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 2018

FINANCIAL HIGHLIGHTS (UNDER HKFRSs)

– Revenue amounted to RMB8,221,346,000

– Profit attributable to owners of the parent of the Company for the Period amounted to RMB326,606,000

– Basic earnings per share amounted to RMB0.0280

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 2018 (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 RMB8,221,346,000, representing an increase of 6.4% as compared with the restated revenue of RMB7,723,343,000 for the same period of last year; profit for the period attributable to owners of the parent of the Company amounted to RMB326,606,000, representing a decrease of 69.0% as compared with the restated profit of RMB1,055,029,000 for the same period of last year. Basic earnings per share was RMB0.0280.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Notes	For the six months ended 30 June **2018** *RMB'000* **(Unaudited)**	2017 *RMB'000* (Unaudited) (Restated)
CONTINUING OPERATIONS			
REVENUE	*4*	**8,221,346**	7,723,343
Cost of sales		**(6,521,081)**	(6,084,837)
Gross profit		**1,700,265**	1,638,506
Selling, administrative and general expenses		**(587,847)**	(354,156)
Other income	*5*	**159,246**	74,575
Other (losses)/gains, net	*6*	**(450,108)**	19,963
Finance costs		**(1,563,438)**	(1,368,366)
Share of profits of:			
Associates		**1,222,322**	1,163,996
Joint ventures		**7,184**	4,548
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**487,624**	1,179,066
Income tax expense	*7*	**(255,967)**	(181,436)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		**231,657**	997,630
DISCONTINUED OPERATION			
Profit for the period from a discontinued operation		**146,967**	90,222
PROFIT FOR THE PERIOD		**378,624**	1,087,852
Attributable to:			
Owners of the parent		**326,606**	1,055,029
Non-controlling interests		**52,018**	32,823
		378,624	1,087,852
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
(express in RMB per share)	*8*		
Basic and diluted			
– For profit for the period		**0.0280**	0.0903
– For profit for the period from continuing operations		**0.0196**	0.0854

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)
PROFIT FOR THE PERIOD	**378,624**	1,087,852
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss for the period:		
Available-for-sale investments:		
Change in fair value, net of tax	**–**	(323,232)
Reclassification adjustments for gains included in the consolidated statement of profit or loss	**–**	(41,943)
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the period	**9,527**	(1,711)
Exchange differences:		
Exchange differences on translation of foreign operations	**(128,238)**	287,256
Associates:		
Share of other comprehensive income/(loss) of associates	**6,548**	(124,010)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(112,163)**	(203,640)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**266,461**	884,212
Attributable to:		
Owners of the parent	**214,443**	847,742
Non-controlling interests	**52,018**	36,470
	266,461	884,212

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**55,740,134**	53,844,184
Investment properties		**100,971**	100,012
Prepaid land lease payments		**112,588**	114,382
Intangible asset		**20,028**	18,641
Investments in associates		**21,263,860**	20,256,221
Investments in joint ventures		**199,175**	198,526
Available-for-sale investments		**–**	4,013,699
Financial assets at fair value through profit or loss		**3,092,506**	–
Finance lease receivables		**22,997,970**	20,087,976
Loans and receivables		**–**	154,116
Derivative financial instruments		**23,320**	13,360
Deferred tax assets		**145,947**	113,147
Other long term prepayments		**–**	90,000
Total non-current assets		**103,696,499**	99,004,264
CURRENT ASSETS			
Inventories		**1,459,731**	1,155,668
Trade and notes receivables	*10*	**2,094,058**	859,177
Prepayments and other receivables		**1,328,128**	896,243
Prepaid land lease payments		**3,587**	3,587
Finance lease receivables		**8,967,555**	7,333,145
Loans and receivables		**–**	3,763,801
Factoring receivables		**618,627**	529,799
Financial assets at fair value through profit or loss		**70,001**	–
Held-for-trading investments		**–**	547,428
Derivative financial instruments		**4,776**	2,736
Restricted cash		**910,991**	1,748,512
Cash and cash equivalents		**5,670,318**	23,193,300
		21,127,772	40,033,396
Assets of a disposal group classified as held for sale		**19,767,567**	–
Total current assets		**40,895,339**	40,033,396
Total assets		**144,591,838**	139,037,660

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	Note	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade payables	*11*	**2,700,336**	2,328,672
Other payables and accruals		**3,476,022**	2,081,501
Contract liabilities		**56,695**	–
Bank and other borrowings		**42,924,061**	31,571,856
Corporate bonds		**2,157,374**	1,611,981
Finance lease obligations		**70,467**	68,446
Deposits from customers		**–**	14,757,813
Derivative financial instruments		**1,960**	–
Tax payable		**284,510**	237,297
		51,671,425	52,657,566
Liabilities directly associated with assets classified as held for sale		**15,322,991**	–
Total current liabilities		**66,994,416**	52,657,566
NET CURRENT LIABILITIES		**(26,099,077)**	(12,624,170)
TOTAL ASSETS LESS CURRENT LIABILITIES		**77,597,422**	86,380,094
NON-CURRENT LIABILITIES			
Bank and other borrowings		**54,371,472**	63,849,439
Corporate bonds		**3,104,899**	2,803,325
Finance lease obligations		**483,259**	512,082
Deposits from customers		**–**	14,951
Deferred tax liabilities		**315,809**	321,867
Other long term payables		**2,326,982**	2,004,643
Total non-current liabilities		**60,602,421**	69,506,307
Net assets		**16,995,001**	16,873,787

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	30 June 2018 *RMB'000* (Unaudited)	31 December 2017 *RMB'000* (Audited)
EQUITY		
Equity attributable to owners of the parent		
Share capital	**11,683,125**	11,683,125
Special reserve	**1,526**	1,912
General reserve	**142,932**	142,932
Other reserves	**(5,453,934)**	(5,505,506)
Other equity instrument	**1,000,000**	1,000,000
Retained profits	**8,971,709**	8,953,699
	16,345,358	16,276,162
Non-controlling interests	**649,643**	597,625
Total equity	**16,995,001**	16,873,787

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
30 JUNE 2018

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 2018, 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 unaudited interim condensed consolidated financial information, which comprise the interim condensed consolidated statement of financial position of the Group as at 30 June 2018 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 2018, have been prepared in accordance with HKAS 34 *Interim Financial Reporting* 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 information is 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 RMB26,099,077,000 as at 30 June 2018. The directors are of opinion that based on the available unutilised banking facilities as at 30 June 2018, 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.

The unaudited 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 financial statements for the year ended 31 December 2017.

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 2017, except for the adoption of new standards effective as of 1 January 2018.

The Group has adopted the following revised HKFRSs for the first time in this interim condensed consolidated financial information.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

The Group applies, for the first time, HKFRS 15 *Revenue from Contracts with Customers* and HKFRS 9 *Financial Instruments*. As required by HKAS 34, the nature and effect of these changes are disclosed below.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method of adoption. The effect of adopting HKFRS 15 is, as follows:

- The comparative information for each of the primary financial statements would be presented based on the requirements of HKAS 11, HKAS 18 and related Interpretations;

- As required for the interim condensed consolidated financial information, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to note 4 for the disclosure on disaggregated revenue. Disclosures for the comparative period in the notes to the financial statements would also follow the requirements of HKAS 11, HKAS 18 and related Interpretations. As a result, the disclosure of disaggregated revenue in note 4 would not include comparative information under HKFRS 15; and

- The outstanding balance of advances from customers of RMB87,650,000 as of 1 January 2018 arising from contracts with customers in the scope of HKFRS 15 were reclassified from other payables and accruals to contract liabilities.

HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has not restated comparative information for financial instruments in the scope of HKFRS 9. Therefore, the comparative information is reported under HKAS 39 and is not comparable to the information presented for the six months ended 30 June 2018. Differences arising from the adoption of HKFRS 9 have been recognised directly in retained profits and accumulated other comprehensive income as of 1 January 2018.

Changes to classification and measurement

To determine their classification and measurement category, HKFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The HKAS 39 measurement categories of financial assets, including financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial investments and held-to-maturity investments have been replaced by:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition; and
- Financial assets at fair value through profit or loss.

The accounting for financial liabilities remains largely the same as it was under HKAS 39.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

As of 1 January 2018, the category of loans and receivables under HKAS 39, including cash and cash equivalents, restricted cash, trade and notes receivables, financial assets included in prepayments and other receivables, finance lease receivables, loans and receivables and factoring receivables, were transferred to debt instruments at amortised cost under HKFRS 9. Meanwhile, held-for-trading investments and available-for-sale investments under HKAS 39 were transferred to financial assets at fair value through profit or loss under HKFRS 9.

Changes to the impairment calculation

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applies the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade and notes receivables and other receivables. Furthermore, the Group applies the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its finance lease receivables, loans and receivables and factoring receivables within the next twelve months. Under the general approach, the Group recognises a loss allowance based on either twelve-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. The impact of adopting expected credit loss model under HKFRS 9 was not significant and, therefore, the Group made no adjustment to equity as of 1 January 2018 for the changes in impairment.

The quantitative post-tax impact of adopting HKFRS 9 adjusted to the opening equity is as follows:

	Other reserves	**Retained profits**
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Transition for the former available-for-sale investments at fair value through other comprehensive income	36,930	(36,930)
Transition for the former available-for-sale investments carried at cost	–	(31,136)
Share of the impact of adopting HKFRS 9 of associates	114,261	(211,594)
	151,191	(279,660)

Several other amendments and interpretations applied for the first time in 2018, but do not have an impact on the interim condensed consolidated financial information of the Group.

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

2.3 A CHANGE IN ACCOUNTING ESTIMATES

With effect from 1 January 2018, the group made a change in depreciation estimates as follows:

- Estimated residual value of vessels changed from US$280 to US$330 per ton

- Estimated residual value of certain containers changed from US$560 – US$896 to US$780 – US$900 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 an decrease in depreciation of approximately RMB107,113,000 for the six months ended 30 June 2018.

3. OPERATING SEGMENT INFORMATION

As stated in the Group's annual financial statements for the year ended 31 December 2017, in the second half of 2017, the Group combined vessel chartering and container leasing segment and non-shipping related leasing segment into one segment, the shipping and industry-related leasing segment, and combined the financial services segment and the equity investment segment into another segment, the investment and service segment.

For the six months ended 30 June 2018, the Group followed those changes in the composition of segments and restated comparative information in this note accordingly.

The following table present revenue and profit information for the Group's operating segments for the six months ended 30 June 2018 and 2017, respectively:

	For the six months ended 30 June 2018					For the six months ended 30 June 2017				
	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) (Restated)	Container manufacturing *RMB'000* (Unaudited) (Restated)	Investment and service *RMB'000* (Unaudited) (Restated)	Others *RMB'000* (Unaudited) (Restated)	Total *RMB'000* (Unaudited) (Restated)
Segment revenue:										
Sales of containers	**–**	**3,191,266**	**–**	**–**	**3,191,266**					
Sales of shipping related spare parts	**94,743**	**–**	**–**	**–**	**94,743**					
Rendering of shipping related services	**440,500**	**–**	**–**	**–**	**440,500**					
Rendering of insurance brokerage services	**–**	**–**	**18,224**	**–**	**18,224**					
Total revenue from contracts with customers to external customers from continuing operations	**535,243**	**3,191,266**	**18,224**	**–**	**3,744,733**					
Other revenue to external customers from continuing operations	**4,476,613**	**–**	**–**	**–**	**4,476,613**					
Total revenue to external customers from continuing operations	**5,011,856**	**3,191,266**	**18,224**	**–**	**8,221,346**	5,339,578	2,360,729	20,090	2,946	7,723,343
Intersegment revenue from contracts with customers	**–**	**1,485,571**	**3,711**	**–**	**1,489,282**	–	–	–	–	–
Total revenue from continuing operations	**5,011,856**	**4,676,837**	**21,935**	**–**	**9,710,628**	5,339,578	2,360,729	20,090	2,946	7,723,343
Segment results	**600,173**	**207,360**	**202,316**	**(16,867)**	**992,982**	545,787	99,244	764,762	6,264	1,416,057
Elimination of intersegment results					**(168,777)**					10,256
Unallocated administrative and general expenses					**(45,044)**					(37,452)
Unallocated finance costs					**(291,537)**					(209,795)
Profit before tax from continuing operations					**487,624**					1,179,066

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

With the adoption of HKFRS 15 from 1 January 2018, 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 2018 is as follows:

	For the six months ended 30 June 2018 *RMB'000* **(Unaudited)**
Type of goods or service	
Sales of containers	**3,191,266**
Sales of shipping related spare parts	**94,743**
Rendering of shipping related services	**440,500**
Rendering of insurance brokerage services	**18,224**
Total revenue from contracts with customers	**3,744,733**
Geographical markets	
Hong Kong	**1,444,270**
Mainland China	**1,546,815**
Asia (excluding Hong Kong and Mainland China)	**198,750**
United States	**535,908**
Europe	**10,601**
Others	**8,389**
Total revenue from contracts with customers	**3,744,733**
Timing of revenue recognition	
Goods transferred at a point in time	**3,286,009**
Services transferred over time	**458,724**
Total revenue from contracts with customers	**3,744,733**

5. OTHER INCOME

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Interest income generated from operations other than financial services	**45,404**	51,418
Government grant related to expense items	**95,160**	5,102
Dividends income from available-for-sale financial investments	**–**	14,116
Dividends income from financial assets at fair value through profit or loss	**894**	–
Others	**17,788**	3,939
	159,246	74,575

6. OTHER (LOSSES)/GAINS, NET

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Gain on disposal of items of property, plant and equipment	**23,707**	5,629
Gain on disposal of available-for-sale investments	**–**	90,975
Fair value loss on financial assets at fair value through profit or loss	**(495,582)**	–
Fair value gain on held-for-trading investments	**–**	1,184
Net foreign exchange gain/(loss)	**21,767**	(79,123)
Others	**–**	1,298
	(450,108)	19,963

7. 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 2018 and 2017.

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 2018 (six months ended 30 June 2017: 16.5%).

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Current income tax		
– PRC	**260,232**	145,642
– Hong Kong	**10,349**	5,411
– elsewhere	**7,895**	5,377
Deferred income tax	**(22,509)**	25,006
	255,967	181,436

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

Basic earnings per share 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	
	2018	2017
	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	**228,657**	997,630
From a discontinued operation	**97,949**	57,399
	326,606	1,055,029

	Number of shares for the six months ended	
	2018	2017
	('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 2017: nil).

9. DIVIDENDS

The directors did not recommend any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

10. TRADE AND NOTES RECEIVABLES

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

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Within 3 months	**2,001,929**	740,338
4 to 6 months	**43,258**	69,761
7 to 12 months	**23,999**	31,098
Over 1 year	**24,872**	17,980
	2,094,058	859,177

11. TRADE 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 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Within 3 months	**1,699,598**	1,123,185
4 to 6 months	**685,160**	451,815
7 to 12 months	**300,473**	729,290
Over 1 year	**15,105**	24,382
	2,700,336	2,328,672

12. EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 30 June 2018.

13. COMPARATIVE AMOUNTS

The comparative interim condensed consolidated statement of profit or loss has been re-presented as if the operation discontinued during the period had been discontinued at the beginning of the comparative period.

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS OF OPERATING ENVIRONMENT AND OUTLOOK

1. Macroeconomic Conditions

In 2018, though the manufacturing industry of the world's major economies remains buoyant, the increasingly fierce trade tension will affect the recovery of the global economy to a certain extent. As expressed by the International Monetary Fund in the latest World Economic Outlook Report, the growth of developed economies will be maintained for this and next year while the emerging markets and developing economies will see a faster growth and later be stable. It is expected that the economic growth of the world may reach 3.9% for 2018 and 2019 and the economic growth of the emerging markets and developing economies will be 4.9% and 5.1% for 2018 and 2019 respectively. Due to a rise in oil price, higher US Treasuries yield and the aggravating tensed trade situation, the currencies of some fundamentally weak economies have been facing the market pressure with the deterioration in the equilibrium of their overall economic growth.

China's economy develops steadily with a solid progress in supply-side structural reforms and thus a partial remedy to the problem of overcapacity. In addition, new impetus continues to grow remarkably while the economic structure remains in its ongoing upgrade process. The overall economy stays healthy and promising. In the first half of 2018, China's GDP grew at 6.8%, maintaining a medium-to-rapid growth and there was a further improvement in the quality of economic growth. In respect of foreign trade, the Sino-US trade has since early 2018 become the greatest uncertainty affecting the import and export trade of China. According to statistics released by the General Administration of Customs of the People's Republic of China, the total foreign trade volume of China for the first half of 2018 was RMB14.12 trillion, representing an increase of 7.9% as compared with the same period of 2017. Currently, against the backdrop of the continually mild global economic recovery as well as the stable and promising economy of China, it is expected that the Sino-US trade tension will only have limited influence on the development of China's economy in general.

2. Shipping Market

In 2018, the overall auspicious macroeconomic conditions have driven up the demand for shipping commodities. However, as affected by factors like the Sino-US trade tension, there are instability and uncertainty for this industry's recovery. In the long run, the EU-US economies' rebound will revive the global trade while the price increase of commodities such as iron and coal may result in an increasing demand for transportation. As such, the existing uncertainties for the industry will not reverse its recovery trend generally.

Currently, the number of orders for new vessels is at a historic low level. It is expected that slow delivery of new vessels in the second half of 2018 will contribute to the rebound of the vessel leasing industry. Since the beginning of the year, the vessel leasing market has gradually picked up along with increased leasing demand, which has resulted in the rent increase in most types of vessels. Owing to the recovery of the container transport market, the demand for containers has gradually increased, which is expected to provide strong support for new containers and container rental prices in future.

3. Financial Market

Turmoil was stirred up in the global financial market by factors such as trade tension, appreciation of US dollars and heightened investor risk aversion for the first half of 2018.

In the first half of 2018, in order to cope with the fluctuation of the international financial and monetary market, the PRC regulatory authorities took various measures to stabilize growth, adjust structure and prevent risks while continuously strengthen supervision on the financial industry. As a result, positive changes were seen in the economic and financial structure of China and the financial market achieved stable development as a whole. China made a systematic arrangement for the comprehensive in-depth financial reform and the optimization of financial market framework. The arrangement was designed to exert a market-oriented effect upon financial resource deployment, enhance the economic capacity of financial service entities, stick to the tolerance limit to systematic financial risk, and facilitate the continuously fast development of economy.

In the second half of 2018, developed economies may gradually adopt the tight monetary policy and thus create pressure on economies of emerging markets. It is anticipated that the financial market of China will, to a certain degree, be affected. Nevertheless, given that the liquidity can be ensured by prudent monetary policy, the financial market will maintain its orderly operation and steady development.

FUTURE DEVELOPMENT STRATEGY OF THE COMPANY

1. Strategic Position

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

2. Development Goals

To bring into play the advantages in shipping logistics industry and integrated shipping industry chain 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 businesses, 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 finance 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 ship owner leasing enterprise in China. 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's advantages of full industrial chain deployment, in an attempt to establish a unique competitive edge in the industry.

The container leasing business, as an integral part of the container industry chain, mainly involves container leasing and trading of various kinds. The Company will strive to become an industry-leading leasing company with unique competitive edges on the basis of the current leasing business of Florens International Limited. 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 businesses. 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.

Other leasing businesses mainly 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 to 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 finance leasing business platform that offers one-stop professional services with uniform standards.

2) *Container Manufacturing Business*

The Company will enhance its comprehensive competitiveness through technology upgrading, management upgrading and accelerating the promotion and upgrading of environmental technology. The Company will strengthen dry container manufacturing, diversify container products, increase the market share of specialized container market, and lay out refrigerated container manufacturing business in advance. The Company will also seek for consolidation opportunity and operation optimization, so as to build a technology-leading and world class container manufacturing enterprise with high capacity utilization as well as profitability.

3) *Investment and Service Business*

As to investment and service business, the Company will give equal weight to strategic value and financial returns, prioritize both strategic synergy and performance drivers, and make full use of domestic and overseas resources to pool external capital through various means such as industry fund, so as to support development of the shipping industry and emerging industries and promote the integration of industry and finance. The Company will make effort to realize good financial returns while incubating the Company's future financial investment business.

FINANCIAL REVIEW OF THE GROUP

The Group recorded a revenue of RMB8,221,346,000 for the Period, representing an increase of 6.4% as compared with the restated revenue of RMB7,723,343,000 for the same period of last year; profit before tax from continuing operations amounted to RMB487,624,000, representing a decrease of 58.6% as compared with the restated profit of RMB1,179,066,000 for the same period of last year; profit for the Period attributable to owners of the parent amounted to RMB326,606,000, representing a decrease of 69.0% as compared with the restated profit of RMB1,055,029,000 for the same period of last year, mainly due to decrease in prices of shares of listed equity investment held by the Group.

Analyses of segment results are as follows:

Unit: RMB'000

	Revenue			Cost		
Segment	**For the six months ended 30 June 2018**	**For the six months ended 30 June 2017**	**Change (%)**	**For the six months ended 30 June 2018**	**For the six months ended 30 June 2017**	**Change (%)**
Shipping and industry-related leasing	5,011,856	5,339,578	(6.1%)	3,509,154	3,923,605	(10.6%)
Container manufacturing business	4,676,837	2,360,729	98.1%	4,364,719	2,180,779	100.1%
Investment and service business	21,935	20,090	9.2%	40	3,132	(98.7%)
Other businesses	–	2,946	(100.0%)	18,512	(4,014)	561.2%
Offset amount	(1,489,282)	–	100.0%	(1,371,344)	(18,665)	7,247.1%
Total	**8,221,346**	**7,723,343**	**6.4%**	**6,521,081**	**6,084,837**	**7.2%**

1. ANALYSIS OF SHIPPING AND INDUSTRY-RELATED LEASING

1) Operating Revenue

The Group recorded a revenue from its leasing business of RMB5,011,856,000 for the six months ended 30 June 2018, representing a decrease of 6.1% as compared with RMB5,339,578,000 for the same period of last year, which accounted for 51.6% of the total revenue of the Group. The decrease was mainly due to a decrease in the size of the Company's business related to shipping leasing and depreciation of RMB during the Period.

Of which, revenue from vessel leasing business amounted to RMB2,491,455,000, representing a decrease of 15.7% as compared with RMB2,954,794,000 for the same period of last year. Of which, revenue from vessel operating leasing amounted to RMB2,370,734,000, revenue from vessel finance leasing and other shipping finance leasing amounted to approximately RMB120,721,000. As at 30 June 2018, the Group leased out 92 vessels (as at 31 December 2017: 97 vessels).

Of which, revenue from leasing, management and selling of containers amounted to RMB1,454,527,000, representing a decrease of 13.2% as compared with RMB1,676,240,000 for the same period of last year, which was mainly due to a decrease in lease income from container leasing and depreciation of RMB during the Period.

Of which, revenue from other industry-related finance leasing amounted to RMB1,065,874,000, representing an increase of 50.4% as compared with RMB708,544,000 for the same period of last year. The increase in revenue from other industry-related finance leasing was mainly due to further expansion of our finance leasing business during the Period.

2) Operating Costs

Operating costs for leasing business mainly 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 leasing business for the six months ended 30 June 2018 was RMB3,509,154,000, representing a decrease of 10.6% as compared with the costs of RMB3,923,605,000 for the same period of last year.

2. ANALYSIS OF CONTAINER MANUFACTURING BUSINESS

1) Operating Revenue

For the six months ended 30 June 2018, the Group's container manufacturing business realized operating revenue of RMB4,676,837,000, representing an increase of 98.1% as compared with RMB2,360,729,000 for the same period of last year. A year-on-year increase in revenue was mainly attributable to the enhanced efforts in the purchase of containers by large container transportation companies during the Period following the recovery of the industry, as such, the container manufacturing market picked up, volume and prices of containers of our container manufacturing segment also increased due to improvement in our technology of container paints and enhanced market competitiveness. The Group's container sales amounted to 369,000 TEU during the period, representing an increase of 81.8% as compared with 203,000 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 RMB4,364,719,000 for the six months ended 30 June 2018, representing an increase of 100.1% as compared with RMB2,180,779,000 for the same period of last year. Such increase was mainly due to the increase in sales volume of containers as the container manufacturing market gradually improved. Besides, factors such as the industry-wide application of water-based paints in April 2017 have resulted in the rise of raw material prices.

3. ANALYSIS OF INVESTMENT AND SERVICE BUSINESS

1) Operating Revenue

For the six months ended 30 June 2018, the Group's financial services realized operating revenue of RMB21,935,000, representing an increase of 9.2% as compared with the restated revenue of RMB20,090,000 for the same period of last year, which was mainly attributable to better operating results of insurance broker business as compared with the same period of last year.

2) Operating Costs

The operating costs for the six months ended 30 June 2018 were RMB40,000, representing a decrease of 98.7% as compared with the restated costs of RMB3,132,000 for the same period of last year, which was mainly attributable to the increase in stamp duty payable for the capital contribution to a subsidiary engaged in the investment and service segment during the same period last year, which did not occur during the Period.

3) Net Investment Income

For the six months ended 30 June 2018, the Group's investment business realized net income of RMB734,818,000, representing a decrease of 42.4% as compared with the restated income of RMB1,274,819,000 for the same period of last year. Decrease in income was mainly attributable to the decline in the operating results of major joint ventures and the decrease in fair value of investments at fair value through profit or loss for the Period held by the Group as a result of market conditions.

GROSS PROFIT

Due to the above reasons, the Group recorded gross profit of RMB1,700,265,000 for the six months ended 30 June 2018 (the restated gross profit for the same period of last year was RMB1,638,506,000).

SIGNIFICANT SECURITIES INVESTMENT

As at 30 June 2018, the Company's equity investments in associates and joint ventures generated profit of RMB1,229,506,000, 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	22.73	22.71	7,600,724,000	140,093,000	(50,548,000)	–	183,029,000	Investment in associates	Purchase
601818	China Everbright Bank Co., Ltd.	3,398,255,000	1.379	1.379	3,776,278,000	239,257,000	9,093,000	–	131,013,000	Investment in associates	Purchase
600643	Shanghai AJ Group Co., Ltd.	25,452,000	0.33	0.25	33,228,000	(10,461,000)	–	13,443,000	–	Financial assets at fair value through profit or loss	Purchase
000617	CNPC Capital Company Limited	950,000,000	0.97	0.97	829,743,000	(185,290,000)	–	–	–	Financial assets at fair value through profit or loss	Purchase
600390	Minmetals Capital Co., Ltd.	1,500,000,000	3.94	3.94	996,428,000	(381,207,000)	–	–	–	Financial assets at fair value through profit or loss	Purchase
Total		12,212,525,000	/	/	13,236,401,000	(197,608,000)	(41,455,000)	13,443,000	314,042,000		

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	7,402,930,000	767,805,000	70,309,000	–	10,217,000	Investment in associates	Purchase
Bank of Kunlun Co., Ltd.	838,959,000	3.74	3.74	1,196,480,000	67,000,000	8,759,000	–	18,854,000	Investment in associates	Purchase
Shanghai Life Insurance Co., Ltd.	320,000,000	16	16	866,557,000	(22,074,000)	(30,611,000)	–	–	Investment in associates	Purchase
CIB Fund Management Co., Ltd.	50,000,000	10	10	263,800,000	31,255,000	(451,000)	–	–	Investment in associates	Purchase
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd.	125,000,000	25	25	132,135,000	1,259,000	–	–	–	Investment joint ventures	Purchase
Chinese Enterprise Elephant Financial Information Services Company Limited (中企大象金融信息服務有限公司)	20,000,000	–	12.5	18,744,000	(303,000)	–	–	–	Investment in associates	Purchase
Shanghai COSCO SHIPPING Micro-finance Company (上海中遠海運小貸公司)	90,000,000	–	45	89,810,000	(190,000)	–	–	–	Investment in associates	Purchase
Total	7,193,338,000	/	/	9,970,456,000	844,752,000	48,006,000	–	29,071,000		

(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
CIB Fund Management Co., Ltd.	/	Fund management
Bank of Kunlun Co., Ltd.	/	Bank business
Shanghai Life Insurance Co., Ltd.	/	Insurance
China Bohai Bank Co., Ltd.	/	Bank business
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd.	/	Leasing
CNPC Capital Company Limited	Shenzhen Stock Exchange	Engine R&D and manufacturing
Chinese Enterprise Elephant Financial Information Services Company Limited	/	Financial information services
Shanghai COSCO SHIPPING Micro-finance Company	/	Loan extending and other businesses

The stock market was volatile for the six months ended 30 June 2018. 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 plan as well as prospects of the industry of the listed companies. To mitigate relevant risks, the Group will take appropriate measures in due course and adjust its investment strategies in response to market situation.

INCOME TAX

For the six months ended 30 June 2018, 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 CIT regulations to pay CIT on profits of the offshore subsidiaries.

SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

For the six months ended 30 June 2018, the Group's selling, administrative and general expenses were RMB587,847,000, representing an increase of 66.0% as compared with the restated expenses for the same period of last year.

OTHER (LOSSES)/GAINS

For the six months ended 30 June 2018, other losses of the Group were RMB450,108,000, representing a decrease of gains of approximately RMB470,071,000 as compared with restated other gains of RMB19,963,000 for the same period of last year, mainly attributable to changes in fair values of financial assets.

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 2018 was RMB326,606,000, representing a decrease of 69.0% as compared with the restated profit attributable to owners of the parent of RMB1,055,029,000 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 RMB1,735,690,000. As at 30 June 2018, the Group's cash and cash equivalents was RMB5,670,318,000.

As at 30 June 2018, the Group's total bank and other borrowings were RMB97,295,533,000, of which RMB42,924,061,000 is repayable within one year. The Group's long-term bank and other borrowings are mainly used to finance the procurement of containers, equity acquisitions and replenishment of liquidity.

As at 30 June 2018, the Group's RMB-denominated corporate bonds payable amounted to RMB4,057,335,000, and all proceeds raised from the bonds were used for the purchase of financial lease assets.

In addition, the Group's USD-denominated corporate bonds payable amounted to USD182,108,000 (equivalent to approximately RMB1,204,938,000), and all proceeds raised from the bonds were used for procurement of containers.

The Group's RMB-denominated borrowings at fixed interest rates amounted to RMB35,903,733,000. USD-denominated borrowings at fixed interest rates amounted to USD141,193,000 (equivalent to approximately RMB934,220,000), RMB-denominated borrowings at floating interest rates amounted to RMB6,488,441,000, and USD-denominated borrowings at floating interest rates amounted to USD8,156,627,000 (equivalent to approximately RMB53,969,139,000). The Group's borrowings are settled in RMB or USD while its cash and cash equivalents are also 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 2018, the Group's net current liabilities amounted to RMB26,099,077,000. Current assets mainly include: inventories of RMB1,459,731,000, trade and notes receivables of RMB2,094,058,000, prepayments and other receivables of RMB1,328,128,000, the current portion of the finance lease receivables of RMB8,967,555,000, the current portion of the financial assets at fair value through profit or loss of RMB70,001,000, cash and cash equivalents and restricted cash of RMB6,581,309,000, and assets held for sale of RMB19,767,567,000. Current liabilities mainly include: trade payables of RMB2,700,336,000, other payables and accruals of RMB3,476,022,000, contract liabilities of RMB56,695,000, tax payable of RMB284,510,000, short term borrowings of RMB16,003,660,000, current portion of long term borrowings of RMB26,920,401,000, corporate bonds of RMB2,157,374,000, current portion of finance lease obligations of RMB70,467,000, and liabilities held for sale of RMB15,322,991,000.

Cash flows

For the six months ended 30 June 2018, the Group's net cash inflow generated from operating activities was RMB1,735,690,000, denominated principally in RMB and USD, representing a decrease of RMB1,608,813,000 from the net cash inflow generated from operating activities of RMB3,344,503,000 for the corresponding period in 2017. Cash and cash equivalents balances at the end of June 2018 decreased by RMB17,522,982,000 as compared with the beginning of the Period, the main reason of which is that the net cash inflow generated from operating activities was less than the net cash outflow used in financing activities and investing activities, and China Shipping Finance Company Limited was reclassified as assets held for sale. The cash generated from financing activities of the Group during the Period was mainly derived from bank and other borrowings and such funds were used mainly for the purposes of short-term operation and purchase and construction of containers.

The following table provides the information regarding the Group's cash flow for the six months ended 30 June 2018 and 30 June 2017, respectively:

Unit: RMB

	For the six months ended 30 June 2018	For the six months ended 30 June 2017
Net cash generated from operating activities	**1,735,690,000**	3,344,503,000
Net cash used in investing activities	**(6,394,122,000)**	(3,645,036,000)
Net cash generated from financing activities	**(338,458,000)**	(2,146,191,000)
Exchange movement on cash	**(77,651,000)**	(88,509,000)
Cash and cash equivalents attributable to discontinued operation	**(12,448,441,000)**	–

Net cash generated from operating activities

For the six months ended 30 June 2018, the net cash inflow generated from operating activities was RMB1,735,690,000, representing a decrease of RMB1,608,813,000 as compared with the net inflow of RMB3,344,503,000 for the same period of last year. The decrease was attributable to the increase of proportion of fund taken up by trade receivables as the sales of containers was more concentrated close to the end of the Period.

Net cash used in investing activities

For the six months ended 30 June 2018, the net cash outflow used in investing activities was RMB6,394,122,000, increased by RMB2,749,086,000 as compared with the net outflow of RMB3,645,036,000 for the same period of last year. The increase in net cash used in investing activities was primarily attributable to a year-on-year increase in the Group's investment expense for financial assets and expense for purchase of fixed assets for the six months ended 30 June 2018.

Net cash generated from financing activities

For the six months ended 30 June 2018, the net cash used in financing activities was RMB338,458,000, representing a decrease of RMB1,807,733,000 as compared with the net cash used in financing activities of RMB2,146,191,000 for the same period of last year. For the six months ended 30 June 2018, the Group's bank and other borrowings amounted to RMB17,262,595,000, and repayment of bank and other borrowings amounted to RMB16,054,728,000.

Average turnover days of trade and notes receivables

As at 30 June 2018, the net balance of trade and notes receivables by the Group amounted to RMB2,094,058,000, representing a year-on-year increase of RMB1,234,881,000. Of which notes receivables increased by RMB1,930,000 and trade receivables increased by RMB1,232,951,000, which was mainly due to the rapid development of the container sales business, and the net balance receivable increased accordingly following the increase in revenue.

Gearing ratio

As at 30 June 2018, the Company's net gearing ratio (i.e. net debts over shareholders' equity) was 568%, which was higher than 535% as at 31 December 2017. The increase was primarily due to the increase in borrowings during the Period.

Foreign exchange risk

Revenues and costs of the Group's shipping-related leasing business and container manufacturing operations are settled or denominated in USD. As a result, the impact on the net operating revenue due to RMB exchange rate fluctuation can be offset by each other to a certain extent. For the six months ended 30 June 2018, the Group recorded a net exchange gain of RMB21,767,000 which was mainly due to fluctuations of the USD and Euro exchange rates during the Period; the decrease in exchange difference which was charged to equity attributable to shareholders of the parent amounted to RMB128,238,000. 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.

Capital expenditures

For the six months ended 30 June 2018, the Group's expenditures on the acquisition of containers, machinery and equipment and other expenditures amounted to RMB2,672,679,000, expenditures on the acquisition of finance lease assets amounted to RMB9,313,086,000.

Capital commitments

As at 30 June 2018, the Group had RMB633,652,000 in capital commitments which had been contracted but not provided for in relation to fixed assets. Equity investment commitment was RMB709,517,000.

Pledge

As at 30 June 2018, certain container vessels and containers with net carrying value of approximately RMB21,458,542,000 (31 December 2017: RMB25,031,111,000), finance lease receivables of RMB10,502,314,000 (31 December 2017: RMB7,219,076,000) and restricted deposits of RMB486,809,000 (31 December 2017: RMB178,325,000) were pledged to banks for the grant of borrowings and issuance of corporate bonds.

SUBSEQUENT EVENTS

There is no material subsequent event undertaken by the Company after 30 June 2018.

CONTINGENT LIABILITIES

As at 30 June 2018, there were no significant contingent liabilities for the Group.

EMPLOYEES, TRAINING AND BENEFITS

As at 30 June 2018, the Group had 9,476 employees, and the total staff costs for the Period (including staff remuneration, welfare and social insurance, etc.) amounted to approximately RMB942,442,000 (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 management has introduced and implemented the professional manager system and strengthened the incentive and restraint mechanism based on performance management. The Company's overall remuneration system mainly consists of: (1) salaries: including remuneration, title salary, performance salary, special incentives, bonus and allowances; (2) benefits: including mandatory social insurance, provident housing fund and corporate welfares; and (3) recognized schemes and other items in support of corporate strategies and corporate culture.

To support human resources management reform, talent development and training, the Company has reconstructed its employee training system to make it under the premise of need recognition, with the support of clear defined responsibilities and list based management. We have optimized the training content and implementation system, improved the effectiveness of training resource allocation, staff training participation and satisfaction. 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 individual caliber.

DIVIDEND

The Board does not recommend distribution of any dividend for the six months ended 30 June 2018.

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

For the six months ended 30 June 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

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 Company's interim results for the Period, and agreed with the accounting methods 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 of all directors and supervisors of the Company, each of the directors and supervisors has confirmed that he/she has complied with the required standard set out in the Model Code regarding securities transactions 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 Stock Exchange of Hong Kong Limited (the "**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 2018, which includes the relevant financial information as required in Appendix 16 to the Listing Rules, will be dispatched by the Company to its shareholders and published on the websites of the 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 2018

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 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, Mr. Gu Xu 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.".*