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 2017

FINANCIAL HIGHLIGHTS (UNDER HKFRSs)

– Revenue amounted to RMB7,882,545,000

– Profit attributable to owners of the parent of the Company for the period amounted to RMB1,055,029,000

– Basic earnings per share amounted to RMB0.0903

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 2017 (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 RMB7,882,545,000, representing a decrease of 6% as compared with the revenue of RMB8,375,935,000 for the same period of last year; net profit attributable to shareholders of the parent amounted to RMB1,055,029,000, representing an increase of 9203% as compared with the restated loss of RMB11,590,000 for the same period of last year. Basic earnings per share was RMB0.0903.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Notes	For the six months ended 30 June **2017** ***RMB'000*** **(Unaudited)**	 2016 *RMB'000* (Unaudited) (Restated)
CONTINUING OPERATIONS			
REVENUE		**7,882,545**	8,375,935
Cost of sales		**(6,128,236)**	(7,866,192)
Gross profit		**1,754,309**	509,743
Selling, administrative and general expenses		**(452,905)**	(631,924)
Other income	*4*	**84,155**	73,939
Other gains, net	*5*	**29,365**	130,251
Finance costs		**(1,283,311)**	(686,916)
Share of profits of:			
Associates		**1,163,996**	686,671
Joint ventures		**4,548**	5,488
PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS		**1,300,157**	87,252
Income tax expense	*6*	**(212,305)**	(80,982)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**1,087,852**	6,270
DISCONTINUED OPERATION			
Profit for the period from a discontinued operation		**–**	9,772
PROFIT FOR THE PERIOD		**1,087,852**	16,042
Attributable to:			
Owners of the parent		**1,055,029**	(11,590)
Non-controlling interests		**32,823**	27,632
		1,087,852	16,042
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
(express in RMB per share)	*7*		
Basic and diluted			
– For profit/(loss) for the period		**0.0903**	(0.0010)
– For profit/(loss) for the period from continuing operations		**0.0903**	(0.0016)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)
PROFIT FOR THE PERIOD	**1,087,852**	16,042
OTHER COMPREHENSIVE INCOME		
Other comprehensive loss to be reclassified to profit and loss in subsequent periods:		
Available-for-sale investments:		
Change in fair value, net of tax	**(323,232)**	(94,604)
Reclassification adjustments for gains included in the consolidated statement of profit or loss	**(41,943)**	(963)
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	**(1,711)**	(32,196)
Exchange differences:		
Exchange differences on translation of foreign operations	**287,256**	(241,047)
Reclassification adjustments for foreign operations disposed of	**–**	1,431
Associates:		
Share of other comprehensive loss of associates	**(124,010)**	(8,339)
Reclassification adjustments for associates disposed of	**–**	(1,179)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(203,640)**	(376,897)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**884,212**	(360,855)
Attributable to:		
Owners of the parent	**847,742**	(379,670)
Non-controlling interests	**36,470**	18,815
	884,212	(360,855)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 JUNE 2017

	Notes	**30 June 2017** *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**55,753,769**	58,392,439
Investment properties		**17,630**	8,217
Prepaid land lease payments		**202,900**	216,817
Intangible asset		**19,105**	21,881
Investments in associates		**19,208,299**	18,244,380
Investments in joint ventures		**191,397**	137,349
Available-for-sale investments		**4,069,413**	6,114,082
Finance lease receivables		**18,884,858**	15,010,397
Loans and receivables		**244,856**	198,114
Derivative financial instruments		**5,118**	6,702
Deferred tax assets		**96,490**	89,482
Other long term prepayments		**88,200**	144,229
Total non-current assets		**98,782,035**	98,584,089
CURRENT ASSETS			
Inventories		**998,341**	859,415
Trade and notes receivables	*9*	**1,542,358**	1,655,656
Prepayments and other receivables		**1,076,095**	899,933
Prepaid land lease payments		**3,836**	3,918
Finance lease receivables		**5,052,015**	3,593,896
Loans and receivables		**2,984,084**	3,132,913
Held-for-trading investments		**390,910**	72,466
Derivative financial instruments		**1,048**	1,340
Restricted cash		**1,098,090**	1,129,425
Cash and cash equivalents		**12,992,021**	15,527,254
Total current assets		**26,138,798**	26,876,216
Total assets		**124,920,833**	125,460,305

Continued...

	Notes	**30 June 2017** *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited)
CURRENT LIABILITIES			
Trade and notes payables	*10*	**2,037,393**	1,738,742
Other payables and accruals		**1,905,100**	2,184,723
Bank and other borrowings		**28,415,711**	29,925,251
Corporate bonds		**666,733**	2,075,822
Finance lease obligations		**35,403**	36,104
Deposits from customers		**8,294,574**	8,550,566
Tax payable		**139,269**	123,266
Total current liabilities		**41,494,183**	44,634,474
NET CURRENT LIABILITIES		**(15,355,385)**	(17,758,258)
TOTAL ASSETS LESS CURRENT LIABILITIES		**83,426,650**	80,825,831
NON-CURRENT LIABILITIES			
Bank and other borrowings		**64,615,090**	64,102,361
Corporate bonds		**1,862,669**	1,426,942
Finance lease obligations		**286,229**	311,344
Deposits from customers		**6,951**	951
Deferred tax liabilities		**285,442**	264,041
Other long term payables		**1,624,211**	1,157,078
Total non-current liabilities		**68,680,592**	67,262,717
Net assets		**14,746,058**	13,563,114
EQUITY			
Equity attributable to owners of the parent			
Share capital		**11,683,125**	11,683,125
Special reserve		**340**	–
General reserve		**79,291**	79,291
Other reserves		**(6,186,373)**	(6,067,818)
Retained profits		**8,610,138**	7,555,449
		14,186,521	13,250,047
Non-controlling interests		**559,537**	313,067
Total equity		**14,746,058**	13,563,114

1. CORPORATE INFORMATION

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

During the six months ended 30 June 2017, the principal activities of the Company and its subsidiaries (collectively refer to as the "Group") were as follows:

(a) Vessel chartering and container leasing;

(b) Non-shipping related leasing;

(c) Manufacture and sale of containers;

(d) Provision of financial and insurance brokerage services;

(e) Equity investment; and

(f) Cargo and liner agency services.

2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements, which comprise the interim condensed consolidated statement of financial position of the Group as at 30 June 2017 and the related interim condensed consolidated statement of profit or loss, the interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months ended 30 June 2017, have been prepared in accordance with HKAS 34 Interim Financial Reporting and Accounting Guideline 5 Merger Accounting for Common Control Combinations issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern

The Group had net current liabilities of RMB15,355,385,000 as at 30 June 2017. The directors are of opinion that based on the available unutilised banking facilities as at 30 June 2017, 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 statements on a going concern basis.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

2.2 MERGER ACCOUNTING FOR COMMON CONTROL COMBINATIONS

In October 2016, the Group acquired 100% equity interests in Zhuhai Shipping Co., Ltd. ("Zhuhai Shipping") from a subsidiary.

In December 2016, the Group acquired 13.67% equity interests in China Bohai Bank Co., Ltd. ("CBB") from another subsidiary, accounted for as investment in an associate.

The Group and two fellow subsidiaries were under common control of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

The above transactions are accounted for with merger accounting method for common Control as if the transactions had occurred on the respective dates when a subsidiary could control Zhuhai Shipping and another subsidiary could exercise significant influence on CBB. Therefore, the comparative amounts of the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statements of comprehensive income, change in equity and cash flows of the Group have been restated to include share of profit and other comprehensive income of CBB and the financial statement items of Zhuhai Shipping.

2.3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies and basis of preparation adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards effective as of 1 January 2017.

The Group has adopted the following new or revised HKFRSs for the first time in these interim condensed consolidated financial statements.

Amendments to HKAS 7	*Statement of Cash Flows: Disclosure Initiative*
Amendments to HKAS 12	*Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 12 *Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in HKFRS 12*

The adoption of these new and revised HKFRSs has had no significant financial effect on the Group's interim condensed consolidated financial statements.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION AND REVENUE

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 June 2017 and 2016, respectively.

For the six months ended 30 June 2017

	Vessel chartering and container leasing *RMB'000* (Unaudited)	**Non-shipping related leasing** *RMB'000* (Unaudited)	**Container** *RMB'000* (Unaudited)	**Financial services** *RMB'000* (Unaudited)	**Equity investment** *RMB'000* (Unaudited)	**Others** *RMB'000* (Unaudited)	**Total** *RMB'000* (Unaudited)
Segment revenue:							
Sales to external customers	**4,631,034**	**708,543**	**2,360,729**	**179,293**	**–**	**2,946**	**7,882,545**
Intersegment sales	**–**	**–**	**–**	**–**	**–**	**–**	–
Total revenue	**4,631,034**	**708,543**	**2,360,729**	**179,293**	**–**	**2,946**	**7,882,545**
Segment results	**118,821**	**364,344**	**99,244**	**117,615**	**793,408**	**6,264**	**1,499,696**
Elimination of intersegment results							**10,256**
Unallocated administrative and general expenses							**–**
Unallocated finance costs							**(209,795)**
Profit before tax							**1,300,157**

For the six months ended 30 June 2016

	Container shipping *RMB'000* (Unaudited)	Vessel chartering and container leasing *RMB'000* (Unaudited)	Non-shipping related leasing *RMB'000* (Unaudited)	Container *RMB'000* (Unaudited)	Financial services *RMB'000* (Unaudited)	Equity investment *RMB'000* (Unaudited) (Restated)	Others *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited) (Restated)
Segment revenue:								
Sales to external customers	3,235,222	4,189,951	310,392	475,663	148,941	–	15,766	8,375,935
Intersegment sales	–	1,924,030	–	195,666	27,120	–	–	2,146,816
Total revenue	3,235,222	6,113,981	310,392	671,329	176,061	–	15,766	10,522,751
Segment results	(940,341)	323,099	183,616	24,060	94,763	640,242	(6,623)	318,816
Elimination of intersegment results								87,837
Unallocated administrative and general expenses								(195,798)
Unallocated finance costs								(123,603)
Profit before tax								87,252

4. OTHER INCOME

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Interest income generated from operations other than financial services	**51,418**	35,527
Government grant related to expense items	**11,642**	21,790
Refund of value-added tax	**–**	112
Dividends income from available-for-sale financial investments	**16,850**	11,962
Dividends income from held-for-trading investments	**306**	114
Others	**3,939**	4,434
	84,155	73,939

5. OTHER GAINS, NET

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Gain on disposal of subsidiaries	**–**	11,915
Gain on disposal of interests in associates	**–**	99,052
Gain on disposal of interests in joint ventures	**–**	17,571
Gain on disposal of items of property, plant and equipment	**5,629**	42,613
Gain on disposal of available-for-sale investments	**101,061**	1,302
Gain on disposal of held-for-trading financial investments	**1,319**	–
Fair value gain on held-for-trading investments	**459**	745
Net foreign exchange loss	**(80,402)**	(49,945)
Others	**1,299**	6,998
	29,365	130,251

6. INCOME TAX

According to the Corporate Income Tax ("CIT") Law of 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 2017 and 2016.

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 2017 (six months ended 30 June 2016: 16.5%).

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

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Current income tax		
– PRC	**177,148**	94,263
– Hong Kong	**5,411**	1,974
– elsewhere	**5,377**	2,222
Withholding tax on the distribution of dividends from the PRC subsidiary to certain of the Group's overseas subsidiaries	**8,474**	–
Withholding tax on the distribution of dividends from the PRC associates to certain of the Group's overseas subsidiaries	**4,068**	14,916
Deferred income tax	**11,827**	(32,393)
	212,305	80,982

7. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period.

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	**1,055,029**	(18,507)
From a discontinued operation	**–**	6,917
	1,055,029	(11,590)

	Number of shares for the six months ended 30 June	
	2017	2016
	('000)	*('000)*
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**11,683,125**	11,683,125

There was no dilution effect on the ordinary shares for the period (six months ended 30 June 2016: Nil).

8. DIVIDENDS

The directors did not recommend any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

9. TRADE AND NOTES RECEIVABLES

An aged 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 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**1,413,460**	1,215,511
4 to 6 months	**25,292**	91,244
7 to 12 months	**102,481**	334,252
Over 1 year	**1,125**	14,649
	1,542,358	1,655,656

10. TRADE AND NOTES PAYABLES

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

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**1,068,682**	1,026,115
4 to 6 months	**90,479**	24,359
7 to 12 months	**823,827**	684,191
Over 1 year	**54,405**	4,077
	2,037,393	1,738,742

11. EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 30 June 2017.

12. COMPARATIVE AMOUNTS

As further explained in note 2.2, due to the application of merger accounting, certain comparative amounts have been restated.

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS OF OPERATING ENVIRONMENT AND OUTLOOK

1. Macroeconomic conditions

During the first half of 2017, the global economy continued to recover at a moderate pace. The advanced economies as a whole continued to recover at a stable pace, with a rebound across the United States, Europe and Japan. The International Monetary Fund has upgraded its forecast for global economic growth in its latest World Economic Outlook Report for the year, which states that Asia's growth remains the strongest in the world. According to the report, global economic growth would be 3.5% for 2017 and 3.6% for 2018, while the economic growth in Asia is expected to reach 5.5% in 2017 and 5.4% in 2018.

China has maintained a continuous and stable economic growth with remarkable achievements in the structural reforms. During the first half of 2017, the GDP growth in China reached 6.9%, maintaining a medium-to-rapid growth. As at the end of the first half of 2017, China has maintained its growth at a range between 6.7% and 6.9% for consecutive eight quarters. There is a continuous growth in foreign trade in China. According to statistics released by the Customs, the total foreign trade volume of exports and imports of China for the first half of 2017 was RMB13.14 trillion, representing an increase of 19.6% as compared with the same period of 2016.

2. Shipping market

During the first half of 2017, the shipping industry has shown a trend of recovery with an improvement from supply and demand imbalance in the freight forwarding industry. As to the demand, the demand for container transportation from the global market slightly increased in the second quarter of 2017. With increasing demand from customers in Europe and America to replenish their inventories and a rebound in the exports from China, the demand for container transportation has been growing. As at the end of June 2017, there were orders for approximately 400 container vessels in the global market, accounting for approximately 13% of our current shipping capacity. As to freight index, the general container freight index for the first half of 2017 was encouraging, at 825.15 for China Containerized Freight Index in the first half of 2017, representing an increase of 19.4% as compared with the same period of last year.

3. Financial market

During the first half of 2017, the financial market in China generally operated in a healthy manner. As for social financing, the size of social financing during the first half of 2017 increased by an aggregate of RMB11.17 trillion, with an increase in loans denominated in RMB advanced by financial institutions to real economy as compared with that in the same period of last year. Meanwhile, however, the size of equity financing in the direct financing market decreased as a result of a substantial decrease in the size of re-financing activities as compared with the same period of last year, while there was a substantial decrease in the total volume of issued unsecured bonds as a result of higher yields in bonds as compared with the same period of last year. As to equity investment, number and amount of equity investment in the first half of 2017 decreased as compared with the same period of last year, which was due to the fact that institutions were prudent in making equity investment. Meanwhile, ways of exit for listing on IPO and New OTC market have been developing. As to secondary market, regulatory bodies for financial issues have been implementing prudent regulatory measures to further regulate the financial market by curbing speculations and deleveraging the secondary market. During the first half of 2017, the value of secondary market for A shares has been under-estimated with significantly lower volatility. In June 2017, A Shares were included in MSCI Emerging Markets Index, which helps the A share market to attract investors. As to RMB exchange rate, the RMB exchange rate remained stable during the first half of 2017. As RMB appreciates against US dollars, the possibility of depreciation is expected to be lower.

4. Container vessel leasing market

1) Industry environment

The vessel financial leasing market maintained a strong momentum in China in the first half of 2017. The choices of customers in granting facilities, however, were mixed. The approval for facilities to small and medium sized clients in the shipping industry was tightened, while large shipping companies, and particularly the leading players in the industry, face lesser difficulties in securing endorsement and support from leasing companies.

The development of vessel financial leasing business in China for the second half of 2017 is expected to be in line with that in the first half of 2017. However, due to the slowdown in delivery of new vessels, the volume of new shipbuilding financing is estimated to decrease as compared with 2016, while leaseback financing is expected to maintain a strong momentum, with a higher percentage of financing for operating leases to the total volume granted by leasing companies from banks. The volume of financing for finance lease for this year is estimated to stay at the level of US$12 to 15 billion.

2) Competitive landscape

According to the relevant data, the scale of shipping facilities granted by the top 40 banks engaged in shipping loans business in the global market is estimated to be approximately US$350 billion, the lowest in the last decade. Among which, the percentage of shipping facilities granted by banks from Europe and America to the total amount decreased while the percentage of shipping facilities granted by financial institutions in Asia to the total amount increased.

Currently, the mainstream vessel finance leasing companies fall into two categories, namely those from traditional banks and those from non-banking institutions. As of the end of June of this year, over 20 finance leasing companies of more than 60 finance leasing companies established in China have commenced vessel finance leasing with an estimated scale of over 1,000 vessels and an estimated leased vessel assets of over RMB100 billion.

As at the end of June 2017, the Company operated a container fleet of 97 vessels with a total capacity of approximately 712,100 TEU, including 74 self-owned vessels with a total capacity of 581,600 TEU, as well as owning four bulk cargo vessels with a size of 256,000 DWT in total.

In addition, the Company's vessel leasing business includes more than 60 other types of vessels for financial leasing.

5. Container leasing and manufacturing market

1) Industry environment

The container manufacturing market has been recovering since the fourth quarter of 2016, which is driven by improved global economy and shipping market. The combined effects of this factor and other factors such as application of water-proof coats among the container manufacturing industry in China since April 2017 were substantial amounts of orders for water-proof coats and rising prices for containers in the first quarter of 2017. As a result, there was a rise in both number and price in the container manufacturing market.

In the second quarter of 2017, a substantial decline in price of steel and other key materials has led to a slowdown in the rise in price of containers. Meanwhile, the application of water-proof coats among the industry in China has resulted in shut-down and transformation of production lines of certain factories, leading to a decrease in supply.

2) Competitive landscape

The container leasing industry is known for its relatively high market concentration, with each of the top six container lessors had more than 1 million TEU, representing more than 85% in the total number of lease containers. As at 30 June 2017, the total capacity of Florens International Limited ("FIL")'s container fleet after consolidation was approximately 3.65 million TEU, which is estimated to account for 18% to 20% of the container leasing market, ranking second in the world.

In the current container manufacturing market, China International Marine Containers (Group) Co., Ltd., Singamas Container Holdings Limited, CXIC Group Containers Company Limited and Shanghai Universal Logistics Equipment Co., Ltd. ("Shanghai Universal") accounting for 90% to 95% of the total capacity. Shanghai Universal, a subsidiary of the Company, took a market share of about 11.5%, ranked fourth in the industry.

6. Financial leasing market for non-shipping

1) Industry environment

The first half of 2017 witnessed sound progress of the financial leasing industry, with significant growths in terms of number, strength and business volume of leasing companies compared with last year. Financial leasing, which operates to provide funds and physical assets as well, becomes the bridge that connects the real economy and financial industry. Given its unique advantages, financial leasing has attracted broad interest and has been elevated to a strategic position of serving the real economy. With the implementation of strategic policies, including "13th Five-Year Plan", "Supply-side structural reforms", "One Belt, One Road" and "Made in China 2025", and the close relationship between finance leasing and real economy, finance leasing is expected to play a key role in pushing forward the transformation and upgrading of the industrial structure in China. During the past few years, the Chinese government has also introduced a series of policies such as Guiding Opinions on Promoting the Development of the Finance Leasing Industry《關於加快融資租賃業發展的指導意見》and Guiding opinions on the Promoting the Healthy Development of Finance Leasing Industry《關於促進金融租賃行業健康發展的指導意見》, laying a foundation for rapid development and business innovations of the entire industry.

2) Competitive landscape

As at the end of June 2017, China had over 8,000 financial lessors, representing an increase of 44%; total registered capital exceeded RMB2.9 trillion, representing an increase of 48.8%; and the balance of the financial leasing contracts amounted to around RMB5.6 trillion, representing an increase of approximately 19.7%, according to the relevant statistics.

China Shipping Leasing Co., Ltd. ("COSCO SHIPPING Leasing"), a subsidiary of the Company, has a registered capital of RMB2.5 billion. In more than two years of operation, COSCO SHIPPING Leasing has developed considerable expertise in the market segments of medical services, education, energy, construction and industrial equipment. Its business is rapidly expanding in terms of scale. As at 30 June 2017, the total value of the Company's non-shipping financial leasing assets amounted to RMB19.77 billion.

FUTURE DEVELOPMENT STRATEGY OF THE COMPANY

1. Strategic positioning

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

2. Development goals

To bring into play to advantages in shipping logistics industry and integrated shipping industry chain with shipping finance as the foundation; to develop industrial cluster with leasing, investment, insurance and banking as the core; and to develop into a "one-stop" financial service platform by combining industry with finance, integrating various financial functions, and synergy of various businesses, featuring market mechanism, differentiated advantages and international vision.

3. Development plan

1) Leasing business

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 an industry-leading leasing company with unique competitive edges on the basis of the current leasing business of FIL. In a short-term view, the Company is to follow the guideline of "consolidating core businesses while seizing market opportunities" and realize synergy among sales, cost and capability, so as to consolidate its core business. In a long-term view, the Company is to seize market opportunities to develop its special container leasing business, optimize its contract patterns and improve capital structure, so as to increase returns.

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 develop the vessel financial leasing as its core business on the basis of its existing business. In a short-term view, the Company is to mobilize its current fleet resources to revive its internal business; in the long run, it is to gradually increase the proportion of external business and work out a "one-stop" business model leveraging on China COSCO Shipping Corporation Limited advantages of full industrial chain deployment, in an attempt to establish a unique competitive edge in the industry.

The non-shipping leasing business mainly involves various non-shipping leasing businesses, with a focus on areas of development potential such as medical services, education, new energy and intelligent manufacturing. The Company sets its focus on the small and medium enterprise clients and small and medium sized projects, and strives to become a financial leasing leader in leveraging on its existing business, experience and capital to promote integration of industry and finance. 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 professional services with uniform standards.

2) Investment business

As to financial investment business, the Company will give equal weight to strategic value and financial returns, prioritize both strategic synergy and business drivers, and make full use of domestic and overseas resources to pool external capital through various means such as fund, in an effort to realize good financial returns while incubating the Company's future financial investment business.

3) Integrated financial services

Capitalizing on its industrial background, the Company expects to discover values of supply chain customer flow, capital flow and information flow, and integrate itself into the industry chain process to provide customized, differentiated and low-risk financial service products.

FINANCIAL REVIEW OF THE GROUP

ANALYSIS OF SEGMENT RESULTS OF THE GROUP

The Group recorded a revenue of RMB7,882,545,000 in the first half of 2017, representing a decrease of 6% as compared with RMB8,375,935,000 for the same period of last year; total profit before income tax from continuing operations amounted to RMB1,300,157,000, representing an increase of 1390% as compared with the restated profit of RMB87,252,000 for the same period of last year; net profit attributable to shareholders of the parent amounted to RMB1,055,029,000, representing an increase of 9203% as compared with the restated loss of RMB11,590,000 for the same period of last year. The increase was mainly attributable to (i) expansion in the scale of our leasing business with a rising profitability; (ii) our investment business maintains steady development and satisfactory return; and (iii) our container manufacturing business has recorded a substantial growth in both sales volume and price.

Analyses of segment results are as follows:

1. Analysis of shipping-related leasing business

1) Operating revenue

The Group recorded a revenue from its shipping-related leasing business of RMB4,631,034,000 for the first half of 2017, representing an increase of 11% as compared with RMB4,189,951,000 for the same period of last year, accounting for 59% of the total revenue of the Group. Such increase is mainly due to the Company starting to lease out all its self-owned vessels since March 2016 as compared with the same period of 2016.

Revenue from container leasing, management and sales amounted to RMB1,676,240,000, which mainly includes revenue from container leasing and disposal of containers upon expiry, representing an increase of 9% as compared with RMB1,536,153,000 for the same period of last year. The Group recorded a revenue from its container leasing business of RMB1,494,338,000 for the first half of 2017, representing an increase of 6% as compared with RMB1,413,460,000 for the same period of last year, mainly due to the increase in the number of containers the Company owned and leased back after sales. As to the container sales business, the revenue from disposal of containers upon expiry amounted to RMB181,902,000, representing an increase of 48% as compared with RMB122,693,000 for the same period of last year, mainly due to the increase in the number of disposal of containers upon expiry.

Revenue from vessel leasing business and so on amounted to RMB2,954,794,000 for the first half of 2017, including revenue from operating lease of vessels of RMB2,892,377,000 and revenue from finance lease of vessels of RMB62,417,000, representing an increase of 11% as compared with RMB2,653,798,000 for the same period of last year. As at 30 June 2017, the Group had a total of 101 vessels leased out (31 December 2016: 106).

2) Operating costs

Operating costs for leasing business include the depreciation and maintenance costs for self-owned vessels, depreciation of self-owned containers, staff salaries, net carrying value of sales of containers returned upon expiry and rents of the leased-in vessels and containers. Operating costs for the first half of 2017 was RMB3,683,239,000, representing an increase of 14% as compared with RMB3,240,945,000 for the same period of last year, mainly due to the fact that the Company has leased out all its self-owned vessels since March 2016.

2. Analysis of container manufacturing business

1) Operating revenue

The Group's container manufacturing business realized operating revenue of RMB2,360,729,000 in the first half of 2017, representing an increase of 396% as compared with RMB475,663,000 for the same period of last year. The substantial increase in revenue from the container business was mainly due to improving container manufacturing market, as driven by a recovery in global economy and shipping market, and a rise in both volume and price in the container manufacturing market due to the effects of applying water-proof coats among the industry since April 2017 that results in a rise in the price of containers. The Group's container sales amounted to 202,600 TEU during the Period, representing an increase of 276% as compared with 53,800 TEU for the same period of last year.

2) Operating costs

The operating costs of the container manufacturing business mainly consist of raw material costs, employee compensation and depreciation expenses. The operating costs of the business amounted to RMB2,180,778,000 in the first half of 2017, representing an increase of 440% as compared with RMB403,708,000 for the same period of last year. The increase in costs as compared with the same period of last year was primarily due to the gradual recovery of the container manufacturing market, which led to a significant increase in the container sales volume of the Company; and the rise in raw material costs due to factors such as the application of water-proof coats among the industry in April 2017.

3. Analysis of non-shipping financial leasing business

1) Operating revenue

The Group's non-shipping financial leasing business realized operating revenue of RMB708,543,000 in the first half of 2017, representing an increase of 128% as compared with RMB310,392,000 for the same period of last year. The business accounted for 9% of the Group's total revenue in the Period. The growth in revenue from the non-shipping financial leasing business was mainly driven by further expansion in financial leasing services during the Period.

2) Operating costs

The operating costs of the non-shipping financial leasing business mainly consist of interest expenses. The operating costs of the business amounted to RMB221,702,000 in the first half of 2017, representing an increase of 204% as compared with RMB72,922,000 for the same period of last year. The increase in the operating costs was mainly driven by a rapid expansion in loans borrowed by CS Leasing.

4. Analysis of financial services

1) Operating revenue

In the first half of 2017, the Group's financial services realized operating revenue of RMB179,293,000, representing 2% of the Group's total operating revenue and an increase of 20% as compared with RMB148,941,000 for the same period of last year. The increase in operating revenue was mainly due to an increase in interest income from loans in line with an increase in loans which were granted by the Group with its abundant internal resources.

2) Operating costs

The operating costs of financial services in the first half of 2017 were RMB43,433,000, accounting for 0.71% of the Group's total operating cost and representing an increase of 83% as compared with RMB23,758,000 for the same period of last year. The increase in operating cost as compared with the same period of last year is mainly due to an increase in interest expense as a result of increasing market rates. The Group recorded gross profit of RMB135,860,000 from financial services, representing an increase of 9% as compared with the same period of last year.

5. Analysis of Investment business

In the first half of 2017, the Group's investment business realized operating revenue of RMB1,288,079,000, representing an increase of 82% as compared with the same period of last year, which was mainly attributable to an increase in the performances of China International Marine Containers (Group) Co., Ltd., China Bohai Bank Co., Ltd. and Shanghai Life Insurance Co., Ltd., which are associates of the Company, for the Period as compared with that of the same period of last year.

SIGNIFICANT SECURITIES INVESTMENT

As at 30 June 2017, the Company's equity investments in associates and joint ventures generated profit of RMB1,168,544,000, mainly attributable to an increase in the performances of China International Marine Containers (Group) Co., Ltd., China Bohai Bank Co., Ltd. and Shanghai Life Insurance Co., Ltd., which are associates of the Company, for the Period as compared with that of the same period of last year.

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.	3,057,384,000	22.76	22.75	6,975,206,,000	153,951,000	-80,144,000	–	40,681.000	Investments in associates	Purchase
600643	Shanghai AJ Group Co., Ltd	33,814,000	0.56	0.33	70,411,000	–	-5,269,000	24,343,000	–	Available-for-sale investments	Purchase
601818	China Everbright Bank Co.,Ltd	3,398,255,000	1.551	1.551	3,648,087,000	251,627,000	-21,528,000	–	70,952,000	Investments in associates	Purchase
600390	Minmetals Capital Co.,Ltd	1,500,000,000	–	3.94	1,252,759,000	–	-247,241,000	–	–	Available-for-sale investments	Purchase
000617	Jinan Diesel Engine Co.,Ltd	95,000,000	0.97	0.97	945,957,000	–	-125,099,000	–	–	Available-for-sale investments	Purchase
Total		8,084,453,000	/	/	12,892,420,000	405,578,000	-479,281,000	24,343,000	111,633,000		

2. Shareholdings in non-list 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	Source of the shareholding
Bank of Kunlun Co., Ltd	838,959,000	3.74	3.74	1,120,824,000	62,703,000	-2,888,000	–	10,626,000	Investment in associates	Purchase
CIB Fund Management Co., Ltd	50,000,000	10.00	10.00	155,805,000	26,468,000	-168,000	–	–	Investment in associates	Purchase
Shanghai Life Insurance Co., Ltd.	320,000,000	16.00	16.00	895,691,000	-22,728,000	11,871,000	–	–	Investment in associates	Purchase
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd.	125,000,000	25.00	25.00	129,765,000	2,194,000	–	–	–	Investment in associates	Purchase
China Bohai Bank Co., Ltd	5,749,379,000	13.67	13.67	6,412,532,000	694,307,000	-31,154,000	–	–	Investment in Associates	Purchase
Total	7,083,338,000	/	/	8,714,617,000	762,944,000	-22,339,000	–	10,626,000		

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

Name of Investee	**Exchange**	**Principal businesses**
China International Marine Containers (Group) Co., Ltd	Shenzhen Stock Exchange/ Hong Kong Stock Exchange	Manufacturing and sales of Containers
Shanghai AJ Group Co., Ltd	Shanghai Stock Exchange	Investment in industries and other financial businesses
China Everbright Bank Co., Ltd	Shanghai Stock Exchange	Bank business
Minmetals Capital Co., Ltd	Shanghai Stock Exchange	Ore mining, processing and sales
Bank of Kunlun Co., Ltd	/	Bank business
CIB Fund Management Co., Ltd	/	Fund Management
Shanghai Life Insurance Co., Ltd	/	Insurance
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd	/	Leasing
China Bohai Bank Co., Ltd	/	Bank business
Jinan Diesel Engine Co., Ltd	Shenzhen Stock Exchange	Engine R&D and manufacturing

The stock market was volatile in the first half of 2017. The Company expects the investment portfolio of the Group (including the above major 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 plan as well as prospects of the industry of the listed company. To mitigate relevant risks, the Group will take appropriate measures in due course and adjust its investment strategies in response to market situation.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

1. 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 RMB3,344,503,000. As at 30 June 2017, the Group's cash balance in banks was RMB12,992,021,000.

As at 30 June 2017, the Group's total bank and other borrowings were RMB93,030,801,000. The maturity profile is spread over a period between 2017 to 2027, with RMB28,415,711,000 repayable within one year, RMB21,652,663,000 repayable within the second year, RMB32,052,183,000 repayable within the third to the fifth year, and RMB10,910,244,000 repayable after the fifth year. The Group's long-term bank borrowings are mainly used to finance the procurement of containers and equity acquisitions.

As at 30 June 2017, the Group's RMB-denominated bonds payable amounted to RMB2,529,402,000, which include the asset-backed bonds of RMB1,000,000,000 issued by CS Leasing during the period for the commencement of finance leasing business, and the Groups' US dollar-denominated fixed term bonds payable amounted to US$225,762,000 (equivalent to RMB1,529,402,000), and all proceeds raised from the bonds were used for acquisition of containers. For the Group's 10-year fixed term bonds payable as at 31 December 2016, all proceeds raised from the bonds were used for construction of vessels. The issuance of such bonds is guaranteed by Shanghai Branch of Bank of China.

The Group's RMB borrowings at fixed interest rates amounted to RMB35,744,586,000, USD borrowings at fixed interest rates amounted to USD130,809,000 (equivalent to RMB886,155,000), RMB borrowings at floating interest rates amounted to RMB1,529,432,000 and USD borrowings at floating interest rates amounted to USD8,099,703,000 (equivalent to RMB54,870,628,000). The Group's borrowings are settled in RMB or US dollars while its cash and cash equivalents are also primarily denominated in RMB and US dollars.

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.

2. Gearing ratio

As at 30 June 2017, the gearing ratio of the Group (i.e., the ratio of net interest-bearing financial liabilities less cash and cash equivalents over total equity) was 611%, which is lower than that of 662% as at 31 December 2016. The decrease was primarily due to the partial repayment of interest-bearing liabilities for the acquisition of subsidiaries for the same period of last year during the Period.

3. Foreign exchange risk

During the Period, the Group recorded a net exchange loss of RMB80,402,000 which was mainly due to fluctuations of the US dollar exchange rates and the exchange difference which was charged to equity attributable to shareholders of the parent amounted to RMB287,256,000. The Group will continue to monitor the exchange rate fluctuation of RMB and major international currencies, minimize the loss arising from exchange rate fluctuation, and take appropriate measures to mitigate the Group's foreign exchange exposure when necessary.

4. Capital commitment

As at 30 June 2017, the Group had RMB383,780,000 in capital commitments which had been contracted but not provided for and which had been authorised by the Board but not contracted for, in relation to acquisition of containers. The equity investment commitment for the Period was RMB1,959,000,000.

PLEDGE

As at 30 June 2017, certain container vessels and containers with net carrying value of approximately RMB24,796,583,000 (31 December 2016: RMB24,792,246,000), finance lease receivables of RMB4,557,301,000 (31 December 2016: RMB1,379,841,000) and pledged deposits of RMB109,365,000 (31 December 2016: RMB107,848,000) of the Group were pledged to the bank for the grant of credit facilities and issuance of bonds.

SUBSEQUENT EVENTS

There is no material subsequent event undertaken by the Group after 30 June 2017.

CONTINGENT LIABILITIES

As at 30 June 2017, the Group's major contingent liabilities were approximately RMB46,432,000 (31 December 2016: Nil).

EMPLOYEES, TRAINING AND BENEFITS

As at 30 June 2017, the Group had 7,784 employees (of which 6,987 were outsourced labour employees), and the total staff costs for the Period (including staff remuneration, welfare and social insurance, etc.) amounted to approximately RMB737,532,000 (including outsourced labour costs).

Remuneration management, as one of the most effective ways of supporting and achieving business development of the Company, was carried out on the basis of total budget control, value creation, internal fairness, market competition and sustainable development, subject to adjustments from time to time. The Company's overall remuneration system mainly consists of salaries, discretionary benefits and staff recognizing plans: (i) salaries: including remuneration, performance salary, special incentives, bonus and allowances; (ii) benefits: including mandatory social insurance, provident housing fund and corporate welfares; and (iii) staff recognizing plans: including separate reward plans for staff working and acting in line with corporate culture and management objectives.

To support human resources management reform, talent development and training, the Company's training work followed the guideline of "standardization, expansion and innovation" to further standardize training process and management in order to achieve operational integrity of the training system; further expand audience reach and diversify the contents to reflect the coordination of container shipping system; and continue to innovate in training and organizational methods to enhance the effectiveness of various training programmes. The Company continued to thoroughly implement the "three-dimensional training system", which provided various training programmes covering transformation and innovation, management capability, container shipping business, individual caliber and specialty skills, safety, etc. to address different needs of managers, business executives at different levels and employees.

SHARE CAPITAL

As at 30 June 2017, the share capital of the Company was as follows:

Types of shares	Number of issued shares	Percentage (%)
A Shares	7,932,125,000	67.89
H Shares	3,751,000,000	32.11
Total	11,683,125,000	100.00

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

INTERIM DIVIDENDS

The Board does not recommend distribution of an interim dividend for the Period (2016: nil).

AUDIT COMMITTEE

The Board has set up an audit committee. Following the passing away of Mr. Tsang Hing Lun on 4 June 2017, the existing Audit Committee consists of one independent non-executive Director, namely Mr. Cai Hongping, and one non-executive Director, namely Mr. Chen Dong. Rule 3.21 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") provides that the Audit Committee must comprise a minimum of three members, the majority of which must be independent non-executive Directors, and the Audit Committee must be chaired by an independent non-executive Director. In addition, Rule 3.10A of the Listing Rules provides that the Company must appoint independent non-executive Directors representing at least one-third of the Board. The Company will endeavor to identify a suitable candidate to be appointed as an independent non-executive Director and fill the relevant vacancies so as to comply with the relevant requirements of the Listing Rules as soon as practicable.

The Audit Committee has reviewed the Company's interim results for the Period and agreed with the accounting treatment adopted by the Company.

CORPORATE GOVERNANCE CODE

The Company was in 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 Directors', supervisors' and relevant employees' securities transactions 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. Following specific enquiry made with all the Directors and supervisors of the Company, each of them has confirmed that he/she has complied with the required standard set out in the Model Code regarding directors' and supervisors' securities transactions during the Period. The Company is not aware of any non-compliance with these guidelines by the relevant employees.

INFORMATION DISCLOSURE

This announcement will be published on the website of the Stock Exchange at http://www.hkexnews.hk and the website of the Company at http://development.coscoshipping.com. The interim report for the six months ended 30 June 2017 will be dispatched by the Company to its shareholders and published on the websites of the Stock Exchange and the Company in due course. The interim report contains all the relevant financial information as required under Appendix 16 to the Listing Rules.

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

Shanghai, the People's Republic of China
30 August 2017

As at the date of this announcement, the Board comprises Ms. Sun Yueying, Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, being executive Directors, Mr. Feng Boming, Mr. Huang Jian and Mr. Chen Dong, being non-executive Directors, and Mr. Cai Hongping, Ms. Hai Chi Yuet and Mr. Graeme Jack, being independent non-executive Directors.

* *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.".*