



中遠海運發展股份有限公司

COSCO SHIPPING Development Co., Ltd.

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

Stock Code: 2866



SHIPPING FINANCIAL SERVICE PLATFORM

INTERIM REPORT 2020



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CORPORATE INFORMATION

DIRECTORS

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

SUPERVISORS

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

EXECUTIVE COMMITTEE

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

INVESTMENT STRATEGY COMMITTEE

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

RISK CONTROL COMMITTEE

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CHIEF ACCOUNTANT

Mr. Lin Feng

JOINT COMPANY SECRETARIES

Mr. Cai Lei
Ms. Ng Sau Mei

AUTHORISED REPRESENTATIVES

Mr. Wang Daxiong
Mr. Cai Lei

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**PRINCIPAL PLACE OF BUSINESS IN THE PRC**

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The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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INTERNATIONAL AUDITOR

Ernst & Young

DOMESTIC AUDITOR

ShineWing Certified Public Accountants LLP

LEGAL ADVISERS

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

HONG KONG H SHARE REGISTRAR**AND TRANSFER OFFICE**

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Hong Kong

PRINCIPAL BANKERS

Bank of China
Industrial and Commerce Bank of China
China Development Bank
Agricultural Bank of China
China Everbright Bank
Shanghai Pudong Development Bank
ING Bank
Standard Chartered Bank

TELEPHONE NUMBER

86 (21) 6596 6105

FAX NUMBER

86 (21) 6596 6813

COMPANY WEBSITE

<http://development.coscoshipping.com>

H SHARE LISTING PLACE

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

LISTING DATE

16 June 2004

NUMBER OF H SHARES IN ISSUE

3,676,000,000 H Shares

BOARD LOT (H SHARES)

1,000 Shares

HONG KONG STOCK EXCHANGE STOCK CODE

02866

A SHARE LISTING PLACE

Shanghai Stock Exchange

LISTING DATE

12 December 2007

NUMBER OF A SHARES IN ISSUE

7,932,125,000 A Shares

BOARD LOT (A SHARES)

100 Shares

SHANGHAI STOCK EXCHANGE STOCK CODE

601866

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



FINANCIAL HIGHLIGHTS (UNDER HKFRSs)

- Revenue amounted to RMB7,806,600,000
- Profit attributable to owners of the parent for the Period amounted to RMB855,018,000
- Basic earnings per share amounted to RMB0.0595



MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING ENVIRONMENT

In the first half of 2020, the economic growth of major economies across the world dropped significantly as the COVID-19 pandemic upended global economy and financial system. In the World Economic Outlook Update, June 2020, the International Monetary Fund forecasted a -4.9% growth for global economy, substantially more pessimistic than its April forecast. The sluggish market, resulting in the disruptions to shipping industrial chain and supply chain amid the decline in global trade and investment, has imposed pressure on the business operations of the Company.

In the second half of the year, as the international environment becomes increasingly complicated, and the impact of global pandemic remains severe, instability and uncertainty intensify. Governmental organizations of many nations or regions adopt loose monetary policies to mitigate the impact of the pandemic. In China, the pandemic is under effective control, and the new development model of “domestic grand circulation as the main body with mutual promotion between domestic and international circulations” is taking shape at an accelerated pace. In addition, the COVID-19 pandemic has indirectly facilitated the adoptions of new technologies such as big data and the Internet, creating new opportunities for the extension of global supply chain and driving the recovery of shipping and ports and the acceleration of digitalization. Both opportunities and challenges are seeing new development and changes.

DEVELOPMENT STRATEGY OF THE COMPANY

1. STRATEGIC POSITION

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

2. DEVELOPMENT GOALS

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

3. DEVELOPMENT PLANS

1) Shipping and Industry-related Leasing Business

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



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

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

2) Container Manufacturing Business

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

3) Investment and Service Business

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

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



FINANCIAL REVIEW OF THE GROUP

The Group recorded a revenue of RMB7,806,600,000 for the six months ended 30 June 2020 (the “Period”), representing an increase of 14.2% as compared with the revenue of RMB6,833,526,000 for the same period of last year; profit before tax from continuing operations amounted to RMB954,014,000, representing a decrease of 3.4% as compared with the profit of RMB987,167,000 for the same period of last year; profit attributable to owners of the parent for the Period amounted to RMB855,018,000, representing a decrease of 5.5% as compared with the profit of RMB904,362,000 for the same period of last year.

Analysis of segment results is as follows:

Unit: RMB'000


Segment	Revenue			Change (%)	Cost		
	For the six months ended 30 June 2020	For the six months ended 30 June 2019			For the six months ended 30 June 2020	For the six months ended 30 June 2019	Change (%)
Shipping and industry-related leasing business	5,748,995	5,243,507	9.6%	4,032,019	3,925,951	2.7%	
Container manufacturing business	2,426,441	2,437,749	(0.5%)	2,192,318	2,362,104	(7.2%)	
Investment and service business	28,699	24,540	16.9%	220	102	115.7%	
Other business	–	–	0%	4,413	42,064	(89.5%)	
Offset amount	(397,535)	(872,270)	(54.4%)	(377,737)	(891,724)	(57.6%)	
Total	7,806,600	6,833,526	14.2%	5,851,233	5,438,497	7.6%	

1. ANALYSIS OF SHIPPING AND INDUSTRY-RELATED LEASING BUSINESS

1) Operating Revenue

The Group recorded a revenue from the leasing business of RMB5,748,995,000 for the six months ended 30 June 2020, representing an increase of 9.6% as compared with RMB5,243,507,000 for the same period of last year, which accounted for 73.6% of the total revenue of the Group. The increase was mainly due to the expansion of the vessel finance leasing business and the appreciation of the exchange rate of USD against RMB during the Period.

Revenue from the vessel leasing business amounted to RMB2,567,694,000, representing an increase of 5.0% as compared with RMB2,446,168,000 for the same period of last year. Revenue from vessel operating leasing amounted to RMB2,273,813,000 while revenue from vessel finance leasing and other shipping finance leasing amounted to approximately RMB293,881,000. As at 30 June 2020, the Group leased out 86 vessels (as at 31 December 2019: 91 vessels).



Revenue from leasing, management and sale of containers amounted to RMB1,807,453,000, representing an increase of 10.1% as compared with RMB1,641,074,000 for the same period of last year. The increase was mainly due to the increase in the revenue from the container leasing segment as a result of the year-on-year increase of 31.0% in the sales of second-hand containers during the Period as the Company leveraged the synergy between leasing and manufacturing to proactively explore the market, and seized the market opportunities of shortage in repositioned containers in shipping routes across Europe and the USA to proactively ramp up sales efforts during the year.

Revenue from other industry-related finance leasing amounted to RMB1,373,848,000, representing an increase of 18.8% as compared with RMB1,156,265,000 for the same period of last year. The increase in revenue from other industry-related finance leasing was mainly due to the increase in revenue from finance leasing attributable to the growth of the finance leasing business during the Period.

2) Operating Costs

Operating costs of the leasing business mainly include the depreciation and maintenance costs of self-owned vessels, depreciation of self-owned containers, staff salaries, net carrying value of sale of containers returned upon expiry and financing costs of leased-in vessels and containers. Operating costs of the leasing business for the six months ended 30 June 2020 amounted to RMB4,032,019,000, representing an increase of 2.7% as compared with the costs of RMB3,925,951,000 for the same period of last year. Costs of vessel leasing decreased by 2.6% year-on-year, mainly due to the decrease in costs as a result of the expiration of leases on certain sub-chartered vessels during the Period; costs of container leasing increased by 5.3% year-on-year, mainly due to the increase in depreciation costs as a result of the increase in the number of new containers purchased; costs of other industry-related leasing business increased by 16.7% year-on-year, mainly due to further expansion of other industry-related leasing business, leading to a year-on-year increase of approximately 18.0% in the average balance of interest-bearing liabilities during the Period.

2. ANALYSIS OF CONTAINER MANUFACTURING BUSINESS

1) Operating Revenue

For the six months ended 30 June 2020, the Group recorded an operating revenue from the container manufacturing business of RMB2,426,411,000, representing a decrease of 0.5% as compared with RMB2,437,749,000 for the same period of last year. The Group's container sales amounted to 187,636 TEU for the Period, representing a decrease of 15.5% as compared with 222,000 TEU for the same period of last year. Affected by the COVID-19 pandemic, the sales volume of containers decreased as the container manufacturing segment was hard-hit, while the average unit price of containers increased year-on-year as the Company proactively promoted industry self-discipline to maintain a sound development momentum of the container manufacturing market. As a result, the revenue remained essentially the same.

2) Operating Costs

Operating costs of the container manufacturing business mainly consist of raw material costs, employee compensation and depreciation expenses. The operating costs for the six months ended 30 June 2020 amounted to RMB2,192,318,000, representing a decrease of 7.2% as compared with RMB2,362,104,000 for the same period of last year. Such decrease was mainly due to the decrease in the production costs such as raw material costs as a result of the decrease in the sales volume of containers as the container manufacturing market was affected by the pandemic.



3. ANALYSIS OF INVESTMENT AND SERVICE BUSINESS

1) Operating Revenue

For the six months ended 30 June 2020, the Group recorded revenue from the investment and service business of RMB28,699,000, representing an increase of 16.9% as compared with the revenue of RMB24,540,000 for the same period of last year. The increase was mainly attributable to better operating results of the insurance broker business for the Period as compared with the same period of last year.

2) Operating Costs

Operating costs for the six months ended 30 June 2020 amounted to RMB220,000, representing an increase of RMB118,000 as compared with the costs of RMB102,000 for the same period of last year.

3) Net Investment Income

For the six months ended 30 June 2020, the Group recorded net income from the investment business of RMB855,892,000, representing a decrease of 53.5% as compared with the income of RMB1,841,480,000 for the same period of last year. The decrease in income was mainly attributable to the decrease in the performance of associates held by the Group and the decrease in fair value of financial assets resulted from the fluctuation of share prices in the market.

GROSS PROFIT

Due to the above reasons, the Group recorded a gross profit of RMB1,955,367,000 for the six months ended 30 June 2020 (the gross profit for the same period of last year was RMB1,395,029,000).

SIGNIFICANT SECURITIES INVESTMENT

During the six months ended 30 June 2020, the Company's equity investments in associates and joint ventures generated a profit of RMB1,023,503,000, which was mainly attributable to the profits from China Everbright Bank Co., Ltd., China Bohai Bank Co., Ltd. and COSCO SHIPPING Finance Company Limited for the Period.



1. SHAREHOLDINGS IN OTHER LISTED COMPANIES

Stock code	Company name	Initial investment cost (RMB)	Shareholding at the beginning of the Period (%)	Shareholding at the end of the Period (%)	Book value at the end of the Period (RMB)	Gain during the Period (RMB)	Changes in other reserve during the Period (RMB)	Gain from disposal (RMB)	Dividends received during the Period (RMB)	Accounting ledger	Sources of the shareholding
000039/ 02039	China International Marine Containers (Group) Co., Ltd.	6,338,818,000	22.70	22.69	8,308,875,000	(87,009,000)	(43,852,000)	-	-	Investment in associates	Purchase
601818	China Everbright Bank Co., Ltd.	3,398,255,000	1.38	1.38	4,470,276,000	231,691,000	400,000	-	154,936,000	Investment in associates	Purchase
600643	Shanghai AI Group Co., Ltd.	25,452,000	0.22	0.22	28,103,000	(5,833,000)	-	-	-	Financial assets at fair value through profit or loss	Purchase
000617	CNPC Capital Company Limited	895,929,037	0.97	0.91	858,278,000	(96,476,000)	-	-	-	Financial assets at fair value through profit or loss	Purchase
688009	China Railway Signal & Communication Corporation Limited	11,839,000	0.11	0.11	71,315,000	(3,238,000)	-	-	-	Financial assets at fair value through profit or loss	Purchase
600390	Minmetals Capital Co., Ltd.	1,483,427,579	3.94	3.90	1,237,376,000	(123,471,000)	-	-	-	Financial assets at fair value through profit or loss	Purchase
Total		12,153,720,616	/	/	14,974,223,000	(84,336,000)	(43,452,000)	-	154,936,000		

2. SHAREHOLDINGS IN FINANCIAL ENTERPRISES

Name of investee	Initial investment cost (RMB)	Shareholding at the beginning of the Period (%)	Shareholding at the end of the Period (%)	Book value at the end of the Period (RMB)	Gain during the Period (RMB)	Changes in other reserve during the Period (RMB)	Gain from disposal (RMB)	Dividends received during the Period (RMB)	Accounting ledger	Sources of the shareholding
China Bohai Bank Co., Ltd.	5,749,379,000	13.67	13.67	9,235,577,000	673,102,000	(24,988,000)	-	-	Investment in associates	Purchase
Bank of Kunlun Co., Ltd.	838,959,000	3.74	3.74	1,354,352,000	68,450,000	(6,903,000)	-	26,922,000	Investment in associates	Purchase
Shanghai Life Insurance Co., Ltd	320,000,000	16	16	1,021,420,000	1,276,000	32,072,000	-	-	Investment in associates	Purchase
CIB Fund Management Co., Ltd	50,000,000	10	10	329,638,000	23,132,000	-	-	10,000,000	Investment in associates	Purchase
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd.	125,000,000	25	25	132,882,000	(1,156,000)	-	-	-	Investment in joint ventures	Purchase
Chinese Enterprise Elephant Financial Information Services Company Limited	20,000,000	12.5	12.5	23,065,000	4,167,000	-	-	-	Investment in associates	Purchase
Shanghai COSCO SHIPPING Microfinance Company Limited	90,000,000	45	45	92,078,000	542,000	-	-	-	Investment in associates	Purchase
COSCO SHIPPING Finance Company Limited	1,186,390,000	23.38	23.38	2,115,386,000	106,693,000	2,959,000	-	78,635,000	Investment in associates	Purchase
Total	8,379,728,000	/	/	14,304,398,000	876,206,000	3,140,000	-	115,557,000		



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

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

The stock market was volatile during the six months ended 30 June 2020. The Company expects the investment portfolio of the Group (including the above significant investments) will be subject to the fluctuations of interest rates, market factors and macroeconomic factors, etc. Moreover, the market value of individual shares will be affected by the financial results, development plans as well as prospects of the industries of the relevant companies. To mitigate the relevant risks, the Group will take appropriate measures in due course and adjust its investment strategies in response to market circumstances.

INCOME TAX

For the six months ended 30 June 2020, the corporate income tax (“**CIT**”) rate applicable to the Company and its subsidiaries in the PRC was 25%.

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

SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

For the six months ended 30 June 2020, the Group’s selling, administrative and general expenses amounted to RMB457,626,000, representing an increase of 2.1% as compared with the same period of last year.



OTHER (LOSSES)/GAINS

For the six months ended 30 June 2020, other losses of the Group amounted to RMB104,685,000, representing a turnaround to losses of approximately RMB658,002,000 as compared with other gains of RMB553,317,000 for the same period of last year, mainly attributable to the decrease in share prices of listed equity investments held by the Group.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT FOR THE PERIOD

The profit attributable to owners of the parent of the Company for the six months ended 30 June 2020 was RMB855,018,000, representing a decrease of 5.5% as compared with the profit of RMB904,362,000 for the same period of last year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

LIQUIDITY AND BORROWINGS

The Group's principal sources of liquidity are operating cash inflow and short-term bank borrowings. The Group's cash is mainly used for operating expenses, repayment of loans, procurement of containers, and the Group's financial leasing business. During the Period, the Group's net operating cash inflow was RMB3,581,547,000. As at 30 June 2020, the Group's cash and cash equivalents amounted to RMB11,658,441,000.

As at 30 June 2020, the Group's total bank and other borrowings amounted to RMB96,415,966,000, with RMB38,479,008,000 repayable within one year. The Group's long-term bank and other borrowings are mainly used for the procurement of containers, equity acquisitions and replenishment of liquidity.

As at 30 June 2020, the Group's RMB-denominated corporate bonds payable amounted to RMB19,761,249,000, which were used for the purchase of financial lease assets, repayment of loans and replenishment of liquidity.

The Group's RMB-denominated borrowings at fixed interest rates amounted to RMB26,769,922,000. USD-denominated borrowings at fixed interest rates amounted to USD500,035,000 (equivalent to approximately RMB3,539,999,000), RMB-denominated borrowings at floating interest rates amounted to RMB4,830,839,000, and USD-denominated borrowings at floating interest rates amounted to USD8,655,301,000 (equivalent to approximately RMB61,275,206,000). The Group's borrowings are settled in RMB or USD while its cash and cash equivalents are primarily denominated in RMB and USD.

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

NET CURRENT LIABILITIES

As at 30 June 2020, the Group's net current liabilities amounted to RMB23,741,507,000. Current assets mainly included inventories of RMB1,365,830,000, trade and notes receivables of RMB1,667,259,000, prepayments and other receivables of RMB462,959,000, the current portion of finance lease receivables of RMB16,588,876,000, and cash and cash equivalents and restricted deposits of RMB11,658,441,000. Current liabilities mainly included trade payables of RMB3,230,446,000, other payables and accruals of RMB4,516,190,000, contract liabilities of RMB147,955,000, tax payable of RMB170,511,000, short-term bank borrowings of RMB14,732,247,000, current portion of long-term borrowings of RMB23,746,761,000, corporate bonds of RMB10,638,293,000, and current portion of lease liabilities of RMB225,191,000.



CASH FLOWS

For the six months ended 30 June 2020, the Group's net cash inflow generated from operating activities was RMB3,581,547,000, denominated principally in RMB and USD, representing an increase of RMB685,606,000 as compared with the net cash inflow generated from operating activities of RMB2,895,941,000 for the corresponding period of 2019. The balance of cash and cash equivalents at the end of June 2020 increased by RMB2,023,345,000 as compared with the beginning of the Period, mainly because the net cash inflow generated from operating activities exceeded the net cash inflow generated from financing activities and investing activities. The cash inflow generated from financing activities of the Group for the Period was mainly derived from bank and other borrowings and such funds were used mainly for short-term operation and the purchase and construction of containers.

The following table provides the information regarding the Group's cash flows for the six months ended 30 June 2020 and 30 June 2019:

Unit: RMB

	30 June 2020	30 June 2019
Net cash generated from operating activities	3,581,547,000	2,895,941,000
Net cash used in investing activities	(3,537,561,000)	(4,653,192,000)
Net cash generated from/(used in) financing activities	1,923,201,000	(686,384,000)
Impact of exchange rate movement on cash	56,158,000	(3,107,000)

NET CASH GENERATED FROM OPERATING ACTIVITIES

For the six months ended 30 June 2020, the net cash inflow generated from operating activities was RMB3,581,547,000, representing an increase of RMB685,606,000 as compared with that of RMB2,895,941,000 for the same period of 2019. The increase in the Group's net cash generated from operating activities was mainly due to the generally stable and growing momentum of the cash flow generated from operating activities.

NET CASH USED IN INVESTING ACTIVITIES

For the six months ended 30 June 2020, the net cash outflow used in investing activities was RMB3,537,561,000, representing a decrease of RMB1,115,631,000 as compared with RMB4,653,192,000 of net cash outflow used in investing activities for the same period of last year. The decrease in the Group's net cash used in investing activities was mainly due to decrease in investments of the financial leasing business of the Group for the six months ended 30 June 2020.

NET CASH GENERATED FROM/ (USED IN) FINANCING ACTIVITIES

For the six months ended 30 June 2020, the net cash inflow from financing activities was RMB1,923,201,000, representing an increase of RMB2,609,585,000 as compared with the net cash outflow used in financing activities of RMB686,384,000 for the corresponding period of 2019. For the six months ended 30 June 2020, the Group's bank and other borrowings amounted to RMB24,543,267,000, repayment of bank and other borrowings amounted to RMB26,980,151,000, and proceeds from new issuance of bonds amounted to RMB10,616,000,000.



AVERAGE TURNOVER DAYS OF TRADE AND NOTES RECEIVABLES

As at 30 June 2020, the Group's net amount of trade and notes receivables was RMB1,667,259,000, representing an increase of RMB556,259,000 as compared with the same period of last year, of which note receivables increased by RMB156,436,000 and trade receivables increased by RMB399,823,000, which was mainly due to the pending payment for the sales orders of the container manufacturing segment newly signed at the end of the Period.

GEARING RATIO

As at 30 June 2020, the Company's net gearing ratio (i.e. net debts over shareholders' equity) was 433%, which was higher than 416% as at 31 December 2019. The increase in net gearing ratio was mainly due to the increase in borrowings during the Period.

FOREIGN EXCHANGE RISK

Revenues and costs of the Group's shipping-related leasing business and container manufacturing operations are settled or denominated in USD. As a result, the impact on the net operating revenue due to RMB exchange rate fluctuations can be offset by each other to a certain extent. For the six months ended 30 June 2020, the Group recorded an exchange gain of RMB34,133,000 which was mainly due to fluctuations of the USD exchange rate during the Period; the decrease in exchange difference which was charged to equity attributable to shareholders of the parent amounted to RMB163,980,000. The Group will continue to monitor the exchange rate fluctuations of RMB and major international settlement currencies, reduce the loss arising from exchange rate fluctuations, and take appropriate measures to mitigate the Group's foreign exchange risk when necessary.

CAPITAL EXPENDITURES

For the six months ended 30 June 2020, the Group's expenditures on the acquisition of containers, machinery and equipment and other expenditures amounted to RMB1,549,260,000, expenditures on the acquisition of finance lease assets amounted to RMB11,532,075,000.

CAPITAL COMMITMENTS

As at 30 June 2020, the Group had RMB400,395,000 in capital commitment to fixed assets which had been contracted but not provided for, and RMB648,241,000 in equity investment commitment.

PLEDGE

As at 30 June 2020, certain container vessels and containers with net carrying value of approximately RMB27,272,275,000 (31 December 2019: RMB25,765,286,000), finance lease receivables of RMB26,230,951,000 (31 December 2019: RMB24,015,141,000) and restricted deposits of RMB571,827,000 (31 December 2019: RMB237,539,000) of the Group were pledged for the grant of bank borrowings and issuance of corporate bonds.

SUBSEQUENT EVENTS

There were no significant subsequent events for the Group after 30 June 2020.

CONTINGENT LIABILITIES

As at 30 June 2020, there were no significant contingent liabilities for the Group.

EMPLOYEES, TRAINING AND BENEFITS

As at 30 June 2020, the Group had 7,701 employees, and the total staff costs for the Period (including staff remuneration, welfare and social insurance expenses) amounted to approximately RMB809,760,000 (including outsourced labour costs).



Remuneration management, as one of the most effective incentives and a form of enterprise value distribution, was carried out on the principles of total budget control, value creation, internal fairness, market competition and sustainable development. Based on the principle of “contractualized management, differential compensation”, the senior management of the Company has introduced and implemented the professional manager system and strengthened the incentive and restraint mechanism based on performance management. The Company’s comprehensive remuneration system applicable to the employees of the Company mainly consists of: (1) salaries, including position/title salary, performance salary, special incentives and allowances, etc.; (2) benefits, including mandatory social insurance, provident housing fund and corporate welfares; (3) approved schemes, and other items in support of corporate strategies and corporate culture. Further, the Company adopted the A share option incentive scheme (the “**A Share Option Incentive Scheme**”) in 2020 to facilitate the establishment and improvement of the incentive systems of the Company and incentivize the senior management and core management and business personnel of the Group.

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

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

On 24 April 2020, the Company, China COSCO SHIPPING Corporation Limited, COSCO SHIPPING Energy Transportation Co., Ltd., COSCO Shipping Tanker (Dalian) Co., Ltd., COSCO SHIPPING Lines Co., Ltd., COSCO International Freight Co., Ltd., COSCO SHIPPING Specialized Carriers Co., Ltd., Guangzhou Ocean Shipping Co., Ltd., COSCO (Tianjin) Co., Ltd., China Ocean Shipping Agency Co., Ltd., COSCO (Qingdao) Co., Ltd., COSCO Shipbuilding Industry Company Limited, COSCO Shipyard Group Co., Ltd., China Marine Bunker (Petro China) Co., Ltd., COSCO (Xiamen) Co., Ltd. and China Ocean Shipping Tally Co., Ltd. entered into the capital increase agreement, pursuant to which, the parties (as existing shareholders of COSCO SHIPPING Finance Company Limited) have agreed to increase the registered capital of COSCO SHIPPING Finance Company Limited by RMB3,200,000,000 in proportion to their respective shareholding. For further information, please refer to the announcement of the Company dated 24 April 2020.

Save as disclosed in this report, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during the Period and there were no future plan for material investments or addition of capital assets approved by the Board as at the date of this report.

DIVIDEND

The Board did not recommend the payment of any dividend for the six months ended 30 June 2020.

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

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



SHARE CAPITAL

As at 30 June 2020, the share capital of the Company was as follows:

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

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

As at 30 June 2020, the interests or short positions of the directors, supervisors or chief executive(s) of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such directors, supervisors or chief executive(s) are taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) were as follows:

INTERESTS IN THE SHARES OF THE COMPANY

Name	Position	Class of shares	Capacity	Number of shares interested (Note 1)	Approximate percentage of the total number of the relevant class of shares of the Company (%)	Approximate percentage of the issued share capital of the Company (%)
Wang Daxiong	Director	A shares	Beneficial owner	1,500,000 (L) (Note 2)	0.02	0.01
		H shares	Other	834,677 (L) (Notes 3 and 4)	0.02	0.01
Liu Chong	Director	A shares	Beneficial owner	1,490,100 (L) (Note 2)	0.02	0.01
		H shares	Other	1,112,903 (L) (Notes 3 and 5)	0.03	0.01
Xu Hui	Director	A shares	Beneficial owner	1,490,100 (L) (Note 2)	0.02	0.01
		H shares	Other	945,968 (L) (Notes 3 and 6)	0.03	0.01
Feng Boming	Director	A shares	Beneficial owner	29,100 (L)	0.00037	0.00025



Notes:

1. "L" means long position in the shares.
2. Such interests relate to share options granted to the directors on 30 March 2020 pursuant to A Share Option Incentive Scheme of the Company.
3. As disclosed in the announcement of the Company dated 24 November 2016, certain executive directors, supervisor, senior management and employees of the Company have voluntarily invested, with their own fund, in an asset management plan (the "Asset Management Plan"), pursuant to which the executive directors, supervisor, senior management and employees of the Company have subscribed to the units of the Asset Management Plan and entrusted the manager of the Asset Management Plan to manage the Asset Management Plan, which will invest in the H shares. The manager of the Asset Management Plan shall be responsible for, among other things, the investment and re-investment of the assets under the Asset Management Plan and shall be entitled to exercise the voting rights and other relevant rights in respect of the H shares held under the Asset Management Plan. The Company did not participate in the Asset Management Plan, and the Asset Management Plan does not constitute a share option scheme or any type of employee benefit scheme of the Company. As at 30 June 2020, the Asset Management Plan has been fully funded and has acquired 6,900,000 H shares on the market at an average price of HK\$1.749 per H share.
4. Mr. Wang Daxiong is one of the participants of the Asset Management Plan through which he holds approximately 12.10% of the total number of units of the Asset Management Plan as at 30 June 2020. Accordingly, the 834,677 H shares represent the interests derived from the units subscribed by Mr. Wang Daxiong in the Asset Management Plan as at 30 June 2020. As at 30 June 2020, Mr. Wang Daxiong does not hold any shares.
5. Mr. Liu Chong is one of the participants of the Asset Management Plan through which he holds approximately 16.13% of the total number of units of the Asset Management Plan as at 30 June 2020. Accordingly, the 1,112,903 H shares represent the interests derived from the units subscribed by Mr. Liu Chong in the Asset Management Plan as at 30 June 2020. As at 30 June 2020, Mr. Liu Chong does not hold any shares.
6. Mr. Xu Hui is one of the participants of the Asset Management Plan through which he holds approximately 13.71% of the total number of units of the Asset Management Plan as at 30 June 2020. Accordingly, the 945,968 H shares represent the interests derived from the units subscribed by Mr. Xu Hui in the Asset Management Plan as at 30 June 2020. As at 30 June 2020, Mr. Xu Hui does not hold any shares.

INTERESTS IN THE SHARES OF ASSOCIATED CORPORATIONS OF THE COMPANY

Name of associated corporation	Name	Position	Class of shares	Capacity	Number of shares interested	Approximate	Approximate
						percentage of the number of shares of the relevant class of the relevant associated corporation (%)	percentage of the issued share capital of the relevant associated corporation (%)
COSCO Shipping Holdings Co., Ltd.	Feng Boming	Director	A shares	Beneficial owner	936,000 (L)	0.00967	0.00763
				Interest of spouse	530,000 (L)	0.00548	0.00432
COSCO SHIPPING Ports Limited	Feng Boming	Director	H shares	Beneficial owner	30,000 (L)	0.00095	0.00095

Save as disclosed above, as at 30 June 2020, none of the directors, supervisors or chief executive(s) of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such directors, supervisors or chief executive(s) are taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.



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

As at 30 June 2020, so far as was known to the directors, supervisors or chief executive(s) of the Company, the interests or short positions of the shareholders who are entitled to exercise or control 5% or more of the voting power at any general meeting of the Company or other persons (other than a director, supervisor or chief executive(s) of the Company) in the shares or underlying shares of the Company which were required to be disclosed to the Company or the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or the interests or short positions which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO or the interests or short positions which have been notified to the Company and the Hong Kong Stock Exchange were as follows:

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

Notes:

- "L" means long position in the shares.
- Such 4,458,195,175 A shares represent the same block of shares.
- Such 100,944,000 H shares represent the same block of shares held by Ocean Fortune Investment Limited, an indirectly wholly-owned subsidiary of China Shipping.

Save as disclosed above, as at 30 June 2020, no other person (other than directors, supervisors or chief executive(s) of the Company) had any interest or short position in any shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or any interest or short positions recorded in the register kept by the Company pursuant to Section 336 of the SFO or any interest or short positions which have been notified to the Company and the Hong Kong Stock Exchange.



CHANGES IN INFORMATION ON DIRECTORS AND SUPERVISORS

There was no change in the information on directors or supervisors of the Company during the Period. There is no information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

A SHARE OPTION INCENTIVE SCHEME

On 5 March 2020, the A Share Option Incentive Scheme was approved by the shareholders of the Company at the extraordinary general meeting and the class meetings of the Company. The total number of the share options to be granted under the A Share Option Incentive Scheme is 88,474,448 (inclusive of 8,847,445 reserved share options) and the underlying A shares in relation thereto are 88,474,448 A shares, representing approximately 0.7622% of the then total issued share capital of the Company and 1.1154% of the then A share capital of the Company.

The purpose of the A Share Option Incentive Scheme is to, among other things, facilitate the establishment and improvement of the incentive systems of the Company and incentivize the senior management and core management and business personnel of the Group, thereby tying the interests of the Company, the shareholders and the management together and facilitating the achievement of the development targets of the Company.

On 30 March 2020 (the “**Date of Grant**”), an aggregate of 78,220,771 share options were granted to 124 participants, which comprises nine directors and senior management of the Company and 115 core management and business personnel of the Group. The closing price of A shares on the trading day immediately before the Date of Grant was RMB2.00 per A Share.

The vesting period of the A Share Option Incentive Scheme is two years from the Date of Grant and the exercise period of the share options shall be a term of seven years commencing from the Date of Grant, the exercise price of the share options is RMB2.52 per A share. Subject to the satisfaction of the conditions of exercise, the share options granted under the A Share Option Incentive Scheme will be exercisable in three tranches after the expiration of the vesting period in accordance with the following arrangement:

Exercise period	Duration	Proportion of share options exercisable to the total number of share options granted
First exercise period	Commencing on the first trading day after the expiration of the 24-month period from the Date of Grant and ending on the last trading day of the 36-month period from the Date of Grant.	1/3
Second exercise period	Commencing on the first trading day after the expiration of the 36-month period from the Date of Grant and ending on the last trading day of the 48-month period from the Date of Grant.	1/3
Third exercise period	Commencing on the first trading day after the expiration of the 48-month period from the Date of Grant and ending on the last trading day of the 84-month period from the Date of Grant.	1/3



Details of movement of the share options granted under the A Share Option Incentive Scheme during the Period were as follows:

Category	Number of share options					Outstanding as at 30 June 2020	Percentage of total issued A share capital of the Company (%)	Percentage of total issued share capital of the Company (%)
	Outstanding as at 1 January 2020	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period			
Directors								
Wang Daxiong	N/A	1,500,000	-	-	-	1,500,000	0.0189	0.0129
Liu Chong	N/A	1,490,100	-	-	-	1,490,100	0.0188	0.0128
Xu Hui	N/A	1,490,100	-	-	-	1,490,100	0.0188	0.0128
Senior management of the Company	N/A	6,662,300	-	-	-	6,662,300	0.0840	0.0574
Other core management and business personnel of the Group	N/A	67,078,211	-	-	-	67,078,211	0.8457	0.5779
Total	N/A	78,220,711	-	-	-	78,220,711	0.9861	0.6738

The Company has selected the Black-Scholes option pricing model to determine the fair value of the share options. Based on the preliminary calculation by the Company, as at the Date of Grant, the fair value of each share option granted is RMB0.32, and the aggregate fair value of the 78,220,711 share options granted is approximately RMB25,031,000, further details of which are set out in Note 15 to the interim condensed consolidated financial information.

AUDIT COMMITTEE

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

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

CORPORATE GOVERNANCE CODE

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



MODEL CODE FOR SECURITIES TRANSACTIONS

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

By order of the Board
COSCO SHIPPING Development Co., Ltd.
Cai Lei
Joint Company Secretary

Shanghai, the People's Republic of China
28 August 2020



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Independent review report

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

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 23 to 48, which comprises the condensed consolidated statement of financial position of COSCO SHIPPING Development Co., Ltd. (the "Company") and its subsidiaries (the "Group") as at 30 June 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 Interim Financial Reporting ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young

Certified Public Accountants

Hong Kong

28 August 2020



INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Notes	FOR THE SIX MONTHS ENDED	
		2020	2019
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	4	7,806,600	6,833,526
Cost		(5,851,233)	(5,438,497)
Gross profit		1,955,367	1,395,029
Other income	5	125,850	140,168
Other (losses)/gains, net	6	(104,685)	553,317
Selling, administrative and general expenses		(457,626)	(448,084)
Expected credit losses		(326,636)	(241,847)
Finance costs		(1,261,759)	(1,753,352)
Share of profits/(losses) of:			
Associates		1,023,173	1,342,949
Joint ventures		330	(1,013)
PROFIT BEFORE TAX	7	954,014	987,167
Income tax expense	8	(98,996)	(82,805)
PROFIT FOR THE PERIOD		855,018	904,362
Attributable to owners of the parent		855,018	904,362
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
(expressed in RMB per share)	9		
Basic and diluted			
– For profit for the period		0.0595	0.0700



INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
PROFIT FOR THE PERIOD	855,018	904,362
OTHER COMPREHENSIVE INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income of associates	2,496	141,002
Share of other comprehensive loss of joint ventures	(21)	(85)
Effective portion of cash flow hedges	(18,614)	(27,063)
Exchange differences on translation of foreign operations	(163,980)	(29,767)
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	(180,119)	84,087
Other comprehensive (loss)/income that will not to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive (loss)/income of associates	(39,688)	8,003
Net other comprehensive (loss)/income that may not to be reclassified to profit or loss in subsequent periods	(39,688)	8,003
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	(219,807)	92,090
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	635,211	996,452
Attributable to owners of the parent	635,211	996,452



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2020

	<i>Notes</i>	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	57,121,638	56,818,972
Investment properties		106,798	105,547
Right-of-use assets		252,441	274,620
Intangible assets		31,294	27,174
Investments in joint ventures		185,773	188,827
Investments in associates		27,026,585	25,665,387
Financial assets at fair value through profit or loss		4,492,315	4,266,308
Finance lease receivables		28,032,637	26,623,268
Factoring receivables		290,304	428,409
Derivative financial instruments		–	569
Deferred tax assets		277,250	243,651
Other long term prepayments		77,033	50,641
Total non-current assets		117,894,068	114,693,373
CURRENT ASSETS			
Inventories		1,365,830	881,129
Trade and notes receivables	12	1,667,259	1,111,000
Prepayments and other receivables		462,959	458,969
Financial assets at fair value through profit or loss		28,103	490,967
Finance lease receivables		16,588,876	15,532,797
Factoring receivables		1,023,279	1,123,489
Derivative financial instruments		–	960
Pledge and time deposits		879,701	566,339
Cash and cash equivalents		11,658,441	9,635,096
Total current assets		33,674,448	29,800,746
Total assets		151,568,516	144,494,119



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

30 JUNE 2020

	<i>Notes</i>	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
CURRENT LIABILITIES			
Trade payables	13	3,230,446	2,553,700
Other payables and accruals		4,516,190	3,658,271
Contract liabilities		147,955	150,194
Derivative financial instruments		8,361	3,445
Bank and other borrowings		38,479,008	43,066,519
Corporate bonds		10,638,293	4,273,467
Lease liabilities		225,191	391,082
Tax payable		170,511	174,881
Total current liabilities		57,415,955	54,271,559
NET CURRENT LIABILITIES		(23,741,507)	(24,470,813)
TOTAL ASSETS LESS CURRENT LIABILITIES		94,152,561	90,222,560
NON-CURRENT LIABILITIES			
Bank and other borrowings		57,936,958	54,853,209
Corporate bonds		9,122,956	8,271,400
Lease liabilities		79,401	148,648
Derivative financial instruments		21,040	8,590
Deferred tax liabilities		334,139	350,975
Government grants		10,794	11,484
Other long term payables		2,638,350	2,370,536
Total non-current liabilities		70,143,638	66,014,842
Net assets		24,008,923	24,207,718



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

30 JUNE 2020

	<i>Notes</i>	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
EQUITY			
Share capital	14	11,608,125	11,608,125
Treasury shares		(233,428)	(233,428)
Special reserves		3,308	1,606
Other reserves		(2,312,339)	(2,338,187)
Other equity instruments		7,000,000	7,000,000
Retained profits		10,970,076	10,976,614
Other comprehensive loss		(3,026,819)	(2,807,012)
Total equity		24,008,923	24,207,718

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Share capital	Share premium (a)	Treasury shares	Other equity instruments	Share option reserves (a)	Other capital reserves (a)	Share of other comprehensive income using the equity method (b)	Cash flow hedge reserves (b)	Exchange fluctuation reserves (b)	Special reserves	Surplus reserves (a)(c)	Retained profits	Total equity
Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020 (audited)	11,608,125	17,009,944	(233,428)	7,000,000	-	(20,894,013)	491,737	(10,909)	(3,287,840)	1,606	1,545,882	10,976,614	24,207,718
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	855,018	855,018
Other comprehensive loss for the period:													
Share of other comprehensive loss of associates	-	-	-	-	-	-	(37,192)	-	-	-	-	-	(37,192)
Share of other comprehensive loss of joint ventures	-	-	-	-	-	-	(21)	-	-	-	-	-	(21)
Effective portion of changes in fair value of hedging instruments, net of tax	-	-	-	-	-	-	-	(18,614)	-	-	-	-	(18,614)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(163,980)	-	-	-	(163,980)
Total comprehensive income for the period	-	-	-	-	-	-	(37,213)	(18,614)	(163,980)	-	-	855,018	635,211
Equity-settled share option arrangements	-	-	-	-	2,101	-	-	-	-	-	-	-	2,101
Share of other capital reserves using the equity method	-	-	-	-	-	(4,943)	-	-	-	-	-	-	(4,943)
Dividends declared	-	-	-	-	-	-	-	-	-	-	-	(518,782)	(518,782)
Dividends to holders of the other equity instruments	-	-	-	-	-	-	-	-	-	-	-	(312,382)	(312,382)
Transfer from retained profits	-	-	-	-	-	-	-	-	14,441	28,690	28,690	(43,131)	-
Utilisation of reserve funds	-	-	-	-	-	-	-	-	(12,739)	(12,739)	-	12,739	-
At 30 June 2020 (unaudited)	11,608,125	17,009,944	(233,428)	7,000,000	2,101	(20,899,956)	454,524	(29,523)	(3,451,820)	3,308	1,574,572	10,970,076	24,008,923

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Share capital	Share premium (a)	Treasury shares	Other equity instruments	Share option reserves (a)	Other capital reserves (a)	Share of other comprehensive income using the equity method (b)	Cash flow hedge reserves (b)	Exchange fluctuation reserves (b)	Special reserves (a)(c)	Surplus profits	Total
Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019 (audited)	11,683,125	17,001,721	-	2,000,000	-	(21,201,519)	138,165	19,175	(3,100,629)	-	1,411,641	18,036,896
Profit for the period	-	-	-	-	-	-	-	-	-	-	904,362	904,362
Other comprehensive income for the period:												
Share of other comprehensive income of associates	-	-	-	-	-	-	149,004	-	-	-	-	149,004
Share of other comprehensive loss of joint ventures	-	-	-	-	-	-	(84)	-	-	-	-	(84)
Effective portion of changes in fair value of hedging instruments, net of tax	-	-	-	-	-	-	-	(27,063)	-	-	-	(27,063)
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	(29,767)	-	-	(29,767)
Total comprehensive income for the period	-	-	-	-	-	-	148,920	(27,063)	(29,767)	-	904,362	996,452
Issue of other equity instruments	-	-	-	5,000,000	-	-	-	-	-	-	-	5,000,000
Repurchases of shares	14	-	(300,205)	-	-	-	-	-	-	-	-	(300,205)
Cancellation of treasury shares	14	(75,000)	66,777	-	-	-	-	-	-	-	-	-
Share of other capital reserves using the equity method	-	-	-	-	-	303,494	-	-	-	-	-	303,494
Dividends declared	10	-	-	-	-	-	-	-	-	-	(380,440)	(380,440)
Dividends to holders of the other equity instruments	-	-	-	-	-	-	-	-	-	-	(95,098)	(95,098)
Transfer from retained profits	-	-	-	-	-	-	-	-	-	17,258	(17,258)	-
Utilisation of reserve funds	-	-	-	-	-	-	-	-	(16,368)	-	16,368	-
At 30 June 2019 (unaudited)	11,608,125	17,009,944	(233,428)	7,000,000	-	(20,896,025)	287,085	(7,888)	(3,130,396)	890	1,411,641	23,561,099

(a) These accounts comprise the negative consolidated other reserves of RMB2,312,339,000 (31 December 2019: RMB2,338,187,000) in the interim condensed consolidated statement of financial position.

(b) These accounts comprise the consolidated other comprehensive loss of RMB3,026,819,000 (31 December 2019: RMB2,807,012,000) in the interim condensed consolidated statement of financial position.

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





INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	3,725,599	3,098,784
Income tax paid	(144,052)	(202,843)
Net cash generated from operating activities	3,581,547	2,895,941
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	73,885	89,660
Dividends received from associates	271,995	208,556
Dividends received from joint ventures	3,363	3,345
Purchases of items of property, plant and equipment	(1,547,566)	(969,388)
Proceeds from disposal of items of property, plant and equipment	70,635	66,933
Purchases of intangible assets	(1,694)	(20,735)
Proceeds from disposal of investments in joint ventures	10,206	–
Purchases of investments in associates	(754,904)	–
Purchases of financial assets at fair value through profit or loss	(500,000)	(28,500)
Proceeds from disposals of financial assets at fair value through profit or loss	560,604	22,535
Increase in finance lease receivables	(2,045,356)	(4,160,445)
Decrease/(increase) in factoring receivables	196,093	(3,179)
Decrease in pledge and time deposits	20,397	45,793
Increase in other long term payables	104,781	92,233
Net cash flows used in investing activities	(3,537,561)	(4,653,192)

continued...



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of shares	–	(300,205)
Proceeds from issue of other equity instruments	–	5,000,000
New bank and other borrowings	24,543,267	24,718,170
Repayment of bank and other borrowings	(26,980,151)	(33,523,638)
New corporate bonds	10,616,000	8,280,000
Repayment of corporate bonds	(3,399,618)	(2,270,731)
Payment of principal portion of lease liabilities	(242,276)	(243,148)
Interest paid	(2,027,390)	(2,363,352)
Dividends paid for other equity instrument	(255,843)	(29,322)
(Increase)/decrease in pledge and time deposits	(330,788)	45,842
Net cash flows generated from/(used in) financing activities	1,923,201	(686,384)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	9,635,096	15,249,194
Effect of foreign exchange rate changes, net	56,158	(3,107)
Cash and cash equivalents at end of period	11,658,441	12,802,452

Wang Daxiong

Director

Liu Chong

Director



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2020

1. CORPORATE INFORMATION

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

During the six months ended 30 June 2020, the principal activities of the Group were as follows:

- (a) Operating leasing and financial leasing;
- (b) Manufacture and sale of containers;
- (c) Provision of financial and insurance brokerage services; and
- (d) Equity investment.

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019.

Going concern

The Group had net current liabilities of RMB23,741,507,000 as at 30 June 2020. The directors are of the opinion that based on the available unutilised banking facilities as at 30 June 2020, the Group will have the necessary liquid funds to finance its working capital and to meet its capital expenditure requirements. Accordingly, the directors are of the opinion that it is appropriate to prepare the interim condensed consolidated financial information on a going concern basis.



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

30 JUNE 2020

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>

Several amendments apply for the first time in 2020, but do not have an impact on the interim condensed consolidated financial statements of the Group.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2020

3. OPERATING SEGMENT INFORMATION

The following table presents revenue and profit information for the Group's operating segments for the six months ended 30 June 2020 and 2019, respectively:

	For the six months ended 30 June 2020				For the six months ended 30 June 2019					
	Shipping and industry-related leasing RMB'000 (Unaudited)	Container manufacturing RMB'000 (Unaudited)	Investment and service RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Shipping and industry-related leasing RMB'000 (Unaudited)	Container manufacturing RMB'000 (Unaudited)	Investment and service RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue:										
Sales of containers	-	2,033,181	-	-	2,033,181	-	1,570,046	-	-	1,570,046
Sales of shipping related spare parts	98,564	-	-	-	98,564	98,816	-	-	-	98,816
Rendering of shipping related services	414,916	-	-	-	414,916	389,534	-	-	-	389,534
Rendering of insurance brokerage services	-	-	24,424	-	24,424	-	-	19,973	-	19,973
Total revenue from contracts with customers to external customers	513,480	2,033,181	24,424	-	2,571,085	488,350	1,570,046	19,973	-	2,078,369
Leasing revenue to external customers	5,235,515	-	-	-	5,235,515	4,755,157	-	-	-	4,755,157
Total revenue to external customers	5,748,995	2,033,181	24,424	-	7,806,600	5,243,507	1,570,046	19,973	-	6,833,526
Intersegment revenue from contracts with customers	-	393,260	4,275	-	397,535	-	867,703	4,567	-	872,270
Total revenue	5,748,995	2,426,441	28,699	-	8,204,135	5,243,507	2,437,749	24,540	-	7,705,796
Segment results										
Elimination of intersegment results	734,493	157,896	442,564	(5,574)	1,329,379 (19,740)	233,017	(20,281)	1,234,662	(31,173)	1,416,225 19,454
Unallocated administrative and general expenses					(54,000)					(53,008)
Unallocated finance costs					(301,625)					(395,504)
Profit before tax					954,014					987,167



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2020

3. OPERATING SEGMENT INFORMATION (Continued)

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2020 and 31 December 2019, respectively:

	30 June 2020				31 December 2019			
	Shipping and industry-related leasing	Container manufacturing	Investment and service	Total	Shipping and industry-related leasing	Container manufacturing	Investment and service	Total
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Audited)	RMB'000 (Audited)	RMB'000 (Audited)
Segment assets	114,345,833	5,672,331	38,733,935	158,752,099	108,661,696	37,101,599	150,872,571	
Elimination of intersegment assets				(7,183,583)			(6,378,452)	
Total assets				151,568,516			144,494,119	
Segment liabilities	86,180,738	3,989,690	25,310,622	115,481,050	80,281,672	3,892,970	107,580,982	
Unallocated liabilities				18,445,343			18,226,213	
Elimination of intersegment liabilities				(6,366,800)			(5,520,794)	
Total liabilities				127,559,593			120,286,401	



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

30 JUNE 2020

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

The disaggregation of the Group's revenue from contracts with customers, including sales of goods and rendering of services above, for the six months ended 30 June 2020 and 30 June 2019 is as follows:

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Type of goods or services		
Sales of containers	2,033,181	1,570,046
Sales of shipping related spare parts	98,564	98,816
Rendering of shipping related services	414,916	389,534
Rendering of insurance brokerage services	24,424	19,973
Total revenue from contracts with customers	2,571,085	2,078,369
Geographical markets		
Hong Kong	820,552	575,548
Mainland China	712,707	711,172
United States	535,402	162,024
Asia (excluding Hong Kong and Mainland China)	457,865	607,949
Europe	43,780	17,159
Others	779	4,517
Total revenue from contracts with customers	2,571,085	2,078,369
Timing of revenue recognition		
Goods transferred at a point in time	2,131,745	1,668,862
Services transferred over time	439,340	409,507
Total revenue from contracts with customers	2,571,085	2,078,369



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2020

5. OTHER INCOME

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Interest income	78,069	94,208
Government grant related to expense items	24,930	25,068
Others	22,851	20,892
	125,850	140,168

6. OTHER (LOSSES)/GAINS, NET

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Gain on disposal of items of property, plant and equipment	20,266	46,926
Fair value (loss)/gain on financial assets at fair value through profit or loss	(177,817)	499,544
Net foreign exchange gain	34,133	4,721
Gain on disposal of an associate	10,206	–
Others	8,527	2,126
	(104,685)	553,317

7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Depreciation of right-of-use assets	32,130	14,456
Expense relating to short term leases	3,968	92,012
Expense relating to leases of low-value assets	227	251
Impairment of finance lease receivables recognised	297,872	223,382
Impairment of trade receivables recognised	25,122	19,677
Write-down of inventories to net realisable value	–	80,732



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

30 JUNE 2020

8. INCOME TAX

According to the Corporate Income Tax ("CIT") Law of the PRC, which was effective from 1 January 2008, the CIT rate applicable to the Company and its subsidiaries established in the PRC was 25% for the six months ended 30 June 2020 and 2019.

Pursuant to the PRC CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. For the Group, the applicable rate is 10%. Certain of the Group's overseas subsidiaries are therefore liable for withholding taxes on dividends distributed by certain associates established in the PRC in respect of earnings generated from 1 January 2008.

Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong of the Group's companies operating in Hong Kong for the six months ended 30 June 2020 (six months ended 30 June 2019: 16.5%).

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax		
– PRC	128,398	129,390
– Hong Kong	4,525	3,777
– elsewhere	6,759	5,071
Deferred income tax	(40,686)	(55,433)
	98,996	82,805



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2020

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

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

	For the six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	690,604	814,238
Interest on perpetual debts*	164,414	90,124
Profit attributable to equity holders of the parent before interest on perpetual debts	855,018	904,362

	Number of shares for the six months ended	
	2020 '000	2019 '000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation**	11,608,125	11,623,709

* The Company issued perpetual debts during the years ended 31 December 2019 and 2018. The dividend distribution and repurchase of shares of the Company triggered the mandatory interest payment event of perpetual debts. For the purpose of calculating basic earnings per ordinary share in respect of the six months ended 30 June 2020 and 2019, the portion of RMB164,414,000 (six months ended 30 June 2019: RMB90,124,000) attributable to perpetual debts was deducted from profits attributable to equity holders of the Company.

** Because the diluted earnings per share amount is increased when taking share options into account, the share options had an anti-dilutive effect on the basic earnings per share for the period and were ignored in the calculation of diluted earnings per share. There was no dilution effect on the ordinary shares for six months ended 30 June 2020 (six months ended 30 June 2019: nil).



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

30 JUNE 2020

10. DIVIDENDS

	For the six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Final declared dividend – RMB0.045 (2019: RMB0.033) per ordinary share	518,782	380,440

During the period, the Company's shareholders approved the 2019 proposed final dividend with a total amount of RMB518,782,410 (six months ended 30 June 2019: RMB380,440,434). The amount of the 2019 final dividend was calculated based on 11,528,497,997 shares, being the number of issued shares of the Company of 11,608,125,000 as at 27 March 2020 deducting 79,627,003 A shares repurchased by the Company, for the year ended 31 December 2019.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with a carrying amount of RMB1,748,307,000 (six months ended 30 June 2019: RMB1,339,517,000). Depreciation for items of property, plant and equipment was RMB1,625,794,000 during the period (six months ended 30 June 2019: RMB1,531,100,000).

The Group disposed of items of property, plant and equipment with a carrying amount of RMB472,707,000 during the six months ended 30 June 2020 (six months ended 30 June 2019: RMB323,586,000).

12. TRADE AND NOTES RECEIVABLES

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Trade receivables	1,682,439	1,255,223
Notes receivable	173,137	16,701
	1,855,576	1,271,924
Impairment	(188,317)	(160,924)
	1,667,259	1,111,000



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2020

12. TRADE AND NOTES RECEIVABLES (Continued)

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

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Within 3 months	1,431,481	965,844
4 to 6 months	10,613	88,287
7 to 12 months	48,769	35,793
Over 1 year	3,259	4,375
	1,494,122	1,094,299

13. TRADE PAYABLES

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

	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Within 3 months	2,512,019	1,980,343
4 to 6 months	306,811	374,247
7 to 12 months	264,323	184,017
Over 1 year	147,293	15,093
	3,230,446	2,553,700

14. SHARE CAPITAL

For the six months ended 30 June 2019, the Company repurchased 79,627,003 A shares and 75,000,000 H Shares on the Shanghai Stock Exchange and Hong Kong Stock Exchange with consideration of RMB233,428,000 and RMB66,777,000, respectively. 75,000,000 repurchased H Shares were cancelled during the six months ended 30 June 2019. No shares were repurchased or cancelled for the six months ended 30 June 2020.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2020

15. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. On 30 March 2020, 11,143,000 share options were granted to the Company's directors and 67,078,000 share options were granted to other employees of the Group.

The following share options were outstanding during the period:

	Weighted average exercise price RMB per share	Number of options '000
At 1 January 2020	–	–
Granted during the period	2.52	78,221
<hr/>		
At 30 June 2020	2.52	78,221

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

30 June 2020

Number of options '000	Exercise price* RMB per share	Exercise period
26,074	2.52	1 April 2022 to 30 March 2023
26,074	2.52	1 April 2023 to 30 March 2024
26,073	2.52	1 April 2024 to 30 March 2027
<hr/>		
78,221		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value at grant date is estimated using a Black-Scholes valuation model and such fair values and significant inputs into the model are as follows:

Dividend yield (%)	–
Expected volatility (%)	28.1
Risk-free interest rate (%)	2.24
Expected life of share options (years)	3.83
Weighted average share price (RMB)	2.52



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

30 JUNE 2020

15. SHARE OPTION SCHEME *(Continued)*

The weighted average fair value of the options granted during the six months ended 30 June 2020 was RMB25,031,000 (RMB0.32 each) (six months ended 30 June 2019: nil).

For the six months ended 30 June 2020, the Group has recognised RMB2,101,000 of equity-settled share option expense in the profit or loss (six months ended 30 June 2019: nil).

16. COMMITMENTS

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

	30 June 2020	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Equity investments	648,241	757,005
Property, plant and equipment	400,395	67,665
	1,048,636	824,670



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

30 JUNE 2020

17. SIGNIFICANT RELATED PARTY TRANSACTIONS

	For the six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Interest income from:		
An associate	29,040	42,536
Interest expenses to:		
Immediate holding company	10,920	10,260
Fellow subsidiaries	479	49
An associate	67,943	52,123
Sales of goods to:		
Fellow subsidiaries	772,826	750,805
Purchases of goods from:		
Fellow subsidiaries	1,039,116	213,787
Purchases of items of property, plant and equipment from:		
Fellow subsidiaries	833,653	–
Rendering of services to fellow subsidiaries:		
Vessel chartering and container leasing	2,334,229	2,398,419
Shipping related services	414,916	389,534
Management fee income	14,833	10,000
Finance lease income	9,751	3,674
Others	17,475	14,109
Receiving of services from:		
Fellow subsidiaries	707,778	750,015

The related party transactions above were made according to the published prices or interest rates and conditions similar to those offered to the respective major customers.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2020

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)	30 June 2020 <i>RMB'000</i> (Unaudited)	31 December 2019 <i>RMB'000</i> (Audited)
Bank and other borrowings	57,936,958	54,853,209	57,089,900	54,543,065
Corporate bonds	9,122,956	8,271,400	9,035,971	8,162,984
Other long term payables	2,638,350	2,370,536	2,470,138	2,169,397
	69,698,264	65,495,145	68,596,009	64,875,446

Management has assessed that the fair values of cash and cash equivalents, pledge and time deposits, trade and notes receivables, financial assets included in prepayments and other receivables, the current portion of finance lease receivables, the current portion of factoring receivables, trade payables, financial liabilities included in other payables and accruals, the current portion of bank and other borrowings, the current portion of corporate bonds and the current portion of lease liabilities, respectively, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The non-current portion of finance lease receivables, the non-current portion of factoring receivables and the non-current portion of lease liabilities of the Group approximate to their fair values since their carrying amounts are present value and the internal rates of return are close to rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair value of the non-current portion of bank and other borrowings, corporate bonds and other long term payables has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The differences between the carrying amounts and fair values of those financial liabilities are not significant.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2020

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

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Financial assets measured at fair value

30 June 2020

	Fair value measurement categorised into			Total RMB'000 (Unaudited)
	Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)	
Financial assets at fair value through profit or loss	2,195,589	2,324,829	–	4,520,418

31 December 2019

	Fair value measurement categorised into			Total RMB'000 (Audited)
	Level 1 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Level 3 RMB'000 (Audited)	
Financial assets at fair value through profit or loss	2,496,638	1,803,605	457,032	4,757,275
Derivative financial instruments	–	1,529	–	1,529
	2,496,638	1,805,134	457,032	4,758,804



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2020

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

Fair value hierarchy (Continued)

Financial liabilities measured at fair value

30 June 2020

	Fair value measurement categorised into			Total RMB'000 (Unaudited)
	Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)	
Derivative financial instruments	–	29,401	–	29,401

31 December 2019

	Fair value measurement categorised into			Total RMB'000 (Audited)
	Level 1 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Level 3 RMB'000 (Audited)	
Derivative financial instruments	–	12,035	–	12,035

For all the financial assets with fair value measurement categorised into Level 2, the Group estimates their fair values using market approach. For investments in private funds, the fair values are calculated in accordance with net asset value prepared by the fund manager. For the other investments, if there is a recent deal regarding these investments, the fair values are estimated based on the deal price. If there is no such deal to be referenced, the directors will determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by net assets or net profit. The trading multiple is then discounted for considerations such as illiquidity based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding net assets or net profit of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the interim condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

All financial assets at fair value through profit or loss categorised into Level 3 represent wealth management products issued by banks in Mainland China. The Group has estimated their fair value by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.



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

30 JUNE 2020

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

Fair value hierarchy *(Continued)*

The recurring fair value measurement for the Group's financial assets at fair value through profit or loss was performed using significant unobservable inputs (Level 3) as at 31 December 2019. Below is a summary of the valuation techniques used and the key input to the valuation:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Discounted cash flow method	Discount rate per annum	4.7%-5.2%	5% increase/decrease would result in decrease/increase in fair value by 0.08%

The movements in financial assets categorised into Level 3 during the period are as follows:

	Financial assets at fair value through profit or loss RMB'000
At 31 December 2019 and at 1 January 2020 (audited)	457,032
Total gains recognised in the profit or loss included in other losses, net	4,339
Disposals	(461,371)
<hr/>	
At 30 June 2020 (unaudited)	–

For the six months ended 30 June 2019, there was no financial assets categorised into Level 3.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for the financial assets above (six months ended 30 June 2019: nil).

19. EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 30 June 2020.

20. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 28 August 2020.