksons' statistics, the global container trade volume, as calculated in TEU-nautical miles, will decrease by 8.5% in 2020, representing the largest drop in history. Uncertainties in the development direction of the COVID-19 epidemic brought severe challenges to the supply and demand of the container shipping market. Nonetheless, liner companies maintained its freight rate by optimizing its capacity allocation. Meanwhile, due to the decline in fuel prices, the financial performance of liner companies was significantly better than that of the corresponding period of last year. In the first half of the year, the global new container ship delivery volume was 0.3082 million TEU, which was a record low in the past five years. With China's phased victory in the fight against the COVID-19 epidemic, market recovery has begun in the second half of the year. As of 26 June 2020, the average China Containerized Freight Index was 841.83 points, representing a year-on-year increase of 3.0%, which was a new high in the same period in the past three years.

1. Industry Conditions *(Continued)*

For offshore clean energy, according to Clarksons' statistics, the global demand for liquefied natural gas ("LNG") in 2019 increased by 12.5% to a record high of 359 million tons, reflecting the increasingly important role of LNG in the transition to a low-carbon energy system. Although the COVID-19 epidemic in the first quarter of 2020 adversely affected LNG trade and LNG spot prices, resulting in a drastic decrease in China's LNG imports at the beginning of the year, LNG consumption rebounded in March and April 2020 as the impact of the COVID-19 epidemic weakened. The short-term market turbulence has not changed the long-term positive trend of the market.

2. Results Review

1) Leasing business remaining stable and joint venture ship projects achieving high efficiency

In the first half of 2020, the Group continued to focus on ship leasing services and actively explored leasing projects for newly built ships and operating ships. Joint investment projects have achieved outstanding investment income. For the six months ended 30 June 2020, the Group's business achieved a revenue of HK$962.0 million. The Group's operating profit for the first half of 2020 was HK$430.5 million. Benefiting from the share of results of joint ventures of HK$80.2 million, the Group's profit for the six months ended 30 June 2020 amounted to HK$498.4 million, representing a year-on-year increase of 10.2%. For the six months ended 30 June 2020, the Group's return on average net assets and return on average assets were 12.0% and 3.5%, respectively. In the first half of 2020, the Group commenced six leasing contracts, completed three leasing contracts, and had a total of 84 leasing contracts, including 41 operating lease contracts and 43 financial lease contracts. Among these 84 ongoing leasing contracts, 66 were leasing contracts with a term of over one year, which were of an average remaining lease term of approximately 7.94 years and an aggregate contract value of HK$34.0 billion. As at 30 June 2020, the size of the Group's vessel portfolio reached 130, of which 84 were operating and 46 were under construction, and the average age was 2.50 years. Among which, the Group had 19 vessels under the joint venture, of which eight were operating and 11 were under construction, and the average age was 1.63 years.

2) Significant decrease in financing costs

Following the assignment of "A-" rating and "A" rating by S&P Global Ratings and Fitch Ratings, respectively, the Group successfully issued United States dollars ("USD") bonds in the aggregate amount of US$800 million, comprising 5-year bonds of US$400 million with a coupon rate of 2.5% per annum, and 10-year bonds of US$400 million with a coupon rate of 3.0% per annum. The issuance rates of such bonds were low in the market, highlighting the Company's continuous improvement in financing capabilities. At the same time, the Company implemented diversified financing measures, further optimized the debt structure and external financing conditions, and achieved a substantial reduction in finance cost. The comprehensive interest rate of the Group's interest-bearing liabilities was 3.3% per annum in the first half of 2020 as compared to 3.9% in the corresponding period in 2019.

2. Results Review *(Continued)*

3) Taking advantages of the low market position to invest in and acquire ship assets against the trend

In the first half of 2020, as impacted by the COVID-19 epidemic and the Sino-US trade frictions, the global shipping market faced unprecedented challenges. However, the global industrial trend of clean energy transformation and the upgrade to environmentally friendly ships remained unchanged, and the leasing industry continued to undergo professional development. The Group has laid a solid foundation for market competition, which will allow the Group to fully utilize its professional advantages as a shipyard-affiliated leasing company. Leveraging the good cooperative relationship between the shipyard and the ship research institute under CSSC Group, the Group has implemented counter-cyclical investment management measures during market downturn, and has increased its efforts to invest in high-quality ships in market segments such as clean energy equipment, dual-fuel gas carriers, new medium-range chemical tankers, environmentally friendly feeder tankers, and smart fishery large-scale aquaculture ships, thereby continuously optimizing its asset allocation.

4) Strengthening risk management and maintaining a high level of asset quality

The Group attaches great importance to risk management capabilities. It has maintained a high level of asset quality, and has increased its ability to respond to and resolve high-risk and non-performing projects. By enhancing its risk management capabilities, the Group maintained a high-level asset quality. As at 30 June 2020, the Group's asset operation was in good condition. The utilization rate of ship assets was 100%, and the overall recovery rate of charter hire was 96%.

5) Promoted prevention and control, resolution and disposal of risks, and established a solid foundation for steady and long-term development

In the face of uncertainties in the global economy and international trade, the Company took the initiatives to strengthen its risk management and control in various business segments by tracking the impact of the COVID-19 epidemic on shipping business, establish a risk management and control mechanism based on the list system, optimize the shipping business stress test, and formulate response strategies by category to achieve anticipation and planning. The Group strengthened market analysis of key industries and followed up on the negative credit issues to improve overall risk management capabilities.

6) Strengthened its process management system, speeded up the establishment of information system and promoted the digital upgrade of leasing business

Combining business and management needs, the Group sorted out and updated the Company's process management system to enhance its internal operation efficiency. The Group improved the information management mechanism to enhance the effectiveness of system construction and information services. The Group increased the comprehensive investment in the annual informationalization construction to improve its information technology infrastructure and strengthen the prevention and control of information technology risks and network security.

3. Outlook

In the first half of 2020, the spread of the COVID-19 epidemic, the tension in the Sino-US trade relations, and the significant fluctuations in energy prices have plunged the global economy into turmoil. Major western economies have experienced a sharp decline due to the impact of the COVID-19 epidemic, and emerging economies have been affected, causing the global economy to record a negative growth, which posed huge challenges to the maritime industry.

Currently, major economies, including the United States, Europe, Japan and China, have adopted strong economic stimulus policies, and maritime businesses that serve international commodity transportation and international trade will benefit from such policies. The continuous downturn in the market has led to the prolonged lower supply of transportation capacity than the historical average. Moreover, the increasingly stricter environmental protection and energy saving requirements on vessels have restricted the outmoded transportation capacity. As a result, the supply and demand of the international maritime industry are gradually returning to a balanced level. The decline in energy prices has improved the profitability of our customers and stimulated demand for offshore energy equipment.

As the Group provides customers with ship leasing services with low capital burden and high flexibility, during the time when the maritime industry is challenged, it is more conducive for the Group to leverage the advantages derived from its industrial background and to expand the scale of its leasing business. The historically low ship prices were more conducive to the Group's control of asset risks, and the Group could enjoy greater asset premium, while the shipping industry has experienced rebound from the low freight rates, thereby expanding the market space for shipping leasing. At the same time, the Group will continue to develop its leasing business based on ships and offshore clean energy equipment, appropriately expand strategic partnerships with market-leading shipping companies as well as upstream and downstream industries, and take advantage of low market positions to increase its investment in operating assets.

The Group was firmly optimistic about the demand for global clean energy structural transformation. As the first leasing company to fully deploy the offshore clean energy industry chain, the Group's early investment in clean energy equipment has reaped expected returns. In the future, the Group will continue to be optimistic about the long-term opportunities of clean energy transition, and will continue to lead the investment in and financing of offshore clean energy equipment such as LNG and offshore hydrogen energy.

In view of the good prospects for the development of the seaborne economy, the Group will continue to utilize its profound industrial resources to strengthen the linkage between research and design institutes and manufacturers, so as to expand seaborne economy-related businesses such as marine fisheries and offshore clean energy.

4. Analysis on Condensed Consolidated Income Statement

4.1 Overview of Consolidated Income Statement

For the six months ended 30 June 2020, the Group's fleet size in operation increased from 81 to 84 vessels. The Group recorded a revenue of HK$962.0 million for the six months ended 30 June 2020, representing a decrease of HK$234.9 million or 19.6% as compared with that of the corresponding period last year. The Group's profit for the six months ended 30 June 2020 amounted to HK$498.4 million, representing an increase of HK$46.0 million or 10.2% as compared with that of the corresponding period last year. The increase in profit was mainly due to the increase in the share of results of joint ventures as a result of continued expansion of the joint venture ship projects.

4. Analysis on Condensed Consolidated Income Statement *(Continued)*

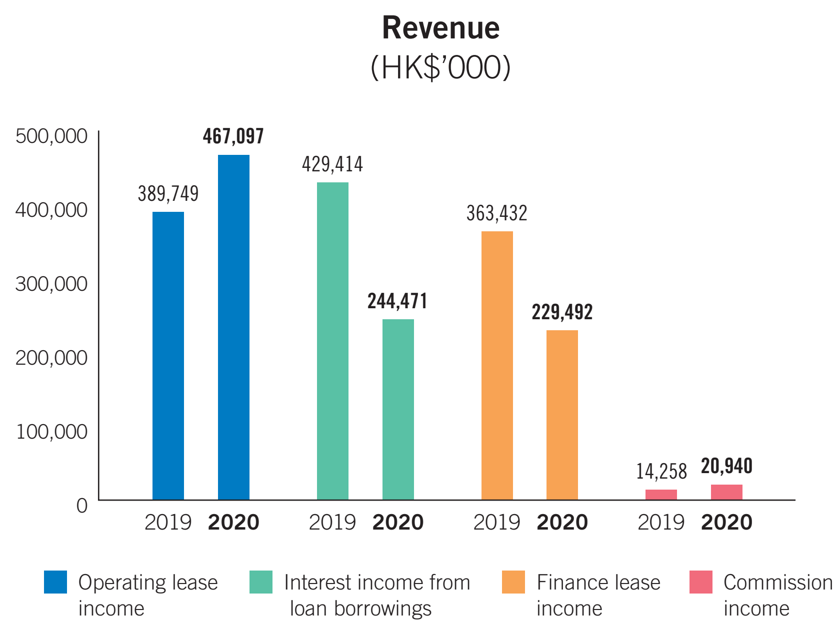
4.2 Revenue

For the six months ended 30 June 2020, the Group's revenue amounted to HK$962.0 million, compared with HK$1,196.9 million for the corresponding period last year, representing a decrease of HK$234.9 million or 19.6%. This was mainly due to the decrease in finance lease income and interest income from loan borrowings, and partially offset by the increase in operating lease income and commission income.

Revenue by Business Activities

The following table sets out, for the periods indicated, a breakdown of the Group's revenue by business activities:

	Six months ended 30 June		
	2020 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)	**Change**
Operating lease income	**467,097**	389,749	19.8%
Interest income from loan borrowings	**244,471**	429,414	(43.1)%
Finance lease income	**229,492**	363,432	(36.9)%
Commission income	**20,940**	14,258	46.9%
	962,000	1,196,853	(19.6)%



4. Analysis on Condensed Consolidated Income Statement *(Continued)*

4.2 Revenue *(Continued)*

The Group's lease income from finance lease and operating lease for the six months ended 30 June 2020 amounted to a total of HK$696.6 million, compared with HK$753.2 million for the six months ended 30 June 2019. The significant decrease in finance lease income was mainly because (i) the fleet size under finance lease arrangement decreased from 48 vessels as at 30 June 2019 to 43 vessels as at 30 June 2020, which resulted in a decrease of HK$67.7 million in finance lease income; and (ii) finance lease income is generally priced on a floating rate basis and with reference to LIBOR, and the average 3-month LIBOR decreased from 2.60% for the six months ended 30 June 2019 to 1.06% for the six months ended 30 June 2020, which resulted in a decrease of HK$107.9 million in finance lease income. The decrease in finance lease income was partially offset by the growth in operating lease income, which was attributable to the increase in the number of vessels under operating lease from 33 vessels as at 30 June 2019 to 41 vessels as at 30 June 2020.

The Group recognised interest income from loan borrowings of HK$244.5 million for the six months ended 30 June 2020, compared with HK$429.4 million for six months ended 30 June 2019, representing a decrease of HK$184.9 million or 43.1%. Such decrease was due to the significant decrease in LIBOR as the Group charges its customers based on a floating rate with reference to LIBOR.

4.3 Other Income and Other Gains/(Losses), Net

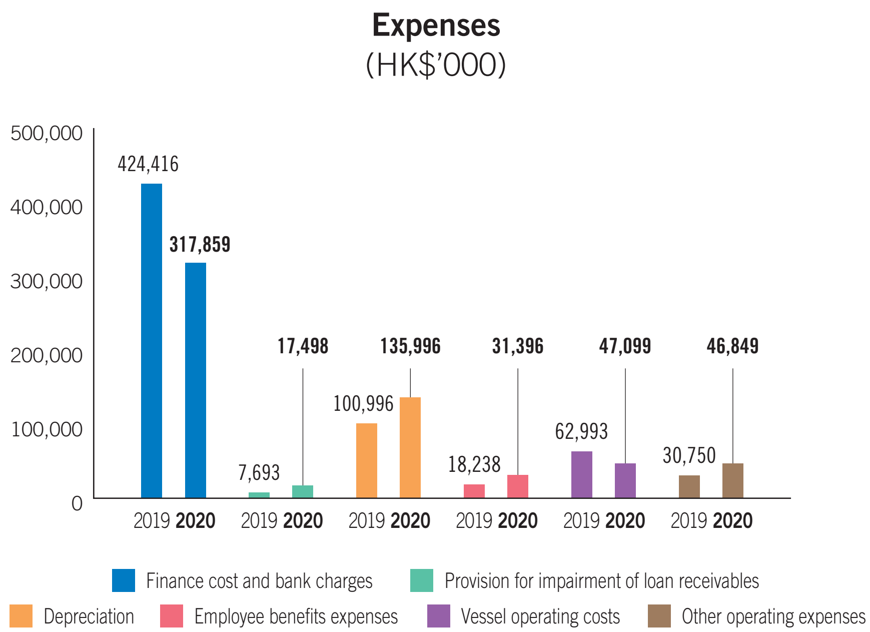
For the first half of 2020, the Group recorded other income and other gains of HK$65.2 million, as compared to a loss of HK$61.7 million for the corresponding period in 2019. The loss recorded for the six months ended 30 June 2019 was attributed to an expenditure of HK$103.1 million, which was classified as prepayment in previous years because of the completion of finance lease contracts in respect of seven vessels due to the exercise of early purchase options by lessees, and no such expenditure was incurred for the six months ended 30 June 2020. In addition, the Group recorded an exchange gain of HK$14.5 million for the six months ended 30 June 2020, as compared to a loss of HK$22.1 million for the six months ended 30 June 2019, due to the appreciation of Hong Kong dollars and Euros.

Other income mainly included dividend income, fair value gain of financial instruments and interest income from bank deposits. Other income decreased from HK$59.7 million for the six months ended 30 June 2019 to HK$51.8 million for the six months ended 30 June 2020, which was mainly due to the decrease in interest income from bank deposits as the average balance of time deposits with maturity over three months and LIBOR decreased significantly.

4. Analysis on Condensed Consolidated Income Statement *(Continued)*

4.4 Expenses

Our expenses mainly comprise (i) finance costs and bank charges; (ii) provision for impairment loss on loan receivables; (iii) depreciation; (iv) employee benefits expenses; (v) vessel operating costs; and (vi) other operating expenses.



(a) *Finance Costs and Bank Charges*

For the six months ended 30 June 2020, finance costs and bank charges incurred by the Group amounted to HK$317.9 million, compared with HK$424.4 million for the corresponding period last year, representing a decrease of HK$106.5 million or 25.1%. The decrease was mainly due to the decrease in average balance of interest-bearing borrowings and the decrease in the average cost of interest-bearing liabilities.

(b) *Depreciation*

Depreciation on the Group's property, plant and equipment for the six months ended 30 June 2020 was HK$136.0 million, compared with HK$101.0 million for the corresponding period last year, representing an increase of HK$35.0 million or 34.7%. The increase was mainly attributable to the increase in the number of vessels under operating lease from 33 vessels as at 30 June 2019 to 41 vessels as at 30 June 2020.

(c) *Vessel Operating Costs*

The Group's vessel operating costs mainly represent the expenses incurred for operating the vessels under operating lease arrangements, including crew expenses, fuel expenses, vessel management fees and vessel insurance. The Group's vessel operating costs for the six months ended 30 June 2020 was HK$47.1 million, compared with HK$63.0 million for the six months ended 30 June 2019, representing a decrease of HK$15.9 million or 25.2%. The higher vessel operating costs for the six months ended 30 June 2019 was mainly due to the one-off supervision fee and system maintenance fee amounting to HK$10.5 million, which were not incurred for the six months ended 30 June 2020.

4. Analysis on Condensed Consolidated Income Statement *(Continued)*

4.5 Share of Results of Joint Ventures

The Group's share of results of joint ventures increased from a loss of HK$34.1 million for the six months ended 30 June 2019 to a profit of HK$80.2 million for the six months ended 30 June 2020, primarily due to the continued expansion of the business of the Group's joint ventures. As at 30 June 2020, our joint venture companies operated eight vessels (as compared with four vessels as at 30 June 2019), and 11 vessels were under construction. The revenue generated by the Group's joint venture companies increased from HK$167.8 million for the six months ended 30 June 2019 to HK$398.1 million for the six months ended 30 June 2020.

5. Analysis on Condensed Consolidated Statement of Financial Position

5.1 Total Assets

The principal components of the Group's assets were property, plant and equipment, loan receivables and cash and cash equivalents, collectively representing 89.0% of the Group's total assets as at 30 June 2020. As at 30 June 2020, the Group's total assets amounted to HK$29,141.5 million, representing an increase of 5.2% as compared with HK$27,696.4 million as at 31 December 2019, primarily due to the increase in property, plant and equipment and prepayments, deposits and other receivables, which was partially offset by the decrease in cash and cash equivalents,.

(a) Property, Plant and Equipment

As at 30 June 2020, the Group's property, plant and equipment amounted to HK$9,471.6 million, representing an increase of 6.2% as compared with HK$8,915.9 million as at 31 December 2019, primarily due to the expansion of the scale of the Group's vessel fleet.

(b) Loan Receivables

The following table sets out, as at the dates indicated, the components of the Group's loan receivables:

	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)	**Change**
Finance lease receivables	**6,561,343**	6,814,012	(3.7)%
Loan borrowings	**7,897,589**	7,632,584	3.5%
Loans to joint ventures	**602,973**	598,206	0.8%
	15,061,905	15,044,802	0.1%

During the year ended 31 December 2019 and the six months ended 30 June 2020, none of the Group's loan receivables was written off.

5. Analysis on Condensed Consolidated Statement of Financial Position *(Continued)*

5.1 Total Assets *(Continued)*

(c) Finance Lease Receivables

The Group's net finance lease receivables represent the present value of minimum lease payment receivables from vessels classified as finance lease and their residual value. There was a decrease in finance lease receivables as at 30 June 2020 as compared to 31 December 2019, mainly due to the repayments of principal amounts from the lessees.

(d) Loan Borrowings

The Group's loan borrowings mainly include receivables from secured loans. The increase in loan borrowings as at 30 June 2020 as compared to 31 December 2019 was mainly due to the lending of new principal amounts to customers during the period.

(e) Loans to Joint Ventures

Loans to joint ventures as at 30 June 2020 remained stable as compared to 31 December 2019.

5.2 Total Liabilities

As at 30 June 2020, the Group's total liabilities amounted to HK$20,680.2 million compared with HK$19,247.2 million as at 31 December 2019, representing an increase of HK$1,433.1 million or 7.4%, which was mainly due to the fact that the Group completed the issuance of US$800 million bonds in the first half of 2020 and the increase in the balance of borrowings.

6. Asset Quality

The Group writes off loan receivables, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the cessation of enforcement activities. The Group may write off loan receivables that are still subject to enforcement activities.

The Group did not write off any loan receivables during the year ended 31 December 2019 and the six months ended 30 June 2020.

7. Working Capital

During the six months ended 30 June 2020, the Group recorded a relatively high gearing ratio, primarily due to its reliance on borrowings to finance its capital expenditure and its financial and liquidity needs derived from its growing business operation. The Group requires substantial working capital for its daily operations due to the balance sheet-driven nature of its business. The directors of the Company (the "Directors") are of the view that the Group's high gearing ratio should not be used as the sole indication that we are subject to unmanageable liquidity risk.

8. Analysis of Condensed Consolidated Statement of Cash Flow

The following table sets out, for the periods indicated, a summary of the Group's consolidated statements of cash flow:

	Six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	**(80,106)**	2,917,153
Net cash used in investing activities	**(1,417,303)**	(1,052,689)
Net cash generated from/(used in) financing activities	**1,000,490**	(72,088)
Net (decrease)/increase in cash and cash equivalents	**(496,919)**	1,792,376
Cash and cash equivalents at the beginning of the period	**1,895,182**	924,060
Effect of foreign exchange rate changes on cash and cash equivalents	**4,166**	(4,496)
Cash and cash equivalents at the end of the period	**1,402,429**	2,711,940

The net cash used in operating activities amounted HK$80.1 million is mainly due to the net increase in prepayments, deposits and other receivables amounted to HK$413.7 million, of which the prepayment for vessels construction for finance lease amounted to HK$488.2 million.

9. Dividend

At the meeting of the board of directors of the Company (the "Board") held on 17 August 2020, the Board declared an interim dividend of HK$0.03 (2019: HK$0.03) per Share. Based on the number of Shares in issue as at the date of this report, the aggregate amount of dividend payable is estimated to be HK$184,081,987.02 (2019: HK$184,081,987.02).

10. Fund Management

10.1 Liquidity

In the first half of 2020, with the continuous development of its main business, the Group's operating performance steadily improved. Benefiting from excellent international ratings and good market reputation, the Group's liquidity was solid, and its financing capabilities continued to increase and financing methods were increasingly diversified while its financing costs continued to decrease. The issuance of US$800 million bonds was successfully completed in February 2020. The issue price was 5-year T5+110 basis points at a coupon rate of 2.5% per annum and 10-year T10+137.5 basis points at a coupon rate of 3.0% per annum, which reflected the market and investors' recognition of the Group's sustainable operation and development in the long run.

The Group continued to accelerate business cooperation with domestic and foreign banks and other financial institutions to fully ensure the financial support required for business development. As at 30 June 2020, the Group established a solid business relationship with more than 20 banks, and obtained banking facilities of HK$19,759.5 million, of which HK$6,325.3 million was unutilised. As at 30 June 2020, the balance of the Group's cash and cash equivalents and deposit was approximately HK$2,031.3 million in total including structured deposits and time deposits. The sources of funds mainly include project charter hire income and the proceeds from bond issuance.

10.2 Bank Loans and Capital Structure

As at 30 June 2020, the balance of the Group's bank loans was HK$13,434.2 million, representing a decrease of HK$4,963.8 million as compared with the balance at the beginning of the year, comprising a balance of project loans of HK$6,887.4 million and a balance of current loans of HK$6,546.8 million. The Group's bank loans have a minimum term of less than one year and a maximum term of 12 years. Current loans are mainly used for daily operational cash flows, while project loans are mainly used for the purchase of vessels for leasing business. The Group strictly performs its obligations under bank loans and repays the principal and interests on a timely basis. In addition, the Group issued USD bonds earlier this year, raised a total of US$800 million (equivalent to HK$6,224.4 million). The proceeds were mainly used for the payment of new shipbuilding orders and the repayment of bank loans.

As at 30 June 2020, the Group's total assets and total liabilities were HK$29,141.5 million and HK$20,680.2 million, respectively, and its equity attributable to owners was HK$8,428.8 million. The Group's gearing ratio was 2.3 times, representing an increase of approximately 0.1 times from the beginning of the year, which was mainly due to the issuance of bonds by the Group and the growth of its scale of liabilities.

10. Fund Management *(Continued)*

10.3 Financing Costs and Structure

In 2020, in the context of complex and volatile macro-financial environment at home and abroad, the continuous spread of the COVID-19 epidemic and the mounting uncertainties in international relations, although the Federal Reserve continued to cut interest rates sharply, due to the liquidity of USD, the fluctuation of USD LIBOR interest rate magnified. The Group kept abreast of the changes in macro situation and adjusted its financing strategies in a timely manner. The Group also rationally selected USD-denominated financing products and properly arranged the term structure to further optimize its debt structure. Benefiting from high credit ratings ("A-" by S&P Global Ratings and "A" by Fitch Ratings), the Group continuously enhanced its funding capability and diversified its financing channels. The Group continued to deepen its cooperation with domestic and overseas banks and other financial institutions to ensure that there would be sufficient funds available for business development. In the first half of 2020, with the outbreak and global spread of the COVID-19 epidemic, domestic and foreign financial markets were affected by multiple factors such as the sharp rise in market risk aversion and the implementation of loose fiscal and monetary policies by governments. The macro-economic and financial environment was complex and changeable, and the financial market violently fluctuated. The Group closely monitored the changes in the macro-economic situation, actively grasped market trends, timely adjusted its financing strategies, and increased the scale of overseas foreign currency liquidity reserves, in order to ensure the smooth operation of its financing and capital management during the COVID-19 epidemic and further optimize its debt structure and reduce its financing costs.

As at 30 June 2020, the average cost of the Group's interest bearing liabilities was decreased from 4.1% at the beginning of the year to 3.3%, indicating a significant decrease in the Group's finance cost. The Group effectively controlled its capital costs through various measures, mainly including lowering the interest rate of existing bank loans, exercising strict control over the interest rate of new loans and adjusting its loan structure. The relevant economic benefits will become increasingly prominent. In terms of interest rate structure, the Group continued to uphold its original interest rate risk management strategies and proactively managed the matching of assets and liabilities in the interest rate structure. In terms of exchange rate structure, the Group continued to uphold its original exchange rate risk management strategies and maintained the basic matching of assets and liabilities in currency.

10. Fund Management *(Continued)*

10.4 Interest Rate Risk

In terms of interest rate risk, the Group's interest spread may be narrowed due to fluctuations in market interest rate. Therefore, the Group manages interest rate risk mainly by controlling the interest rate of its leased assets and the corresponding liabilities. As some of the Group's operating lease business charges charter hire at fixed interest rates, while the corresponding bank loans carry interest at floating interest rates, the Group is exposed to interest rate risk. The Group switched floating interest rates into fixed interest rates through derivatives, such as interest rate swap contracts, to effectively match the future fixed lease income and fix the interest spread. The interest rate swap contracts were settled at maturity. As at 30 June 2020, the Group had interest rate swap contracts with a principal amount of US$720.0 million and cross-currency interest rate swap contracts with a principal amount of US$140.0 million.

10.5 Exchange Rate Risk

In terms of exchange rate risk, the vessels under finance lease and operating lease are purchased in USD, and the corresponding finance lease receivables and fixed assets are denominated in USD, while the main source of funding is interest-bearing liabilities denominated in USD. There is therefore no significant risk exposure in exchange rate. The Group holds some of its monetary funds in Hong Kong dollars, Renminbi and Euros, but the overall proportion is relatively small. Due to the different levels of appreciation of Hong Kong dollars and Euros against USD, the Group's exchange gain was approximately HK$14.5 million during the six months ended 30 June 2020.

10.6 Liquidity Risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from mismatch in the amount or duration with regard to the maturity of financial assets and liabilities. The Group is responsible for its own cash management, including short-term investment of cash surplus and financing to meet its expected cash needs. The Group regularly monitors its existing and expected future liquidity requirements to ensure that it maintains sufficient cash reserves and obtains sufficient financing commitments from major financial institutions to meet its short-term and long-term liquidity needs. As at 30 June 2020, the Group's unutilised banking facilities was HK$6,325.3 million and the balance of cash and cash equivalents and deposit was HK$2,031.3 million in total. As at 30 June 2020, the Group's balance of interest-bearing liabilities was HK$19,658.5 million, of which the balance of interest-bearing liabilities due within one year was HK$4,369.9 million. The balance of interest-bearing liabilities over one year was HK$15,288.6 million.

11. Risk Management

The Group is exposed to various risks in its ordinary course of business, including credit risk, market risk, liquidity risk, operational risk, information technology risk and reputation risk. The Group carries out risk management with the strategic objectives of sustainable development of business and enhancement of the Group's value, and has established a comprehensive risk management system. The Group has unleashed its potential in resources to improve the responsiveness in risk management for safeguarding its business interests.

At present, the Group has adopted a stable strategy in relation to risk preference. With regard to the selection of industries, the Group prefers industries and fields with mature business models, economies of scale and excellent asset quality. In terms of customer selection, the Group prefers large enterprises, leading enterprises in the industry or high-quality listed companies. In terms of leased assets operation, the Group will conduct scientific classification, value analysis and professional management, and accelerate the transfer of leased assets by combining operation strategies, market environment and the features of leased properties. While realizing the steady growth of the business, the Group achieves a return on its earnings that matches the risks, and controls its risks within an acceptable range.

The Group identifies, evaluates, monitors, warns, controls, mitigates and reports various risks based on the characteristics of the leasing industry. The Group continues to deepen its understanding of the risks of industry in which it operates, and actively enhances its risk measurement system. Meanwhile, it also strengthens the proactive monitoring, warning and response management of risks. The Group reduces its overall business risks through asset portfolio management in different countries, regions and industries. The Group proactively adjusts the operation strategies of the industry, strengthens the customer admission criteria, improves the risk assessment system and strives for the maximization of risk return. By enhancing the Group's business quality and efficiency of resource allocation, the creative value of risk management can be achieved.

In the first half of 2020, the Group continuously strengthened the establishment of comprehensive risk management system and promoted the improvement of corporate risk management framework; improved risk preference and risk management strategy system; developed differentiated risk appetites and risk management strategies for the Group's main risk categories and business segments; formulated a comprehensive risk management optimization plan for 2020 to promote the continuous improvement of the Group's comprehensive risk management system; further optimized the stress scenario setting based on internal and external risk situations and testing methods; identified major risk points by analyzing the exposure of various risks under stress scenarios; realized prediction of potential risks.

12. Human Resources

As at 30 June 2020, the Group had a total of 75 employees, approximately 40.0% of whom were located in Hong Kong. The Group has a team of high-quality talents with a bachelor's degree or above. As at 30 June 2020, approximately 96.0% of the Group's employees had a bachelor's degree or above. In the first half of 2020 and 2019, the remuneration of the Group's employees amounted to approximately HK$31.4 million and HK$18.2 million, respectively.

The Group attaches great importance to talent, regards human resources as valuable capital for the development of the Company, and strives to enhance its human resources management systems in all aspects including human resources organization system, remuneration incentives, performance appraisal, and talent introduction and development. The Group strives to develop a result-oriented performance appraisal system and a remuneration and welfare incentive system which is fair internally and competitive externally, to continuously improve incentive measures, to innovate positive incentive methods, and to encourage employees to be responsible and results-driven. The Group strives to continuously optimize vocational promotion and development path of employees, and spares no efforts in improving its talent introduction system and training system, diversifying talent introduction channels, strengthening talent introduction and seeking for more training resources.

The Group endeavors to create a competitive and fair system for remuneration and welfare. The remuneration package of the Group's employees includes basic salary and performance-related bonus. The Group reviews the remuneration package and performance of its employees annually.

13. Pledge of Assets

As at 30 June 2020, the Group's loan receivables of approximately HK$10,804 million, certain of shares of its subsidiaries, deposits of approximately HK$42 million, general assignments, bareboat charterer assignments and intragroup loan assignments and certain listed securities measured at fair value through other comprehensive income approximately of HK$274 million were pledged to banks to acquire bank loans.

Corporate Governance/Other Information

Corporate Governance Practices

The Group is committed to maintaining high standards of corporate governance in order to safeguard the interests of the shareholders of the Company (the "Shareholders") and enhance its corporate value and accountability. The Company has adopted the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code of corporate governance.

During the six months ended 30 June 2020, the Company had complied with all applicable code provisions under the CG Code and adopted most of the recommended best practices.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities by the Directors. Having made specific enquiry with the Directors, all Directors confirmed that they had complied with the standards set out in the Model Code during the six months ended 30 June 2020.

Interim Dividend

The Board declared an interim dividend of HK$0.03 per Share for the six months ended 30 June 2020. The aforesaid interim dividend will be paid on 30 September 2020 to the Shareholders whose names appear on the register of members of the Company on 23 September 2020.

Corporate Governance/Other Information

Audit Committee and Review of the Interim Report

The Board has established an audit committee (the "Audit Committee") which currently comprises three independent non-executive Directors, namely Mdm. Shing Mo Han Yvonne (chairperson), Dr. Wong Yau Kar David and Mr. Li Hongji, and two non-executive Directors, namely Mr. Li Wei and Mr. Zou Yuanjing. The primary duties of the Audit Committee are to review the financial information of the Company and assist the Board in providing an independent view of the financial reporting, risk management and internal control systems of the Company.

The unaudited condensed interim results of the Group for the six months ended 30 June 2020 have been reviewed by the Audit Committee together with the senior management and the external auditor of the Company.

Changes of Information in relation to the Directors

On 29 April 2020, Mr. Yang Li resigned as the chairman of the Board, an executive Director and the chairperson of the nomination committee of the Company (the "Nomination Committee").

On 29 April 2020, Mr. Zhong Jian was re-designated as an executive Director, and was appointed as the chairman of the Board and the chairperson of the Nomination Committee.

Save as disclosed above, the Directors confirmed that there was no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Purchase, Sale or Redemption of Listed Securities of the Company

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2020, based on the information available to the Company, no Directors or chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2020, as far as the Directors are aware, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name	Capacity/Nature of interests	Number of shares	Long/Short position	Approximate percentage of shareholding in the Company (%)
State-owned Assets Supervision and Administration Commission	Interest in controlled corporation[1]	4,602,046,234	Long position	75.00
CSSC Group	Interest in controlled corporation[1]	4,602,046,234	Long position	75.00
CSSC International Holding Company Limited ("CSSC International")	Beneficial owner[1]	4,602,046,234	Long position	75.00
Central Huijin Investment Ltd.	Interest in controlled corporation[2]	522,490,000	Long position	8.52
China Re Asset Management (Hong Kong) Company Limited	Investment manager[2]	522,490,000	Long position	8.52
China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司) ("China Reinsurance")	Beneficial owner[2]	522,490,000	Long position	8.52

Notes:

(1) CSSC International is a wholly-owned subsidiary of CSSC Group, which is wholly owned by the State-owned Assets Supervision and Administration Commission. As such, by virtue of the SFO, CSSC Group and the State-owned Assets Supervision and Administration Commission are deemed to be interested in the 4,602,046,234 Shares held by CSSC International.

(2) Central Huijin Investment Ltd. holds 71.56% of the equity interest in China Reinsurance. As such, by virtue of the SFO, Central Huijin Investment Ltd. is deemed to be interested in the 522,490,000 Shares held by China Reinsurance. The Shares held by China Re Asset Management (Hong Kong) Company Limited (中再資產管理(香港)有限公司) are the same batch as those held by China Reinsurance.

Save as disclosed above, as at 30 June 2020, as far as the Directors are aware, no other persons (other than the Directors and chief executives of the Company) had interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO.

Corporate Governance/Other Information

Use of proceeds from the Listing

The shares of the Company were successfully listed on the Stock Exchange on 17 June 2019, and 1,534,020,000 Shares were issued under the global offering at the price of HK$1.34 per issued Share.

The Company's net proceeds from the Listing were approximately HK$1,974.5 million, after deduction of underwriting fees and related expenses. The Company's plans of using the proceeds from the Listing are set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 28 May 2019 (the "Prospectus"). As at 30 June 2020, the Company had utilised approximately HK$1,168.5 million to strengthen the capital base of the Group's ship leasing business, approximately HK$604.5 million to establish the capital base of marine clean energy equipment (including marine LNG/LPG units), and approximately HK$201.5 million as working capital and for general corporate purposes.

The Company does not have any intention to change the purposes of the proceeds from the Listing, and will gradually utilise the residual amount of the proceeds from the Listing in accordance with the intended purposes as disclosed in the Prospectus.

Directors' Rights to Acquire Shares or Debentures

Save as otherwise disclosed in this report, at no time during the six months ended 30 June 2020 was the Company or its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or exercised any such right.

Independent Review Report

Grant Thornton
致同

To the board of directors of CSSC (Hong Kong) Shipping Company Limited
(incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 28 to 52, which comprises the condensed consolidated statement of financial position of CSSC (Hong Kong) Shipping Company Limited (the "Company") and its subsidiaries (together, the "Group") as of 30 June 2020 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on the interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. 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 Hong Kong Accounting Standard 34 "Interim Financial Reporting".

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

17 August 2020

Lam Yau Hing
Practising Certificate No.: P06622

Condensed Consolidated Income Statement

For the six months ended 30 June 2020

	Note	Six months ended 30 June **2020** **HK$'000** **(Unaudited)**	 2019 HK$'000 (Unaudited)
Revenue	6	**962,000**	1,196,853
Other income and other gains/(losses), net		**65,210**	(61,743)
Total revenue and other income		**1,027,210**	1,135,110
Expenses			
Finance cost and bank charges	7	**(317,859)**	(424,416)
Provision for impairment of loan receivables, net		**(17,498)**	(7,693)
Depreciation		**(135,996)**	(100,996)
Employee benefits expenses		**(31,396)**	(18,238)
Vessel operating costs		**(47,099)**	(62,993)
Other operating expenses		**(46,849)**	(30,750)
Total expenses		**(596,697)**	(645,086)
Profit from operations	8	**430,513**	490,024
Share of results of:			
– Joint ventures		**80,234**	(34,104)
– Associates		**(5,903)**	1,243
Profit before income tax		**504,844**	457,163
Income tax expenses	9	**(6,408)**	(4,762)
Profit for the period		**498,436**	452,401
Attributable to:			
Equity holders of the Company		**504,301**	451,461
Non-controlling interests		**(5,865)**	940
		498,436	452,401
Earnings per share (HK$)			
Basic and diluted	10	**0.082**	0.096

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 **HK$'000** **(Unaudited)**	2019 HK$'000 (Unaudited)
Profit for the period	**498,436**	452,401
Other comprehensive (loss)/income for the period		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of investments in subsidiaries, associates, and joint ventures	**(14,953)**	(17,571)
– Fair value change of financial assets at fair value through other comprehensive income (debts instruments)	**8,491**	11,451
– Release upon settlement of debt instruments at fair value through other comprehensive income	**–**	5,000
– Fair value change of derivative financial instruments (cash flow hedges)	**(177,431)**	(60,439)
Items that will not be reclassified to profit or loss:		
– Fair value change of financial assets at fair value through other comprehensive income (equity instruments)	**4,302**	43,964
Total other comprehensive loss for the period	**(179,591)**	(17,595)
Total comprehensive income for the period	**318,845**	434,806
Total comprehensive income for the period attributable to:		
Equity holders of the Company	**324,853**	434,169
Non-controlling interests	**(6,008)**	637
	318,845	434,806

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Note	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
ASSETS			
Property, plant and equipment	12	**9,471,639**	8,915,910
Right-of-use assets	12	**20,712**	23,685
Interests in associates		**29,298**	35,618
Interests in joint ventures	13	**290,258**	211,304
Prepayments, deposits and other receivables		**594,686**	164,695
Loan receivables	14	**15,061,905**	15,044,802
Derivative financial assets		**–**	3,881
Financial assets at fair value through profit or loss		**571,656**	39,460
Financial assets at fair value through other comprehensive income		**902,958**	777,224
Amounts due from associates		**24,544**	23,968
Amounts due from fellow subsidiaries		**2,686**	220
Amounts due from joint ventures		**139,849**	4,776
Structured bank deposits	15	**487,460**	335,653
Time deposits with maturity over three months		**141,447**	171,395
Cash and cash equivalents		**1,402,429**	1,895,182
Asset held for sale		**–**	48,639
Total assets		**29,141,527**	27,696,412
LIABILITIES			
Income tax payables		**27,170**	22,138
Borrowings	16	**19,658,549**	18,397,969
Derivative financial liabilities		**321,045**	105,966
Amounts due to fellow subsidiaries		**17,444**	20,179
Amount due to a joint venture		**92,665**	96,118
Amount due to a non-controlling interest		**87,466**	87,922
Lease liabilities		**20,905**	23,654
Other payables and accruals		**454,997**	493,222
Total liabilities		**20,680,241**	19,247,168
Net assets		**8,461,286**	8,449,244
EQUITY			
Share capital	17	**6,614,466**	6,614,466
Reserves		**1,814,342**	1,796,292
		8,428,808	8,410,758
Non-controlling interests		**32,478**	38,486
Total equity		**8,461,286**	8,449,244

Condensed Consolidated Statements of Changes in Equity

For the six months ended 30 June 2020

	Attributable to equity holders of the Company								
	Share capital HK$'000 (Unaudited)	Investment revaluation reserve HK$'000 (Unaudited)	Hedging reserve HK$'000 (Unaudited)	Other reserve HK$'000 (Unaudited)	Exchange reserve HK$'000 (Unaudited)	Retained profits HK$'000 (Unaudited)	Sub-total HK$'000 (Unaudited)	Non-controlling interests HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
At 1 January 2020	**6,614,466**	**10,218**	**(67,055)**	**11,051**	**(71,896)**	**1,913,974**	**8,410,758**	**38,486**	**8,449,244**
Profit and total comprehensive income for the period	–	12,793	(177,431)	–	(14,810)	504,301	324,853	(6,008)	318,845
Transaction with equity holders:									
– Dividends paid (Note 11)	–	–	–	–	–	(306,803)	(306,803)	–	(306,803)
At 30 June 2020	**6,614,466**	**23,011**	**(244,486)**	**11,051**	**(86,706)**	**2,111,472**	**8,428,808**	**32,478**	**8,461,286**
At 1 January 2019	4,602,046	(57,510)	–	7,195	(34,532)	1,218,828	5,736,027	29,201	5,765,228
Adjustment on adoption of HKFRS 16, net of tax	–	–	–	–	–	(5)	(5)	–	(5)
At 1 January 2019, as restated	4,602,046	(57,510)	–	7,195	(34,532)	1,218,823	5,736,022	29,201	5,765,223
Profit and total comprehensive income for the period	–	60,415	(60,439)	–	(17,268)	451,461	434,169	637	434,806
Transaction with equity holders:									
– Issues of new shares by public offering, net of expenses	2,012,420	–	–	–	–	–	2,012,420	–	2,012,420
At 30 June 2019	6,614,466	2,905	(60,439)	7,195	(51,800)	1,670,284	8,182,611	29,838	8,212,449

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Net cash generated from operations	**252,890**	3,310,151
Interest income received	**23,151**	56,431
Interests paid	**(354,771)**	(432,801)
Income tax paid	**(1,376)**	(16,628)
Net cash (used in)/generated from operating activities	**(80,106)**	2,917,153
Cash flows from investing activities		
Decrease in time deposits with maturity over three months	**29,948**	6,194
(Increase)/Decrease in structured bank deposits	**(151,807)**	50,733
Payment of purchase of vessels and property, plant and equipment	**(735,560)**	(1,335,862)
Capital injection in a joint venture	**–**	(75,349)
Dividend income received from financial assets at fair value through other comprehensive income	**11,974**	1,068
Purchase of financial assets at fair value through other comprehensive income	**(162,234)**	–
Purchase of financial assets at fair value through profit or loss	**(527,755)**	(39,042)
Proceeds on disposal of financial assets at fair value through other comprehensive income	**48,262**	328,298
Proceeds on settlement of derivative financial instruments	**–**	11,271
Proceeds on disposal of asset held for sale	**69,869**	–
Net cash used in investing activities	**(1,417,303)**	(1,052,689)
Cash flows from financing activities		
Proceeds from issuance of guaranteed bonds	**6,160,395**	–
Proceeds of bank borrowings	**3,128,409**	655,148
Repayment of bank borrowings	**(7,977,868)**	(2,752,642)
Payment of lease liabilities	**(3,643)**	–
Dividends paid	**(306,803)**	–
Proceeds from issuance of ordinary shares under public offering	**–**	2,055,587
Professional expenses paid in connection with public offering	**–**	(30,181)
Net cash generated from/(used in) financing activities	**1,000,490**	(72,088)
Net (decrease)/increase in cash and cash equivalents	**(496,919)**	1,792,376
Cash and cash equivalents at the beginning of the period	**1,895,182**	924,060
Effect of exchange rate changes	**4,166**	(4,496)
Cash and cash equivalents at the end of the period	**1,402,429**	2,711,940

1. General information

CSSC (Hong Kong) Shipping Company Limited (the "Company") is a limited liability company incorporated in Hong Kong. The principal activities of the Company and its subsidiaries (the "Group") are principally engaged in provision of leasing business, vessel brokerage services and financing business acts. The registered office is located at Room 1801, 18th Floor, Worldwide House, No. 19 Des Voeux Road Central, Central, Hong Kong.

This interim financial information is presented in Hong Kong dollars, unless otherwise stated and has been approved for issue by the Board of Directors of the Company on 17 August 2020.

The financial information relating to the year ended 31 December 2019 that is included in the interim financial information for the six months ended 30 June 2020 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

2. Basis of preparation

This interim financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The interim financial information is unaudited but has been reviewed by Grant Thornton Hong Kong Limited, 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.

This interim financial information should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

3. Adoption of new and amended HKFRSs

The accounting policies adopted for the current period are consistent with those of the previous consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following amendments to the HKFRSs (the "amended HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning from 1 January 2020:

Amendments to HKAS 1 and HKAS 8	*Definition of Material*
Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*

The adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

The Group has not early applied any new standards, interpretations or amendments to standards and interpretations that is not yet effective for the current accounting period.

4. Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk.

The interim financial information does not include all financial risk management information and disclosures required in the financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

There have been no changes in the risk management personnel since last year end or in any risk management policies.

(b) Liquidity risk

The Group is responsible for its own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the board of directors when borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

4. Financial risk management *(Continued)*

(c) Credit risk

The Group applies Expected Credit Loss model for impairment assessment. The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. No significant credit risk is conscious for the reporting period. For loan receivables (including finance lease receivables), the Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information, especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counter party's ability to meet its obligations
- actual or expected significant changes in the operating results of the counter party
- significant increases in credit risk on other financial instruments of the same counter party
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the counter party, including changes in the payment status of borrower in the Group and changes in the operating results of the counter party

(d) Fair value estimation

The carrying values less impairment provision (if applicable) of financial assets (including cash and cash equivalents) and financial liabilities with maturities less than twelve months from the end of the reporting period are reasonable approximation of their fair values. Fair value of long-term borrowings is estimated using the estimated future payments discounted at market interest rates.

The different levels of financial instruments carried at fair value have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2), and not using significant unobservable inputs.
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

4. Financial risk management *(Continued)*

(d) Fair value estimation *(Continued)*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

The following table presents the Group's financial assets and financial liabilities that are measured at fair value as at 30 June 2020.

(i) Fair value hierarchy

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
At 30 June 2020 (Unaudited)				
Financial assets				
Financial assets at fair value through profit or loss	**–**	**197,752**	**373,904**	**571,656**
Financial assets at fair value through other comprehensive income	**902,958**	**–**	**–**	**902,958**
Total financial assets at fair values	**902,958**	**197,752**	**373,904**	**1,474,614**
Financial liabilities				
Derivative financial liabilities	**–**	**321,045**	**–**	**321,045**
At 31 December 2019 (Audited)				
Financial assets				
Derivative financial assets	–	3,881	–	3,881
Financial assets at fair value through profit or loss	–	–	39,460	39,460
Financial assets at fair value through other comprehensive income	777,224	–	–	777,224
Structured bank deposits	–	335,653	–	335,653
Total financial assets at fair values	777,224	339,534	39,460	1,156,218
Financial liabilities				
Derivative financial liabilities	–	105,966	–	105,966

4. Financial risk management *(Continued)*

(d) Fair value estimation *(Continued)*

(i) Fair value hierarchy *(Continued)*

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and listed equity and debt instruments) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments
- the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves
- the fair value of foreign exchange contracts is determined using forward exchange rates at the balance sheet date
- the fair value of the unlisted exchangable note is determined using binomial option pricing model
- the fair value of the remaining financial instruments is determined using discounted cash flow model

4. Financial risk management *(Continued)*

(d) Fair value estimation *(Continued)*

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements.

Description	Fair value at 30 June 2020 HK$'000	Fair value at 31 December 2019 HK$'000	Unobservable inputs	Range of inputs 2020	Range of inputs 2019	Relationship of unobservable inputs to fair value
Investments in wealth management portfolio	**156,896**	39,460	Expected rate of return	**3%-6%**	5%-6%	The higher the expected rate of return the higher the fair value
Unlisted exchangeable note	**217,008**	–	Expected volatility	**37%**	N/A	The lower the expected volatility, the lower the fair value
			Discount rate	**10.33%**	N/A	The higher discount rate, the lower the fair value

Valuation processes

The finance department of the Group includes a team that performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer ("CFO"). Discussions of valuation processes and results are held between the CFO and the valuation team at least annually.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Discount rates for financial assets are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

- Risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk gradings determined by internal credit risk management of Group.

- Earning growth factor for unlisted equity securities are estimated based on market information for similar types of companies

4. Financial risk management *(Continued)*

(d) Fair value estimation *(Continued)*

(iii) Fair value measurements using significant unobservable inputs (level 3) *(Continued)*

Valuation processes (Continued)

Changes in level 2 and 3 fair values are analysed at the end of each reporting periods during the half-yearly valuation discussion between the CFO and the valuation team. As part of this discussion the team presents a report that explains the reason for the fair value movements.

There was no transfer among level 1, 2 and 3 during six months ended 30 June 2020.

The carrying values of the Group's financial assets and financial liabilities carried at amortised costs approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments, unless the discounting effect is insignificant.

5. Critical accounting estimates and judgements

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended 31 December 2019.

6. Segment information and revenue

The chief operating decision-maker ("CODM") has been identified as the executive directors of the Company. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and analysed from a business perspective: (i) leasing services, (ii) loan borrowings and (iii) shipbroking services.

The Group derives revenue from the transfer of services in the following:

	Leasing services HK$'000 (Unaudited)	Loan borrowings HK$'000 (Unaudited)	Shipbroking services HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
For the period ended 30 June 2020				
Segment revenue	**696,589**	**244,471**	**20,940**	**962,000**
Inter-segment revenue	**–**	**–**	**–**	**–**
Revenue from external customers	**696,589**	**244,471**	**20,940**	**962,000**
For the period ended 30 June 2019				
Segment revenue	753,181	429,414	14,258	1,196,853
Inter-segment revenue	–	–	–	–
Revenue from external customers	753,181	429,414	14,258	1,196,853

Commission income, included in shipbroking services segment, are recognised at point in time method during the six months ended 30 June 2020 and 2019.

Segment assets and liabilities

No assets and liabilities are included in the Group's segment reporting that are submitted to and reviewed by CODM internally. Accordingly, no segment assets and liabilities are presented.

Revenue by business activities	**Six months ended 30 June**	
	2020 **HK$'000** **(Unaudited)**	2019 HK$'000 (Unaudited)
Finance lease income	**229,492**	363,432
Operating lease income	**467,097**	389,749
Interest income from loan borrowings	**244,471**	429,414
Commission income	**20,940**	14,258
	962,000	1,196,853

7. Finance cost and bank charges

	Six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest and charges on borrowings	**278,721**	489,333
Less: finance costs capitalised	**(28,247)**	(65,981)
Bank charges	**687**	1,009
Interest on lease liabilities	**361**	55
Interest and charges on bonds	**66,337**	–
	317,859	424,416

8. Profit from operations

Profit from operations is stated after crediting/(charging) the followings:

	Six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Dividend income	**14,773**	14,779
Gain on disposal of asset held for sale	**21,230**	–
Interest income from financial assets at fair value through profit or loss	**8,633**	–
Interest income from financial assets at fair value through other comprehensive income	**11,866**	16,723
Net realised gain from derivative financial instruments	**1,319**	11,271
Net realised gain from financial assets at fair value through other comprehensive income	**3,508**	–
Net loss on changes in fair value of derivative financial instrument	**(41,521)**	(56,505)
Net gain on changes in fair value of financial assets at fair value through profit or loss	**5,388**	31,497
Net gain/(loss) on de-recognition of finance lease receivables	**3,911**	(103,112)
Listing expenses	**–**	(14,918)

9. Income tax expenses

	Six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current income tax		
– Hong Kong Profits Tax	**3,658**	–
– People's Republic of China ("PRC") enterprise income tax	**2,750**	4,762
	6,408	4,762

Hong Kong Profits Tax has been provided at the rate of 16.5% (2019: Nil) on the estimated assessable profit for the period.

PRC enterprise income tax has been calculated on the estimated assessable profit for the period at the income tax rate applicable to PRC entities of 25% (2019: 25%).

10. Earnings per share

Basic

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (in HK$'000)	**504,301**	451,461
Weighted average number of ordinary shares in issue ('000)	**6,136,066**	4,720,700
Basic earnings per share (in HK$)	**0.082**	0.096

10. Earnings per share *(Continued)*

Diluted

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potentially dilutive ordinary shares outstanding as at 30 June 2020 and 2019.

11. Dividend

	Six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Dividends approved and paid during the period:		
Final dividend in respect of the year ended 31 December 2019 of HK5 cents per ordinary share	**306,803**	–
Dividends proposed:		
Interim dividend of HK3 cents (2019: HK3 cents) per ordinary share	**184,082**	184,082

At the board meeting held on 17 August 2020, the board has declared an interim dividend of HK3 cents (2019: HK3 cents) per share, as the interim dividend is declared after reporting period, such dividend has not been recognised as liability as at 30 June 2020.

12. Property, plant and equipment and right-of-use assets

	Construction in progress HK$'000	Vessels HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Leasehold improvements HK$'000	Total HK$'000
At 31 December 2019, audited						
Cost	1,608,725	8,216,972	2,249	5,314	1,808	9,835,068
Accumulated depreciation and impairment	–	(913,041)	(1,763)	(3,886)	(468)	(919,158)
Net book values	1,608,725	7,303,931	486	1,428	1,340	8,915,910
Opening net book values	1,608,725	7,303,931	486	1,428	1,340	8,915,910
Additions	657,867	77,611	–	82	–	735,560
Depreciation	–	(131,369)	(89)	(373)	(741)	(132,572)
Transfer	(314,432)	314,432	–	–	–	–
Exchange differences	(8,928)	(38,286)	(6)	(19)	(20)	(47,259)
Closing net book values	1,943,232	7,526,319	391	1,118	579	9,471,639
At 30 June 2020, unaudited						
Cost	1,943,232	8,565,815	2,206	5,308	1,775	10,518,336
Accumulated depreciation and impairment	–	(1,039,496)	(1,815)	(4,190)	(1,196)	(1,046,697)
Net book values	1,943,232	7,526,319	391	1,118	579	9,471,639

As at 30 June 2020, the carrying amount of the Group's right-of-use assets in relation to the office are HK$20,712,000 (31 December 2019: HK$23,685,000). Addition to the right-of-use assets during six month ended 30 June 2020 were HK$ Nil (six months ended 30 June 2019: HK$3,572,000).

Depreciation of the right-to-use assets during six months ended 30 June 2020 were HK$3,424,000 (six months ended 30 June 2019: HK$1,492,000).

13. Interests in joint ventures

	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Interests in joint ventures	**290,258**	211,304

Details of the joint ventures as at 30 June 2020 are as follows:

Name	**Place of incorporation and operation**	**Principal activities**	**Percentage of interest in ownership, voting power and profit sharing**
Ocean Classic Limited	British Virgin Islands	Vessel owning and chartering	50%
Sino-sin Shipping Company Limited	Bermuda	Vessel owning	50%
Vista Shipping Limited	Marshall Islands	Vessel owning and chartering	50%
Zhendui Industrial Intelligent Technology Co., Ltd.	The PRC	Marine technology	18%

14. Loan receivables

	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Loan borrowings (note a)	**7,972,116**	7,847,210
Loans to joint ventures (note b)	**602,973**	598,326
Finance lease receivables (note c)	**7,031,416**	7,126,488
	15,606,505	15,572,024
Less: accumulated allowance for impairment	**(544,600)**	(527,222)
Net carrying amount	**15,061,905**	15,044,802

(a) A maturity profile of the loan borrowings as at the end of the reporting periods, based on the maturity date, net of provision, is as follows:

	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Within 1 year	**899,116**	987,993
More than 1 year but less than 2 years	**656,639**	932,942
Between 2 to 5 years	**1,900,251**	3,023,641
Over 5 years	**4,441,583**	2,688,008
	7,897,589	7,632,584

(b) Loans to joint ventures are repayable on demand.

14. Loan receivables *(Continued)*

(c) Details of the finance lease receivables as at the end of the reporting periods are as follows:

	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Gross investment in leases	**8,252,476**	8,351,121
Less: unearned finance income	**(1,221,060)**	(1,224,633)
Net investments in leases	**7,031,416**	7,126,488
Less: accumulated allowance for impairment	**(470,073)**	(312,476)
Finance lease receivables – net	**6,561,343**	6,814,012

The table below analyses the Group's gross investment in finance leases by relevant maturity groupings at the end of the reporting periods:

	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Gross investment in finance leases		
– Within 1 year	**2,070,845**	1,525,107
– More than 1 year but less than 2 years	**889,704**	1,922,039
– Between 2 to 5 years	**2,732,283**	2,593,238
– Over 5 years	**2,559,644**	2,310,737
	8,252,476	8,351,121

The carrying amounts of the Group's loan receivables approximate their fair values and are mainly denominated in Renminbi ("RMB") and US dollar.

15. Structured bank deposits

As at 30 June 2020, the Group's structured bank deposits are principal-protected and placed with the banks located in the PRC and Hong Kong. These deposits are with original maturity dates more than three months, interest bearing, denominated in RMB and USD. The carrying amounts of structured bank deposits approximate their fair values.

16. Borrowings

	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Bank borrowings (note a)	**13,434,195**	18,397,969
Guaranteed bonds (note b)	**6,224,354**	–
	19,658,549	18,397,969

(a) The Group's bank borrowings were repayable based on the scheduled repayment terms set out in the loan agreements as follows:

	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
On demand and within 1 year	**4,251,687**	5,621,747
More than 1 year but less than 2 years	**1,108,836**	1,711,312
More than 2 years but less than 5 years	**5,963,183**	6,017,514
Over 5 years	**2,110,489**	5,047,396
	13,434,195	18,397,969

16. Borrowings

(a) (Continued)

As at 30 June 2020, the Group's secured bank borrowings of HK$6,893,656,000 (31 December 2019: HK$18,397,969,000) were secured by loan receivables of approximately HK$10,804,000,000 (31 December 2019: HK$11,334,000,000), certain of shares of the subsidiaries, deposits of approximately HK$42,000,000 (31 December 2019: HK$35,000,000), general assignments, bareboat charterer assignments, intra group loan assignments and property, plant and equipment of approximately HK$nil (31 December 2019: HK$2,514,700,000) and corporate guarantee given by the ultimate holding company.

As at 30 June 2020, the Group's secured bank borrowings of approximately HK$210,508,000 (31 December 2019: HK$nil) were secured by pledge of certain listed equity securities measured at fair value through other comprehensive income with carrying amount of HK$274,125,000 (31 December 2019: HK$nil). The loan bears interest at 3-month LIBOR plus 1.05% per annum (31 December 2019: nil).

As at 30 June 2020, the Group's bank borrowings of HK$6,330,031,000 (31 December 2019: HK$nil) were unsecured and guaranteed by the Company.

The Group's bank borrowings bear interest at weighted average interest rates range from 1.37% to 3.92% (31 December 2019: 2.69% to 4.60%) per annum.

(b) In February 2020, the Group issued two guaranteed bonds of US$400,000,000 (approximately HK$3,112,177,000) due 2025 and US$400,000,000 (approximately HK$3,112,177,000) due 2030 bearing interest at 2.5% and 3.0% respectively. The guaranteed bonds were listed on The Stock Exchange of Hong Kong Limited. As at 30 June 2020, the guaranteed bonds and its accrued interest were repayable as follows:

	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Within 1 year	**118,250**	-
More than 1 years but less than 5 years	**3,035,979**	-
Over 5 years	**3,070,125**	-
	6,224,354	-

17. Share capital

Ordinary shares, issued and fully paid:

	Numbers of shares ('000)	**Share capital** HK$'000
At 31 December 2019 and 30 June 2020, unaudited	6,136,066	6,614,466

18. Capital commitments

	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Contracted for construction of vessels		
– the Group	**2,695,874**	4,289,405

As at 30 June 2020, the commitments contracted for construction of vessels, which were classified as finance lease arrangement was approximately HK$7,388,114,000 (31 December 2019: HK$7,361,019,000)

19. Contingencies

The financial guarantees issued by the Group as at 30 June 2020 are analysed as below:

	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Guarantees provided in respect of bank loans of:		
– Bank guarantees to joint ventures	**2,018,071**	1,830,227

The Group has assessed the fair value of the above guarantees and does not consider them to be material. They have therefore not been recognised in the condensed consolidated statement of financial position

20. Related party transactions

The directors of the Company regard CSSC International Holding Company Limited as the immediate holding company, which owns 75% of the Company's issued ordinary shares at 30 June 2020. The parent company of the Group is China State Shipbuilding Corporation Limited*（中國船舶工業集團有限公司）("CSSC Group"), a state-owned enterprise established in the PRC. CSSC Group itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC.

Related parties include CSSC Group and its subsidiaries (other than the Group), other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and CSSC Group as well as their close family members.

The following is a summary of the significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the six months ended 30 June 2020 and 2019.

** For identification purpose only*

20. Related party transactions *(Continued)*

(a) Transaction with related parties

The Group entered into the following related party transactions for the six months ended 30 June 2020 and 2019:

Transactions with fellow subsidiaries:

	2020 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)
Finance lease income	**–**	602
Commission income	**2,778**	3,092
Interest income	**5,213**	–
Purchase of vessels and offshore equipment	**(618,032)**	(1,237,734)
Other operating expenses	**–**	(458)
Building management fee and utilities expenses	**(7,443)**	(456)

These transactions with related parties are carried out on pricing and settlement terms agreed with counter parties in the ordinary course of business.

(b) Key management compensation

Key management includes executive directors and senior management. The compensations paid or payable to key management for employee services are shown below:

	2020 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)
Wages, salaries and bonuses	**5,699**	4,714
Retirement benefit costs	**596**	634
	6,295	5,348

21. Impacts of COVID 19

The COVID-19 epidemic has caused big impact on the domestic and overseas social and economic development. The Group has considered this factor when assessing the recoverability of receivables for the six months ended 30 June 2020.

The Group will continue to pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of interim financial information were authorised for issue, the Group was not aware of any material adverse effects on the interim financial information as a result of the COVID-19 outbreak.

Other than the events disclosed above, the Group had no material event after the reporting period.

CSSC (Hong Kong) Shipping Company Limited
中國船舶(香港)航運租賃有限公司