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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS (UNDER HKFRSs)

- Revenue amounted to RMB16,242,002,000
- Profit attributable to owners of the parent of the Company for the year amounted to RMB1,384,257,000
- Basic earnings per share attributable to ordinary equity holders of the parent of the Company amounted to RMB0.1185
- The Board proposed the payment of a final dividend of RMB0.033 per share (inclusive of applicable tax)

The board of directors (the "Board") of COSCO SHIPPING Development Co., Ltd. (the "Company" or "COSCO SHIPPING Development") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2018 (the "Period") prepared under Hong Kong Financial Reporting Standards ("HKFRSs"), together with the comparative figures for the year ended 31 December 2017.

CHAIRMAN'S STATEMENT

In 2018, the world economy continued to recover at a moderate pace but with slower momentum. The major economies manifested divergent economic performance. The growth of emerging market economies slowed down, while European and American economies saw gradual recovery. China's economy was generally functioning well with steady progress in optimizing the economic structure and improving development quality.

Driven by the overall sound macro-economy, the demand for shipping increased steadily, though the escalation of global trade frictions affected the performance of the global shipping market in 2018 to some extent.

Under the background of tightening financial policies and intensifying market competition, the Company focused on the overall tasks of "deepening reform, optimizing mechanisms, lean management, improving quality and efficiency" and carried forward the spirit of working hard in unity, being pioneering and enterprising, changing mindsets and innovating boldly to achieve good results in all aspects such as production and management. We continuously improved our operation and management capabilities on a forward-looking basis in an effort to make the Company better and stronger.

For the year 2018, the Company's revenue was RMB16.24 billion, representing an increase of 2% as compared with 2017. Net profit attributable to owners of the parent of the Company amounted to RMB1.38 billion, representing a decrease of 5% as compared with 2017. Basic earnings per share attributable to ordinary equity holders of the parent of the Company amounted to RMB0.1185.

REVIEW OF OPERATIONS

The year 2018 marked the third year of the Company's transformation. Over three years of exploration, COSCO SHIPPING Development has initially developed a one-stop shipping financial service platform with the theme of "integrating industry and finance and boosting industry development with finance".

In 2018, capital markets saw significant volatility amid tightening financial regulatory environment and intensifying global trade frictions. Facing the complex environment and numerous challenges, the Company was proactively forging ahead by improving its operation and management capabilities and overall competitiveness. Focusing on the shipping business, we scaled up the integration of industry and finance and endeavored to build an integrated supply chain financial service platform featuring shipping logistics.

While promoting the quality development of various business segments, the Company vigorously developed and innovated in the shipping finance business, and integrated the advantageous resources of the industry chain for greater synergy.

I. SHIPPING AND INDUSTRY-RELATED LEASING SEGMENTS

1. The vessel leasing segment focuses on operating lease and finance lease of vessels, and has achieved initial results in market development. The Company actively implemented the strategy of combining industry with finance and explored cooperation models with relevant professional shipping companies in an effort to promote industry development through finance. Meanwhile, the Company made every effort to improve its brand image and steadily pushed forward the development of third-party markets. In 2018, the Company made bold innovations and developed finance lease business in major transportation sectors such as expressways and terminals in an active effort to explore new leasing markets. As at 31 December 2018, the Company has a fleet of 90 container vessels with a total capacity of 629,500 TEU, 4 bulk cargo vessels of 64,000 DWT each, a total of over 80 LNG vessels, heavy crane vessels and various other vessels, and 45 projects regarding terminals, terminal equipment and major transportation.

2. The container leasing segment is committed to becoming a leader in the industry with strategy-driven growth. In 2018, the Company seized the opportunities from steady growth of international trade and adjustments to shipping capacity by liner companies to increase investment in and leasing of new containers, and implemented a strategy oriented to major quality customers. While optimizing customer structure and stepping up marketing efforts, we explored new business models, incubated a mobile container rental project, developed high value-added businesses, and constantly improved the Company's operational efficiency, management level and development advantages. As at 31 December 2018, the container fleet of Florens International Limited ("FIL"), an affiliate of the Company, boasted a total capacity of about 3.80 million TEU, ranking second in the world.

3. Other leasing businesses were progressing smoothly. On the basis of consolidating the existing advantageous business portfolios, the Company steadily developed new business areas and explored new development directions to seek new profit growth drivers. Meanwhile, the Company strengthened risk control and made every effort to improve asset management and operation capabilities.

II. CONTAINER MANUFACTURING SEGMENT

In 2018, Shanghai Universal Logistics Equipment Co., Ltd., a subsidiary of the Company, actively responded to the challenges and opportunities arising from the volatile shipping market, revised operational strategies and formulated corresponding operational strategies in a timely manner to improve plant capacity utilization and stabilize profitability. With a keen judgment on the market, the Company improved efficiency through synergy and obtained benefits from management to maintain satisfactory production and sales momentum. In addition, the Company further improved its service quality and increased efforts in the research and development of special container products to enhance comprehensive competitiveness on a continuous basis.

III. INVESTMENT AND SERVICES SEGMENT

The Company continuously optimized its investment portfolios, deepened the integration of industry and finance to boost the development of the shipping business and new businesses. As such, diversified investment business enhanced the overall financial returns of the Company and gradually became an important pillar to mitigate the fluctuations of the shipping market. In 2018, the Company continued to promote the "Yuan Hai"(遠海) series of funds on the basis of pooling external capital, focusing on the shipping business and exploring the integration of industry and finance, and completed the launch of a number of projects. Meanwhile, the Company was energetically establishing presence in the shipping and logistics industry chains to provide supply chain financial services for upstream and downstream players, and made breakthroughs in developing insurance, microfinance, factoring, carbon emission rights and other related businesses.

While promoting the development of various segments in an all-round manner, the Company constantly improved the foundational risk management environment and system, refined risk limit management, strengthened risk identification and assessment and carried out risk screening to prevent all kinds of operational risks. In addition, the Company promoted its legal system construction by improving organizational structure, consolidating system foundation, and optimizing working mechanisms.

Moreover, COSCO SHIPPING Development endeavored to build a corporate culture based on its ambition of pursuing excellence and the spirit of seeking practical results. Upholding the philosophy of "excellence", the mission of "boosting industry development with finance to create value" and the core values of "integrity, efficiency, enterprise and win-win", the Company encouraged all employees to unite as one and work hard to pursue the vision of "developing into an excellent industry financial service provider" and strived to promote the rapid growth of the Company and employees in an all-round way.

FUTURE PROSPECTS

At present, in a complex and changing global economic environment, the development of the Sino-US trade negotiations, changes in the U.S. monetary policy and the relatively turbulent political landscape of the Eurozone make global economic development filled with uncertainties in 2019. The recovery of the shipping market is expected to remain slow under the uncertain macroeconomic environment.

Despite the great challenges from the macro environment and capital market fluctuations, with the advancement of a new round of state-owned enterprise reform and the shaping of China's new opening-up pattern, shipping and logistics companies will have more opportunities for global development and enjoy new reform benefits in the future. On 17 December 2018, China COSCO Shipping Corporation Limited# ("COSCO SHIPPING") was selected as a pilot enterprise among state-owned capital investment companies, which will help COSCO SHIPPING Development to go further in the integration of industry and finance with more flexibility and more runway for growth.

In the guiding spirit of the state in "deepening the reform of state-owned enterprises", in 2019, COSCO SHIPPING Development will intensify the reform of its operational system with a focus on the integration of industry and finance, put more efforts in quality improvement on the basis of rapid growth, and promote innovative development based on existing businesses. The Company will strengthen market research and judgment and continue to work hard to advance key tasks at a faster pace.

In 2019, the Company will continue to strengthen its risk prevention and control and further implement system construction and standardized management. Specifically, we will reinforce the implementation of management measures and requirements for the control of liquidity risk, credit risk and operational risk, strengthen risk management in asset allocation and optimize asset portfolios, and enhance the ability to predict and identify major risks. Meanwhile, we will further promote our overall legal construction to improve our legal management throughout the Company.

In terms of shipping and industry-related leasing segments, the Company will keep up with the market developments and keep focusing on the shipping market to strengthen its main leasing business. We will fully implement the strategy oriented to major quality customers and deepen the integration of industry and finance in cooperation with shipping companies to create greater synergy, develop high value-added special container business and optimize the asset structure and business model to further improve profitability and risk resistance of the segments, and improve service efforts and standards to enhance internal synergy. In addition, the Company will actively explore diversified development paths and increase efforts in research and development of niche markets to improve overall profitability.

In terms of container manufacturing segment, the Company will further promote the marketing strategy of targeting key customers to consolidate its market share, and vigorously explore external markets while enhancing internal synergy. We will step up efforts in technological innovation, product R&D (especially innovative R&D of special containers), environmental transformation and production upgrade, with a view to finding new growth drivers. While improving our operational capabilities, we will put more emphasis on safety and environmental requirements and strengthen standardized management to lay a solid foundation for production and operation.

In terms of investment and services segment, the Company will practice the philosophy of "integrating industry and finance and boosting industry development with finance" to build a one-stop shipping financial service system. Focusing on the shipping industry chain, we will give equal weight to strategic value and financial returns and prioritize both strategic synergy and business drivers to promote business growth, risk control and strategy development in the fields such as industry funds, microfinance, insurance and factoring. We will explore and implement projects related to our principal business such as logistics, shipping environmental protection and fintech projects to provide financial support and coordination for our principal business.

2019 will be a year full of challenges and opportunities and a crucial year to start an important journey forward. Under the slogan of unstopping innovation and opening new chapters in a practical way, COSCO SHIPPING Development will channel strong organic drivers for reform and development and draw a blueprint for the future development of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000 (Restated)
CONTINUING OPERATIONS			
REVENUE		**16,242,002**	15,901,155
Cost of sales		**(12,342,761)**	(12,745,552)
Gross profit		**3,899,241**	3,155,603
Selling and administrative expenses		**(1,219,278)**	(961,876)
Other income	5	**393,967**	191,249
Other losses, net	6	**(272,695)**	(25,886)
Finance costs		**(3,406,547)**	(2,701,922)
Share of profits of:			
Associates		**2,314,450**	2,057,169
Joint ventures		**6,467**	7,155
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**1,715,605**	1,721,492
Income tax expense	7	**(356,208)**	(360,142)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**1,359,397**	1,361,350
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation		**76,878**	172,982
PROFIT FOR THE YEAR		**1,436,275**	1,534,332
Attributable to:			
Owners of the parent		**1,384,257**	1,463,803
Non-controlling interests		**52,018**	70,529
		1,436,275	1,534,332
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (expressed in RMB per share)	9		
Basic and diluted			
– For profit for the year		**0.1185**	0.1253
– For profit from continuing operations		**0.1164**	0.1165

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	2018 *RMB'000*	2017 *RMB'000*
PROFIT FOR THE YEAR	**1,436,275**	1,534,332
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value, net of tax	**–**	(69,332)
Reclassification adjustments for gains included in the consolidated statement of profit or loss	**–**	(102,869)
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	**2,775**	8,812
Exchange differences:		
Exchange differences on translation of foreign operations	**(581,687)**	660,456
Associates and joint ventures:		
Share of other comprehensive income/(loss) of associates and joint ventures	**177,446**	(217,017)
Net comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	**(401,466)**	280,050
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:		
Associates and joint ventures:		
Share of other comprehensive loss of associates and joint venture	**(39,256)**	–
Net comprehensive loss not to be reclassified to profit or loss in subsequent periods	**(39,256)**	–
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(440,722)**	280,050
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**995,553**	1,814,382
Attributable to:		
Owners of the parent	**943,535**	1,739,824
Non-controlling interests	**52,018**	74,558
	995,553	1,814,382

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**56,483,496**	53,844,184
Investment properties		**104,443**	100,012
Prepaid land lease payments		**110,795**	114,382
Intangible assets		**18,388**	18,641
Investments in associates		**23,629,294**	20,256,221
Investments in joint ventures		**193,308**	198,526
Available-for-sale investments		**–**	4,013,699
Financial assets at fair value through profit or loss		**3,446,701**	–
Finance lease receivables		**23,220,091**	20,087,976
Loans and receivables		**–**	154,116
Factoring receivables		**150,937**	–
Derivative financial instruments		**16,283**	13,360
Deferred tax assets		**197,740**	113,147
Other long term prepayments		**24,437**	90,000
Total non-current assets		**107,595,913**	99,004,264
CURRENT ASSETS			
Inventories		**1,017,748**	1,155,668
Trade and notes receivables	10	**1,034,872**	859,177
Prepayments and other receivables		**591,777**	896,243
Prepaid land lease payments		**3,587**	3,587
Finance lease receivables		**10,711,620**	7,333,145
Loans and receivables		**–**	3,763,801
Factoring receivables		**673,737**	529,799
Held-for-trading investments		**–**	547,428
Derivative financial instruments		**7,309**	2,736
Restricted cash		**951,665**	1,748,512
Cash and cash equivalents		**15,249,194**	23,193,300
Total current assets		**30,241,509**	40,033,396
Total assets		**137,837,422**	139,037,660

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
31 December 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
CURRENT LIABILITIES			
Trade and notes payables	*11*	**1,686,104**	1,619,509
Other payables and accruals		**2,697,590**	2,790,664
Contract liabilities		**7,356**	–
Bank and other borrowings		**47,469,440**	31,571,856
Corporate bonds		**2,631,916**	1,611,981
Finance lease obligations		**187,197**	68,446
Deposits from customers		**–**	14,757,813
Derivative financial instruments		**883**	–
Tax payable		**225,114**	237,297
Total current liabilities		**54,905,600**	52,657,566
NET CURRENT LIABILITIES		**(24,664,091)**	(12,624,170)
TOTAL ASSETS LESS CURRENT LIABILITIES		**82,931,822**	86,380,094
NON-CURRENT LIABILITIES			
Bank and other borrowings		**57,346,798**	63,849,439
Corporate bonds		**3,381,784**	2,803,325
Finance lease obligations		**1,359,478**	512,082
Deposits from customers		**–**	14,951
Derivative financial instruments		**3,071**	–
Deferred tax liabilities		**371,812**	321,867
Other long term payables		**2,428,744**	2,004,643
Total non-current liabilities		**64,891,687**	69,506,307
Net assets		**18,040,135**	16,873,787
EQUITY			
Equity attributable to owners of the parent			
Share capital		**11,683,125**	11,683,125
Special reserve		**–**	1,912
General reserve		**–**	142,932
Other reserves		**(5,731,446)**	(5,505,506)
Other equity instrument		**2,000,000**	1,000,000
Retained profits		**10,088,456**	8,953,699
		18,040,135	16,276,162
Non-controlling interests		**–**	597,625
Total equity		**18,040,135**	16,873,787

1. CORPORATE AND GROUP 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 year, 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. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The financial statements have been prepared under the going concern basis notwithstanding that the Group had net current liabilities of RMB24,664,091,000 as at 31 December 2018. The directors of the Company are of opinion that based on the available unutilised banking facilities as at 31 December 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 financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

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

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. There was no substantive effect of adopting HKFRS 15 except for the followings:

- 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; and
- The Group has disclosed additional information regarding performance obligations, disaggregation of revenue and contract balances for the year ended 31 December 2018 without any comparative information, which would follow the requirements of HKAS 11, HKAS 18 and related Interpretations.

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 year ended 31 December 2018. Differences arising from the adoption of HKFRS 9 have been recognised directly in reserves as of 1 January 2018.

Changes to classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position.

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement				**HKFRS 9 measurement**	
	Note	**Category**	**Amount** *RMB'000*	**Re-classification** *RMB'000*	**Fair value remeasure-ment** *RMB'000*	**Amount** *RMB'000*	**Category**
Financial assets							
Available-for-sale investments		AFS[1]	4,013,699	(4,013,699)	–		N/A
To: Financial assets at fair value through profit or loss	(i)			(4,013,699)	–		
Financial assets at fair value through profit or loss		FVTPL[2]	547,428	4,013,699	(41,517)	4,519,610	FVTPL
From: Available-for-sale investments	(i)			4,013,699	–		
Derivatives financial instruments		FVTPL	16,096	–	–	16,096	FVTPL
Trade and notes receivables		L&R[3]	859,177	–	–	859,177	AC[4]
Financial assets included in prepayments and other receivables		L&R	252,310	–	–	252,310	AC
Finance lease receivables		L&R	27,421,121	–	–	27,421,121	AC
Loans and receivables		L&R	3,917,917	–	–	3,917,917	AC
Factoring receivables		L&R	529,799	–	–	529,799	AC
Restricted cash		L&R	1,748,512	–	–	1,748,512	AC
Cash and cash equivalents		L&R	23,193,300	–	–	23,193,300	AC
			62,499,359	–	(41,517)	62,457,842	
Other assets							
Deferred tax assets	(i)		139,176	–	10,381	149,557	
Total assets			62,638,535	–	(31,136)	62,607,399	

	Note	HKAS 39 measurement Category	HKAS 39 measurement Amount *RMB'000*	Re-classification *RMB'000*	Fair value remeasure-ment *RMB'000*	HKFRS 9 measurement Amount *RMB'000*	HKFRS 9 measurement Category
Financial liabilities							
Trade and notes payables		AC	1,619,509	–	–	1,619,509	AC
Financial liabilities included in other payables and accruals		AC	2,643,511	–	–	2,643,511	AC
Bank and other borrowings		AC	95,421,295	–	–	95,421,295	AC
Corporate bonds		AC	4,415,306	–	–	4,415,306	AC
Finance lease obligations		AC	580,528	–	–	580,528	AC
Deposits from customers		AC	14,772,764	–	–	14,772,764	AC
Other long term payables		AC	2,004,643	–	–	2,004,643	AC
Total liabilities			121,457,556	–	–	121,457,556	

1 AFS: Available-for-sale investments
2 FVTPL: Financial assets at fair value through profit or loss
3 L&R: Loans and receivables
4 AC: Financial assets or financial liabilities at amortised cost

Note:

(i) The Group has classified its investments previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss. Upon the reclassification, a fair value remeasurement deficit of RMB41,517,000 was recorded as financial assets at fair value through profit or loss and the related tax impact of RMB10,381,000 was recorded as deferred tax assets.

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 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.

Changes to hedging accounting

The Group has applied hedge accounting under HKFRS 9 prospectively. At the date of initial application of HKFRS 9, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Before the adoption of HKFRS 9, the Group designated the change in fair value of the entire interest rate swap contracts in its cash flow hedge relationships. Upon adoption of HKFRS 9, the Group continues to designate the entire interest rate swap contracts in the cash flow hedge relationships. The adoption of the hedge accounting requirements of HKFRS 9 has had no impact on the Group's financial statements.

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*
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)

All of other new and revised HKFRSs above have no significant financial effect on these financial statements.

4. OPERATING SEGMENT INFORMATION

During the year ended 31 December 2018, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) The shipping and industry-related leasing segment, which renders vessel chartering, container leasing and finance lease services;

(b) The container manufacturing segment, which manufactures and sells containers;

(c) The investment and services segment, which focuses on equity or debt investment and insurance brokerage services; and

(d) The "others" segment comprises, principally, cargo and liner agency services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit/(loss) before tax from continuing operations except that unallocated selling and administrative expenses and finance costs are excluded from such measurement.

Segment assets are measured consistently with the Group's assets.

Segment liabilities exclude certain bank and other borrowings as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION (CONTINUED)

	2018					2017				
	Shipping and industry-related leasing *RMB'000*	**Container manufacturing** *RMB'000*	**Investment and financial services** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*	Shipping and industry-related leasing *RMB'000* (Restated)	Container manufacturing *RMB'000* (Restated)	Investment and financial services *RMB'000* (Restated)	Others *RMB'000* (Restated)	Total *RMB'000* (Restated)
Segment revenue:										
Sales of containers	**–**	**5,827,452**	**–**	**–**	**5,827,452**					
Sales of shipping related spare parts	**202,643**	**–**	**–**	**–**	**202,643**					
Shipping related services	**1,206,918**	**–**	**–**	**–**	**1,206,918**					
Others	**–**	**–**	**39,893**	**–**	**39,893**					
Total revenue from contracts with customers to external customers from continuing operations	**1,409,561**	**5,827,452**	**39,893**	**–**	**7,276,906**					
Leasing revenue to external customers from continuing operations	**8,965,096**	**–**	**–**	**–**	**8,965,096**					
Total revenue to external customers from continuing operations	**10,374,657**	**5,827,452**	**39,893**	**–**	**16,242,002**	10,380,425	5,466,730	41,564	12,436	15,901,155
Intersegment revenue from contracts with customers	**–**	**2,004,398**	**6,911**	**–**	**2,011,309**	–	472,955	7,181	–	480,136
Total revenue	**10,374,657**	**7,831,850**	**46,804**	**–**	**18,253,311**	10,380,425	5,939,685	48,745	12,436	16,381,291
Segment results	**1,472,789**	**408,018**	**748,664**	**(5,609)**	**2,623,862**	904,922	280,049	1,236,059	13,381	2,434,411
Elimination of intersegment results					**(163,928)**					(93,739)
Unallocated selling and administrative expenses					**(106,649)**					(135,068)
Unallocated finance costs					**(637,680)**					(484,112)
Profit before tax from continuing operations					**1,715,605**					1,721,492

5. OTHER INCOME

	2018 *RMB'000*	2017 *RMB'000* (Restated)
Interest income	**123,713**	84,752
Government grants related to income	**169,226**	43,724
Dividends from available-for-sale investments	**–**	16,178
Dividends from financial assets at fair value through profit or loss	**75,537**	–
Management fee income	**18,868**	29,995
Others	**6,623**	16,600
	393,967	191,249

6. OTHER LOSSES, NET

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Gain on disposal of items of property, plant and equipment	**100,913**	37,657
Gain on disposal of available-for-sale investments	**–**	110,262
Fair value loss on financial assets at fair value through profit or loss	**(565,703)**	–
Fair value gain on held-for-trading investments	**–**	2,193
Net foreign exchange gain/(loss)	**100,623**	(176,660)
Others*	**91,472**	662
	(272,695)	(25,886)

* During 2016, Hanjin Shipping Co., Ltd. ("Hanjin"), one of the Group's former customers in the shipping and industry-related leasing segment filed for bankruptcy protection. As a result, certain containers were not probable to be recovered from Hanjin based on management' best estimate at that time and an impairment of RMB126,122,000 was recognised. During the year, the Korean Court has made the judgement and the Group received a compensation gain of RMB96,071,000 from Hanjin for the unrecovered containers.

7. INCOME TAX

According to the Corporate Income Tax ("CIT") Law of the PRC, which was effective from 1 January 2008, the CIT rate applicable to the Company and its subsidiaries established in the PRC was 25% for the years ended 31 December 2018 and 2017.

Hong Kong profits tax was provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits of the Group's companies operating in Hong Kong during the year.

Taxes or profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operates.

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Current income tax		
– PRC	**357,938**	292,677
– Hong Kong	**7,024**	14,628
– Elsewhere	**9,346**	11,495
Deferred income tax	**(18,100)**	41,342
	356,208	360,142

8. DIVIDENDS

	2018 *RMB'000*	2017 *RMB'000*
Proposed final – RMB0.033 (2017: Nil) per ordinary share	**384,035**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

The Board proposed the payment of a final dividend of RMB0.033 per share (inclusive of applicable tax) (2017: Nil), totaling approximately RMB384,035,000 (2017: Nil) calculated based on 11,637,425,063 shares, being the number of issued shares of the Company of 11,683,125,000 as at 29 March 2019 deducting 45,699,937 A shares repurchased by the Company, for the year ended 31 December 2018.

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

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

	2018 *RMB'000*	2017 *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation		
From continuing operations	**1,359,397**	1,361,350
From a discontinued operation	**24,860**	102,453
Profit attributable to ordinary equity holders of the parent	**1,384,257**	1,463,803

	2018 *'000*	2017 *'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**11,683,125**	11,683,125

There was no dilutive effect for the year (2017: Nil).

10. TRADE AND NOTES RECEIVABLES

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

	2018 *RMB'000*	2017 *RMB'000*
Within 3 months	**898,319**	740,338
4 to 6 months	**84,953**	69,761
7 to 12 months	**37,781**	31,098
Over 1 year	**13,819**	17,980
	1,034,872	859,177

11. TRADE AND NOTES PAYABLES

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

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**1,235,434**	1,014,022
4 to 6 months	**243,238**	351,815
7 to 12 months	**190,298**	229,290
1 to 2 years	**17,134**	24,382
	1,686,104	1,619,509

12. EVENTS AFTER THE REPORTING PERIOD

On 29 March 2019, the Board proposed the payment of a final dividend of RMB0.033 per share (inclusive of applicable tax), totaling approximately RMB384,035,000 calculated based on 11,637,425,063 shares, being the number of issued shares of the Company of 11,683,125,000 as at 29 March 2019 deducting 45,699,937 A shares repurchased by the Company, for the year ended 31 December 2018, which is subject to the approval of shareholders of the Company at the forthcoming annual general meeting of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS OF OPERATING ENVIRONMENT

1. *MACROECONOMIC CONDITIONS*

In 2018, the manufacturing industries of major economies in the world remained relatively robust, though the escalating trade frictions somewhat affected the global economic recovery. In the latest World Economic Outlook report, the International Monetary Fund forecasts that global economic growth will slow down in 2019, with the growth rate expected to decrease from 3.7% in 2018 to 3.5% in 2019. In 2020, the growth rate is expected to rebound slightly to 3.6%. With expected slower global growth in 2019, developed economies will see weaker recovery, while emerging market and developing economies will grow at lower paces.

Overall, China's economy kept growing steadily with improving quality of development. In 2018, China's GDP grew at a medium-to-high rate of 6.6%. The supply-side structural reform was further advanced to optimize the economic structure. In terms of foreign trade, the Sino-US trade war has become the biggest uncertainty affecting China's import and export trade since early 2018. According to China Customs statistics, China's total import and export value in 2018 was RMB30.51 trillion, up 9.7% from 2017, with the total import and export value with countries along the Belt and Road grew by 13.3%. In 2019, the challenges facing the global economic landscape will intensify. In this context, the Chinese government will actively cope with the changes in the external environment and play a stabilizing role in economic growth. As such, China's foreign trade is expected to improve in quality and efficiency.

2. *SHIPPING MARKET*

In 2018, the overall sound macro-economy drove the demand for shipping, though the escalating Sino-US trade frictions affected the performance of the global shipping market in 2018 to some extent. In the short term, the risk of slower cyclical recovery of the global economy is on the rise. In the long term, the economic recovery in Europe and the United States will boost global trade, and the rise in prices of commodities such as steel and coal is also expected to drive shipping demand. As such, the current industry uncertainties will not reverse the overall gradual recovery of the shipping market. Currently, new ship orders are at a historically low level. It is expected that the delivery of new ships will slow down in 2019, and the market demand is expected to grow faster than carrying capacity. As a result, imbalance between supply and demand in the shipping market is expected to gradually improve.

3. FINANCIAL MARKET

In 2018, global financial markets witnessed high volatility. In a complex and volatile global environment, domestic regulatory authorities adopted a series of policies and measures for steady growth, structural adjustment, and risk prevention. As a result, China's financial market remained stable overall. In 2018, China's primary market financing size declined and the secondary stock market tumbled. However, the continuous prudential regulation and deleveraging process improved the quality of the financial system on a continuous basis. Meanwhile, the financial supply-side reform has become a new organic growth driver of the financial market, enhancing the financial market's ability to serve the real economy. In 2019, the Chinese government and regulatory authorities once again clarified the importance of deepening financial reform and improving the financial market. With a sound monetary policy to ensure liquidity and the introduction of financial innovation policies, the financial market is expected to run and develop in an orderly manner.

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 domestic ship owner leasing enterprise. 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 COSCO SHIPPING'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 involve 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 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 mid-sized projects, and strives to become a financial leasing leader by 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 one-stop professional services with uniform standards.

2) Container manufacturing business

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

MAJOR RISKS AND COUNTERMEASURES

1. Macroeconomic Risks

At present, although China's macro economy remains stable as a whole, there are still many uncertainties such as economic slowdown and structural imbalances. The global economy recovers at a slow pace yet with significantly divergent recovery progress among different economies and there are uncertainties due to the issues such as debt crisis, trade imbalances and exchange rate disputes. The Company is an integrated financial service platform that will leverage its experience in the shipping industry to focus on developing diversified leasing business. To this end, the Company will build up a broad business network at home and abroad, which will expose it to macroeconomic environment both domestically and globally. To tackle the macroeconomic uncertainties, the Company has built and has kept improving its risk prediction and management system to guarantee operation and asset security.

2. Market Risk

This refers to the risk of unexpected losses arising from movements in interest rates, exchange rates, equity prices, etc. While building up and improving its market risk management mechanism, the Company has formulated market risk management policy, qualitative and quantitative monitoring standards, determined market risk limits, and defined the management responsibilities and functional division for departments responsible for market risk.

3. Liquidity Risk

This refers to the risk of failure to obtain sufficient funds in a timely manner or failure to do so at reasonable cost in order to repay debt upon maturity or fulfill other payment obligations. Depending on factors such as strategies, business structure, risk situation and market environment, and taking full account of the impact of other risks on liquidity and its overall risk appetite, the Company has determined its liquidity risk appetite and risk tolerance, and is building up a liquidity risk limit management system. The Company will take measures such as regular assessment, monitoring and establishment of firewalls to effectively prevent liquidity risk.

4. Strategy-related Risk

This refers to the risk caused by a mismatch between the Company's strategies and the market environment or its capabilities as a result of ineffective strategies and processes or changes in business environment. The Company has set up and continually improved its working procedures for strategy-related risk management to identify, analyze and monitor strategy-related risk. The Company makes strategic planning after taking full consideration of factors such as market environment, its risk appetite and capital position.

5. Company-wide Concentration Risk

The fact that the individual risks or risk portfolios of the Company's business units are concentrated within the Company may directly or indirectly trigger the risk that the Company's capital adequacy ratio might fail to meet regulatory requirements. The Company will set its company-wide concentration risk limits based on factors such as its overall risk appetite and tolerance, size of capital, assets and liabilities, transaction types (e.g. investment asset classes, etc.), counterparty characteristics, trading risk rating (e.g. credit rating, etc.), and perform concentration risk limit management.

6. Risk of Industry Competition

The leasing industry in which the Company operates after transformation is known for fierce competition in terms of rent, leasing terms, customer services and reliability. With its market-oriented system, differentiated strengths and international vision, the Company will focus on shipping finance and give full play to its advantages in shipping logistics to establish a "one-stop" financial service platform which combines industry with finance, integrates various financial functions and seeks synergy of multiple businesses, so as to cope with market competition in an active manner.

FINANCIAL REVIEW OF THE GROUP

The Group recorded a revenue of RMB16,242,002,000 for 2018, representing an increase of 2% as compared with RMB15,901,155,000 of last year; total profit before income tax from continuing operations amounted to RMB1,715,605,000, almost unchanged as compared with RMB1,721,492,000 of last year; profit attributable to owners of the parent of the Company amounted to RMB1,384,257,000, representing a decrease of 5% as compared with RMB1,463,803,000 of last year, mainly attributable to a weak stock market. During the Period, fair value change loss of financial assets amounted to RMB565,703,000.

Analyses of segment results are as follows:

Unit: RMB'000

Segment	Revenue 2018	Revenue 2017 (Restated)	Revenue Change *(%)*	Cost 2018	Cost 2017 (Restated)	Cost Change *(%)*
Shipping and industry-related leasing business	10,374,657	10,380,425	0%	6,903,133	7,715,229	-11%
Container manufacturing business	7,831,850	5,939,685	32%	7,295,222	5,436,275	34%
Investment and service business	46,804	48,745	-4%	497	3,335	-85%
Other businesses	–	12,436	-100%	17,449	16,112	8%
Offset amount	(2,011,309)	(480,136)	319%	(1,873,540)	(425,399)	340%
Total	**16,242,002**	**15,901,155**	**2%**	**12,342,761**	**12,745,552**	**-3%**

1. ANALYSIS OF SHIPPING AND INDUSTRY-RELATED LEASING BUSINESS

1) Operating Revenue

The Group recorded a revenue from its leasing business of RMB10,374,657,000 for 2018, maintaining almost the same level as compared with RMB10,380,425,000 of last year, which accounted for 57% of the total revenue of the Group.

Revenue from vessel leasing business amounted to RMB5,122,696,000, representing a decrease of 11% as compared with RMB5,733,995,000 of last year. Of which, revenue from vessel operating leasing amounted to RMB4,848,890,000, revenue from vessel finance leasing amounted to approximately RMB273,806,000. The revenue from vessel leasing decreased was mainly due to the term expiry of chartered vessels during the year. The number of subchartering vessels decreased by 3 as compared with last year. In 2018, the Group leased out 94 vessels (2017: 97 vessels).

Revenue from container leasing business amounted to RMB3,201,872,000, almost unchanged as compared with RMB3,200,852,000 of last year. The container leasing business maintained steady growth this year.

Revenue from other industry-related finance leasing amounted to RMB2,050,089,000, representing an increase of 42% as compared with RMB1,445,578,000 of last year. The increase was mainly due to further expansion of our finance leasing business.

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, and rents of the leased-in vessels and containers. Operating costs for leasing business for 2018 was RMB6,903,133,000, representing a decrease of 11% as compared with the costs of RMB7,715,229,000 of last year.

2. ANALYSIS OF CONTAINER MANUFACTURING BUSINESS

1) Operating Revenue

In 2018, the Group's container manufacturing business realized operating revenue of RMB7,831,850,000, representing an increase of 32% as compared with RMB5,939,685,000 of last year, which accounted for 43% of the total revenue of the Group. Such substantial increase was mainly due to an improvement in the container manufacturing market in 2018. The Company had the foresight to improve container painting technology, which significantly enhanced market competitiveness. The Company also stepped up marketing efforts and increased productivity through scientific production scheduling, resulting in a rise in both volume and price in the container manufacturing sector. The Group's container sales amounted to 613,700 TEU during the year, representing an increase of 28% as compared with 480,000 TEU 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 RMB7,295,222,000 in 2018, representing an increase of 34% as compared with RMB5,436,275,000 of last year. Such increase was mainly due to the surge in the sales volume of containers as the container manufacturing market improved and the Company stepped up its marketing efforts.

3. ANALYSIS OF INVESTMENT AND SERVICE BUSINESS

1) Operating Revenue

In 2018, the Group's financial services realized operating revenue of RMB46,804,000, representing a decrease of 4% as compared with RMB48,745,000 of last year and 0.3% of the Group's total revenue.

2) Operating Costs

The operating costs in 2018 were RMB497,000, representing a decrease of 85% as compared with RMB3,335,000 of last year.

3) Investment Income

In 2018, the income from investment business was RMB1,830,751,000, representing a decrease of 17% as compared with RMB2,192,957,000 of last year. Such decrease was mainly attributable to 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 RMB3,899,241,000 for 2018 (2017: gross profit of RMB3,155,603,000).

SIGNIFICANT SECURITIES INVESTMENT

During the year ended 31 December 2018, the Company's equity investments in associates and joint ventures generated profit of RMB2,320,917,000, 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 reporting period *(RMB)*	Changes in other reserve during the reporting period *(RMB)*	Gain from disposal *(RMB)*	Dividends received during the reporting period *(RMB)*	Accounting ledger	Sources of the shareholding
000039/ 02039	China International Marine Containers (Group) Ltd.	6,338,818,000	22.73	22.71	8,184,482,000	667,941,000	23,373,000	–	183,064,000	Investment in associates	Purchase
601818	China Everbright Bank Co., Ltd.	3,398,255,000	1.379	1.379	4,010,350,000	444,187,000	38,267,000	–	131,044,000	Investment in associates	Purchase
600643	Shanghai AJ Group Co., Ltd.	25,452,000	0.33	0.22	30,012,000	(4,756,000)	–	8,921,000	–	Financial assets at fair value through profit or loss	Purchase
000617	CNPC Capital Company Limited	950,000,000	0.97	0.97	812,465,000	(202,567,000)	–	–	–	Financial assets at fair value through profit or loss	Purchase
600390	Minmetals Capital Co., Ltd.	1,500,000,000	3.94	3.94	894,857,000	(482,778,000)	–	–	–	Financial assets at fair value through profit or loss	Purchase
Total		12,212,525,000	/	/	13,932,166,000	422,027,000	61,640,000	8,921,000	314,108,000		

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 reporting period *(RMB)*	Changes in other reserve during the reporting period *(RMB)*	Gain from disposal *(RMB)*	Dividends received during the reporting period *(RMB)*	Accounting ledger	Sources of the shareholding
China Bohai Bank Co., Ltd.	5,749,379,000	13.67	13.67	7,636,055,000	968,994,000	102,253,000	–	10,225,000	Investment in associates	Purchase
Bank of Kunlun Co., Ltd.	838,959,000	3.74	3.74	1,234,099,000	122,432,000	17,896,000	–	45,768,000	Investment in associates	Purchase
Shanghai Life Insurance Co., Ltd.	320,000,000	16	16	883,132,000	3,793,000	(39,790,000)	–	–	Investment in associates	Purchase
CIB Fund Management Co., Ltd.	50,000,000	10	10	274,707,000	42,551,000	(721,000)	–	–	Investment in associates	Purchase
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd.	125,000,000	25	25	133,648,000	2,772,000	–	–	–	Investment in joint ventures	Purchase
Chinese Enterprise Elephant Financial Information Services Company Limited	20,000,000	–	12.5	18,148,000	(608,000)	–	–	–	Investment in associates	Purchase
Shanghai COSCO SHIPPING Micro-finance Company	90,000,000	–	45	90,027,000	27,000	–	–	–	Investment in associates	Purchase
COSCO SHIPPING Finance Company Limited	1,186,389,000	65	23.38	1,247,297,000	63,552,000	(2,715,000)	–	–	Investment in associates	Purchase
Total	8,379,727,000	/	/	11,517,113,000	1,203,513,000	76,923,000	–	55,993,000		

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

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

The stock market was volatile in 2018. The Company expects the investment portfolio of the Group (including the above major investments) will be subject to, among other things, the movement of interest rates, market factors and macroeconomic factors. 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 relevant companies. To mitigate relevant risks, the Group will take appropriate measures in due course and adjust its investment strategies in response to the market conditions.

INCOME TAX

From 1 January 2018 to 31 December 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 year ended 31 December 2018, the Group's selling, administrative and general expenses were RMB1,219,278,000, representing an increase of 27% as compared with 2017.

OTHER LOSSES, NET

For the year ended 31 December 2018, other losses of the Group were RMB272,695,000, representing an increase in losses of approximately RMB246,809,000 as compared with other losses of RMB25,886,000 for 2017, mainly attributable to the depreciation of fair value of the securities held by the parent.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The profit attributable to owners of the parent of the Company for 2018 was RMB1,384,257,000, representing a decrease of 5% as compared with RMB1,463,803,000 for 2017.

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, construction of new vessels, procurement of containers, and the Group's financial leasing business. During the Period, the Group's net operating cash inflow was RMB6,417,977,000. As at 31 December 2018, the Group's cash and bank balances were RMB15,249,194,000.

As at 31 December 2018, the Group's total bank and other borrowings were RMB104,816,238,000, of which RMB47,469,440,000 is repayable within one year. The Group's long-term bank borrowings are mainly used to finance the procurement of containers, equity acquisitions and replenishment of liquidity.

As at 31 December 2018, the Group's RMB-denominated bonds payable amounted to RMB6,013,700,000, and all proceeds raised from the bonds were used for the purchase of financial lease assets.

The Group's RMB borrowings at fixed interest rates amounted to RMB44,451,367,000. USD borrowings at fixed interest rates amounted to USD136,734,000 (equivalent to approximately RMB938,436,000), RMB borrowings at floating interest rates amounted to RMB1,300,686,000, and USD borrowings at floating interest rates amounted to USD8,469,191,000 (equivalent to approximately RMB58,125,749,000). 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 31 December 2018, the Group's net current liabilities amounted to RMB24,664,091,000. Current assets mainly include: the current portion of the finance lease receivables of RMB10,711,620,000, inventories of RMB1,017,748,000, trade and notes receivables of RMB1,034,872,000, prepayments and other receivables of RMB591,777,000, factoring receivables of RMB673,737,000, cash and cash equivalents of RMB15,249,194,000, and restricted cash of RMB951,665,000. Current liabilities mainly include: trade payable of RMB1,686,104,000, other payables and accruals of RMB2,697,590,000, finance lease obligations of RMB187,197,000, tax payable of RMB225,114,000, the current portion of bank and other borrowings of RMB47,469,440,000, the current portion of corporate bonds of RMB2,631,916,000 and current portion of finance lease obligations of RMB187,197,000.

Cash flows

For the year of 2018, the Group's net cash inflow generated from operating activities was RMB6,417,977,000, denominated principally in RMB and USD, representing a decrease of RMB5,434,164,000 from the net cash inflow generated from operating activities of RMB11,852,141,000 in 2017. Cash and cash equivalents balances at the end of 2018 decreased by RMB7,944,106,000 year-on-year, the main reason of which is that the net cash inflow generated from operating activities and the net cash inflow generated from financing activities were less than the net cash outflow used in investing activities. The cash inflow generated from financing activities of the Group during the year was mainly derived from bank borrowings and issuance of commercial bills 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 years ended 31 December 2018 and 31 December 2017:

Unit: RMB

	2018	2017
Net cash generated from operating activities	**6,417,977,000**	11,852,141,000
Net cash used in investing activities	**(17,788,636,000)**	(6,652,489,000)
Net cash generated from financing activities	**3,227,502,000**	2,886,277,000
Exchange movement on cash	**199,051,000**	(419,883,000)
Net (decrease)/increase in cash and cash equivalents	**(7,944,106,000)**	7,666,046,000

Net cash generated from operating activities

For the year ended 31 December 2018, the net cash inflow generated from operating activities was RMB6,417,977,000, representing a decrease of RMB5,434,164,000 as compared with the net inflow of RMB11,852,141,000 for 2017. The decrease was mainly due to the fact that the Group can no longer generate operating cash flows from its deposit business following the merger by absorption of China Shipping Finance Company Limited ("CS Finance").

Net cash used in investing activities

For the year ended 31 December 2018, the net cash outflow used in investing activities was RMB17,788,636,000, increased by RMB11,136,147,000 as compared with the net outflow of RMB6,652,489,000 for 2017. The increase in net cash outflow used in investing activities was primarily attributable to the cash outflow resulted from the merger by absorption of CS Finance, and the further expansion of the financing lease investment and the procurement of fixed assets.

Net cash generated from financing activities

For the year ended 31 December 2018, the net cash generated from financing activities was RMB3,227,502,000, representing an increase of RMB341,225,000 as compared with the net cash generated from financing activities of RMB2,886,277,000 for 2017. For the year of 2018, the Group's new bank and other borrowings, perpetual debts, corporate bonds and finance lease obligations under sale and lease back arrangements amounted to RMB58,243,061,000, and repayment of bank and other borrowings, corporate bonds and the capital element of finance lease amounted to RMB50,223,408,000.

Average turnover days of trade and notes receivables

As at 31 December 2018, the net balance of trade and notes receivables by the Group amounted to RMB1,034,872,000, representing a year-on-year increase of RMB175,695,000. Of which note receivables increased by RMB7,180,000 and trade receivables increased by RMB168,515,000, which was mainly due to business development.

Gearing ratio

As at 31 December 2018, the Company's net gearing ratio (i.e. net debts over shareholders' equity) was 533%, which was lower than 535% as at 31 December 2017. The net gearing ratio remained flat as compared to the previous year.

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. During the Period, the Group recorded a net exchange profit of RMB100,623,000 which was mainly due to fluctuations of the USD and Euro exchange rates in 2018; the decrease in exchange difference which was charged to equity attributable to shareholders of the parent amounted to RMB581,687,000. 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 year ended 31 December 2018, the Group's expenditures on the acquisition of container vessels, vessels under construction, containers and other expenditures amounted to RMB4,363,290,000, expenditures on the acquisition of finance lease assets amounted to RMB15,386,943,000.

Capital commitments

As at 31 December 2018, the Group had RMB1,313,775,000 in equity investment commitment which had been contracted but not provided for.

Pledge

As at 31 December 2018, certain container vessels and containers with net carrying value of approximately RMB22,735,030,000 (2017: RMB25,031,111,000), finance lease receivables of RMB18,018,213,000 (2017: RMB10,928,186,000) and pledged deposits of RMB597,465,000 (2017: RMB178,326,000) of the Group were pledged to banks for the grant of credit facilities and issuance of bonds.

SUBSEQUENT EVENTS

On 29 March 2019, the Board proposed the payment of a final dividend of RMB0.033 per share (inclusive of applicable tax), totaling approximately RMB384,035,000 calculated based on 11,637,425,063 shares, being the number of issued shares of the Company of 11,683,125,000 as at 29 March 2019 deducting 45,699,937 A shares repurchased by the Company, for the year ended 31 December 2018, which is subject to the approval of shareholders of the Company at the forthcoming annual general meeting of the Company (the "AGM").

CONTINGENT LIABILITIES

As at 31 December 2018, there were no significant contingent liabilities for the Group.

EMPLOYEES, TRAINING AND BENEFITS

As at 31 December 2018, the Group had 8,082 employees, and the total staff costs for the Period (including staff remuneration, welfare and social insurance) amounted to approximately RMB1,908,084,000 (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.

To support human resources management reform, talent development and training, the Company has developed its employee training system to make it base on identification of demand, with the support of clear defined responsibilities and list-based management. We have optimized the training content and implementation system, and 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.

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Completion of the merger by absorption of COSCO Finance Co., Ltd.# ("COSCO Finance") by CS Finance (the "Merger") took place on 23 October 2018. Upon the completion of the Merger, (i) CS Finance continued as the surviving company and was renamed as COSCO SHIPPING Finance Company Limited ("COSCO SHIPPING Finance"); (ii) COSCO Finance ceased to exist as a legal entity and became a branch of COSCO SHIPPING Finance, and the assets, liabilities, businesses and employees of which were succeeded by COSCO SHIPPING Finance; and (iii) the Company, which was originally interested in 65% of the equity interest in CS Finance, became interested in approximately 23.38% of COSCO SHIPPING Finance. For further information, please refer to (i) the announcements of the Company dated 13 November 2017 and 4 December 2017; (ii) the circular of the Company dated 12 December 2017; and (iii) the overseas regulatory announcements of the Company dated 13 November 2017, 19 June 2018 and 24 October 2018, respectively.

Save as disclosed above, during the year ended 31 December 2018, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

DIVIDEND

The Board proposed the payment of a final dividend of RMB0.033 per share (inclusive of applicable tax) for the year ended 31 December 2018 (2017: Nil), which is subject to the approval of the shareholders of the Company at the forthcoming AGM. The final dividend will be denominated and declared in RMB and payable in RMB to the holders of the A shares of the Company, and in Hong Kong dollars to the holders of the H shares of the Company.

Further details of the proposed payment of the final dividend including, among other things, the expected timetable and the arrangement for closure of register of H shares members of the Company will be disclosed in due course.

PURCHASE, SALE OR REDEMPTION OF THE 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.

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 discussed with Ernst & Young, an independent auditor of the Company, and reviewed the Group's annual results for the year ended 31 December 2018.

This annual results announcement is based on the Company's consolidated financial statements for the year ended 31 December 2018 which have been agreed with the auditor of the Company.

CORPORATE GOVERNANCE CODE

The Board confirms that the Company was in compliance with all the code provisions of the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") during the year ended 31 December 2018.

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, the Company has confirmed that its directors and supervisors have 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.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2018 as set out in this results announcement have been agreed by the Company's auditors to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on this results announcement.

DISCLOSURE OF INFORMATION

This announcement is published on the website of Hong Kong Stock Exchange at http://www.hkexnews.hk and the Company's website at http://development.coscoshipping.com. The annual report of the Company for the year ended 31 December 2018 will be despatched by the Company to its shareholders and published on the aforesaid websites of Hong Kong Stock Exchange and the Company in due course.

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

Shanghai, the People's Republic of China
29 March 2019

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.".*

\# *For identification purpose only*