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: 02866)

ANNOUNCEMENT OF THE UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS (UNDER HKFRSs)

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

The board of directors (the "**Board**") of COSCO SHIPPING Development Co., Ltd. (the "**Company**" or "**COSCO SHIPPING Development**") hereby announces the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2019 (the "**Period**") prepared under Hong Kong Accounting Standard 34, "Interim Financial Reporting", which has been reviewed by the audit committee of the Company. The Company's auditor, Ernst & Young, Certified Public Accountants, has reviewed the unaudited condensed consolidated interim financial information of the Group for the Period in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

During the Period, the Group recorded a revenue of RMB6,833,526,000, representing a decrease of 16.9% as compared with the revenue of RMB8,221,346,000 for the same period of last year; profit for the Period attributable to owners of the parent amounted to RMB904,362,000, representing an increase of 176.9% as compared with the profit of RMB326,606,000 for the same period of last year. Basic earnings per share amounted to RMB0.0778.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2019

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
30 JUNE 2019

	Note	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade payables	11	**2,387,169**	1,686,104
Other payables and accruals		**3,372,394**	2,665,101
Contract liabilities		**93,541**	26,811
Bank and other borrowings		**36,155,579**	47,469,440
Corporate bonds		**5,952,625**	2,631,916
Finance lease obligations		**–**	187,197
Lease liabilities		**501,057**	–
Derivative financial instruments		**3,003**	883
Tax payable		**160,509**	225,114
Total current liabilities		**48,625,877**	54,892,566
NET CURRENT LIABILITIES		**(17,395,034)**	(24,651,057)
TOTAL ASSETS LESS CURRENT LIABILITIES		**94,123,103**	82,944,856
NON-CURRENT LIABILITIES			
Bank and other borrowings		**61,507,915**	57,346,797
Corporate bonds		**6,070,344**	3,381,784
Finance lease obligations		**–**	1,359,478
Lease liabilities		**262,557**	–
Derivative financial instruments		**9,697**	3,071
Government grants		**12,259**	13,035
Deferred tax liabilities		**338,135**	371,812
Other long term payables		**2,361,097**	2,428,744
Total non-current liabilities		**70,562,004**	64,904,721
Net assets		**23,561,099**	18,040,135
EQUITY			
Equity attributable to owners of the parent			
Share capital		**11,608,125**	11,683,125
Treasury shares		**(233,428)**	-
Special reserve		**890**	-
Other reserves		**(2,476,439)**	(2,788,156)
Other equity instrument		**7,000,000**	2,000,000
Other comprehensive income		**(2,851,200)**	(2,943,290)
Retained profits		**10,513,151**	10,088,456
Total equity		**23,561,099**	18,040,135

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. CORPORATE INFORMATION

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

During the six months ended 30 June 2019, the principal activities of the Group were as follows:

(a) Operating leasing and financial leasing;

(b) Manufacture and sale of containers;

(c) Provision of financial and insurance brokerage services;

(d) Equity investment; and

(e) Cargo and liner agency services.

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

2.1 BASIS OF PREPARATION

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

Going concern

The Group had net current liabilities of RMB17,395,034,000 as at 30 June 2019. The directors are of the opinion that based on the available unutilised banking facilities as at 30 June 2019, the Group will have the necessary liquid funds to finance its working capital and to meet its capital expenditure requirements. Accordingly, the directors are of the opinion that it is appropriate to prepare the interim condensed consolidated financial information on a going concern basis.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of HKFRS 16 are described below:

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. HKFRS 16 substantially carries forward the lessor accounting model in HKAS 17.

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

New definition of a lease

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

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

Nature of the effect of adoption of HKFRS 16

As a lessee – Leases previously classified as operating leases

As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease-by-lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Sublease

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

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

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

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019.

The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

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

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

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

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

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

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

Summary of new accounting policies

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

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

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

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

Sublease

The Group classifies the sublease as follows:

- If the head lease is a short-term lease that the entity, as a lessee, has been elected not to recognise right-of-use assets and lease liabilities, the sublease shall be classified as an operating lease; and

- Otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

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

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

2.3 A CHANGE IN ACCOUNTING ESTIMATES

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION

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

	For the six months ended 30 June 2019					For the six months ended 30 June 2018				
	Shipping and industry-related leasing *RMB'000* (Unaudited)	**Container manufacturing** *RMB'000* (Unaudited)	**Investment and service** *RMB'000* (Unaudited)	**Others** *RMB'000* (Unaudited)	**Total** *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	**–**	**1,570,046**	**–**	**–**	**1,570,046**	–	3,191,266	–	–	3,191,266
Sales of shipping related spare parts	**127,978**	**–**	**–**	**–**	**127,978**	120,528	–	–	–	120,528
Rendering of shipping related services	**506,085**	**–**	**–**	**–**	**506,085**	502,134	–	–	–	502,134
Rendering of insurance brokerage services	**–**	**–**	**19,973**	**–**	**19,973**	–	–	18,224	–	18,224
Total revenue from contracts with customers to external customers from continuing operations	**634,063**	**1,570,046**	**19,973**	**–**	**2,224,082**	622,662	3,191,266	18,224	–	3,832,152
Income from subleasing right-of-use assets	**14,638**	**–**	**–**	**–**	**14,638**	–	–	–	–	–
Leasing revenue to external customers from continuing operations	**4,594,806**	**–**	**–**	**–**	**4,594,806**	4,389,194	–	–	–	4,389,194
Total revenue to external customers from continuing operations	**5,243,507**	**1,570,046**	**19,973**	**–**	**6,833,526**	5,011,856	3,191,266	18,224	–	8,221,346
Intersegment revenue from contracts with customers	**–**	**867,703**	**4,567**	**–**	**872,270**	–	1,485,571	3,711	–	1,489,282
Total revenue from continuing operations	**5,243,507**	**2,437,749**	**24,540**	**–**	**7,705,796**	5,011,856	4,676,837	21,935	–	9,710,628
Segment results	**233,017**	**(20,281)**	**1,234,662**	**(31,173)**	**1,416,225**	600,173	207,360	202,316	(16,867)	992,982
Elimination of intersegment results					**19,454**					(168,777)
Unallocated administrative and general expenses					**(53,008)**					(45,044)
Unallocated finance costs					**(395,504)**					(291,537)
Profit before tax from continuing operations					**987,167**					487,624

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 2019 and 30 June 2018 is as follows:

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

5. OTHER INCOME

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

6. OTHER GAINS/(LOSSES), NET

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

7. INCOME TAX

According to the Corporate Income Tax ("CIT") Law of the PRC, which was effective from 1 January 2008, the CIT rate applicable to the Company and its subsidiaries established in the PRC was 25% for the six months ended 30 June 2019 and 2018.

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

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

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

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

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

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

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

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

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

9. DIVIDENDS

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

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

10. TRADE AND NOTES RECEIVABLES

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

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

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

11. TRADE PAYABLES

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

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

12. EVENT AFTER THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

1. Macroeconomic Conditions

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

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

2. Shipping Market

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

3. Financial Market

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

DEVELOPMENT STRATEGY OF THE COMPANY

1. Strategic Position

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

2. Development Goals

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

3. Development Plans

1) Shipping and Industry-related Leasing Business

The vessel leasing business focuses on the operating lease or financing lease of various vessels such as container vessels and dry bulk cargo vessels. The Company will, on the basis of its existing business, gradually set up a high-level professional investment and financing team, so as to become a first-class domestic ship owner leasing enterprise. In a short-term view, the Company will fully leverage its current fleet resources to revive its internal business; in the long run, it will gradually increase the proportion of external business and work out a "one-stop" business model by leveraging the advantages of full industrial chain deployment of China COSCO SHIPPING Corporation Limited (中國遠洋海運集團有限公司), in an attempt to establish a unique competitive edge in the industry.

The container leasing business, as an integral part of the container industry chain, mainly involves container leasing and trading of various kinds. The Company will strive to become a world's leading container leasing company with unique competitive edges on the basis of the current leasing business of Florens International Limited. In the short-term, the Company will follow the guideline of "consolidating core business while seizing market opportunities" and achieve synergy among sale, cost and capability, so as to consolidate its core business. In the long-term, the Company will seize market opportunities to develop its special and refrigerated container leasing business, enhance its contract patterns and improve capital structure, so as to increase returns.

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

2) Container Manufacturing Business

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

3) Investment and Service Business

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

FINANCIAL REVIEW OF THE GROUP

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

Analyses of segment results are as follows:

Unit: RMB'000

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

1. ANALYSIS OF SHIPPING AND INDUSTRY-RELATED LEASING BUSINESS

1) Operating Revenue

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

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

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

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

2) Operating Costs

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

2. ANALYSIS OF CONTAINER MANUFACTURING BUSINESS

1) Operating Revenue

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

2) Operating Costs

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

3. ANALYSIS OF INVESTMENT AND SERVICE BUSINESS

1) Operating Revenue

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

2) Operating Costs

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

3) Net Investment Income

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

GROSS PROFIT

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

SIGNIFICANT SECURITIES INVESTMENT

As at 30 June 2019, the Company's equity investments in associates and joint ventures generated a profit of RMB1,341,936,000, mainly attributable to the profits from China Everbright Bank Co., Ltd., China International Marine Containers (Group) Co., Ltd. and China Bohai Bank Co., Ltd. for the Period.

1. Shareholdings in Other Listed Companies

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

2. Shareholdings in Financial Enterprises

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

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

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

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

INCOME TAX

For the six months ended 30 June 2019, the corporate income tax ("**CIT**") rate applicable to the Company and its subsidiaries in the PRC was 25%.

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

SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

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

OTHER GAINS/(LOSSES)

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

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Liquidity and Borrowings

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

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

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

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

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

Net Current Liabilities

As at 30 June 2019, the Group's net current liabilities amounted to RMB17,395,034,000. Current assets mainly included inventories of RMB1,483,257,000, trade and notes receivables of RMB1,511,069,000, prepayments and other receivables of RMB950,906,000, the current portion of finance lease receivables of RMB12,970,581,000, and cash and cash equivalents and restricted deposits of RMB13,668,807,000. Current liabilities mainly included trade payables of RMB2,387,169,000, other payables and accruals of RMB3,372,394,000, contract liabilities of RMB93,541,000, tax payable of RMB160,509,000, short-term bank borrowings of RMB11,972,664,000, current portion of long-term borrowings of RMB24,182,915,000, corporate bonds of RMB5,952,625,000, and current portion of lease liabilities of RMB501,057,000.

Cash Flows

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

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

Unit: RMB

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

Net Cash Generated from Operating Activities

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

Net Cash Used in Investing Activities

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

Net Cash Used in Financing Activities

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

Average Turnover Days of Trade and Notes Receivables

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

Gearing Ratio

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

Foreign Exchange Risk

Revenues and costs of the Group's shipping-related leasing business and container manufacturing operations are settled or denominated in USD. As a result, the impact on the net operating revenue due to RMB exchange rate fluctuation can be offset by each other to a certain extent. For the six months ended 30 June 2019, the Group recorded an exchange gain of RMB4,721,000 which was mainly due to fluctuations of the USD exchange rate during the Period; the decrease in exchange difference which was charged to equity attributable to shareholders of the parent amounted to RMB29,767,000. The Group will continue to monitor the exchange rate fluctuation of RMB and major international settlement currencies, reduce the loss arising from exchange rate fluctuation, and take appropriate measures to mitigate the Group's foreign exchange risk when necessary.

Capital Expenditures

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

Capital Commitments

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

Pledge

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

SUBSEQUENT EVENTS

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

CONTINGENT LIABILITIES

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

EMPLOYEES, TRAINING AND BENEFITS

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

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

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

DIVIDEND

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

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

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

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 results 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 for Securities Transactions by Directors of Listed Issuers (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, 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.

DISCLOSURE OF INFORMATION

This announcement is published on the website of the Hong Kong Stock Exchange at http://www.hkexnews.hk and the Company's website at http://development.coscoshipping.com. The interim report of the Company for the six months ended 30 June 2019, which includes the relevant financial information as required by Appendix 16 to the Listing Rules, will be despatched by the Company to its shareholders and published on the websites of Hong Kong Stock Exchange and the Company in due course.

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

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

As at the date of this announcement, the Board comprises Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, being executive directors of the Company, Mr. Feng Boming, Mr. Huang Jian and Mr. Liang Yanfeng, being non-executive directors of the Company, and Mr. Cai Hongping, Ms. Hai Chi Yuet, Mr. Graeme Jack, Mr. Lu Jianzhong and Ms. Zhang Weihua, being independent non-executive directors of the Company.

* *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.".*