CSSC (Hong Kong) Shipping Company Limited
中國船舶(香港)航運租賃有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 03877)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board of directors (the "**Board**") of CSSC (Hong Kong) Shipping Company Limited (the "**Company**") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2019, together with comparative figures for the same period of 2018 or as at the end of 2018, which shall be read in conjunction with the management discussion and analysis, as follows.

FINANCIAL HIGHLIGHTS

1. Summary of Condensed Consolidated Income Statements

	Six months ended 30 June		
	2019 ***HK$'000*** **(Unaudited)**	2018 *HK$'000*	**Change**
Total revenue and other income	**1,135,110**	972,438	16.7%
Total expenses	**(645,086)**	(655,427)	(1.6%)
Profit from operations	**490,024**	317,011	54.6%
Profit for the period	**452,401**	399,150	13.3%
Earnings per share (basic and diluted) *(Note)*	**0.096**	0.084	

Note: Earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

2. Summary of Condensed Consolidated Statements of Financial Position

	As at 30 June 2019 *HK$'000* **(Unaudited)**	As at 31 December 2018 *HK$'000*	**Change**
Total assets	**29,510,337**	29,310,059	0.7%
Total liabilities	**21,297,888**	23,544,831	(9.5%)
Total equity	**8,212,449**	5,765,228	42.4%

3. Selected Financial Ratios

	Six months ended/ As at 30 June 2019	Year ended/ As at 31 December 2018
Profitability indicators		
Return on average assets(1)	**3.1%**	2.3%
Return on average net assets(2)	**13.0%**	11.5%
Average cost of interest-bearing liabilities(3)	**3.9%**	4.4%
Net profit margin(4)	**37.8%**	33.6%
Liquidity indicators		
Asset-liability ratio(5)	**72.2%**	80.3%
Risk asset-to-equity ratio(6)	**3.0 times**	4.6 times
Gearing ratio(7)	**2.5 times**	3.9 times
Net debt-to-equity ratio(8)	**2.2 times**	3.8 times

Notes:

(1) Calculated by dividing net profit for the period by the average balance of total assets at the beginning and the end of the period.

(2) Calculated by dividing net profit attributable to the owner of the Company for the period by the average balance of net assets attributable to the owner of the Company at the beginning and the end of the period.

(3) Calculated by dividing finance costs and bank charges by the average balance of borrowings at the beginning and the end of the period.

(4) Calculated by dividing net profit for the period by total revenue for the period.

(5) Calculated by dividing total liabilities by total assets.

(6) Calculated by dividing risk assets by total equity. Risk assets are total assets minus cash and cash equivalents and time deposits with maturity over three months.

(7) Calculated by dividing total borrowings by total equity.

(8) Calculated by dividing net debts by total equity. Net debts are borrowings minus cash and cash equivalents.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2019, our business maintained a rapid growth and achieved a revenue of HK$1,196.9 million and a net profit of HK$452.4 million, representing a year-on-year increase of 15.0% and 13.0%, respectively. For the six months ended 30 June 2019, the Group's return on average net assets and return on average assets was 13.0% and 3.1%, respectively. For the six months ended 30 June 2019, our profit from operations was HK$490.0 million, representing an increase of 54.6% over the corresponding period last year. The rapid growth of profit from operations reflected the strong development of the Group's leasing and loan business. In the first half of 2019, we entered into six leasing contracts, completed eight leasing contracts, and had 71 on-going leasing contracts. Among these 71 on-going leasing contracts, 57 were leasing contracts with a term of over one year, which were of an average remaining lease term of approximately 7.89 years and a contract value of HK$32.34 billion. As at 30 June 2019, our vessel fleet size reached 101, of which 71 were operating and 30 were under construction. As at 30 June 2019, the average age of our assets was 1.99 years. In the first half of 2019, the Company's assets were in good operating condition, the utilization rate of vessel assets was 100%, and the overall rental receipt rate was 97.3%.

1. Industry Environment

Trade is mainly affected by factors such as global economic growth rate and population growth, and seaborne shipping supports most of the global trade. According to the statistics of the United Nations Conference on Trade and Development, seaborne trade accounted for 90% of the global trade in terms of weight. According to Clarksons Research Services Limited ("**Clarksons**"), a professional consulting firm in the maritime industry, it is expected that the global seaborne trade volume will increase by 2.5% year-on-year in 2019, and the growth of global trade has provided a sound foundation for the development of the shipping industry. According to Clarksons, the growth rate of global vessel fleet capacity was 1.9% in the first half of 2019, which is lower than the average value since the financial crisis. In the first half of 2019, the total number of new orders around the world was 360, totaling 24.93 million deadweight tons and 10.26 million compensated gross tons. In terms of the compensated gross tons, the annual gross tons fell 39% year-on-year, representing a decrease of 49% than the average level since the financial crisis. The global ship leasing business is in the early stage of rapid development and will maintain a rapid growth for a relatively long period in the future. The Group believes that the reduction in the supply of new shipping capacity will be beneficial to the recovery of the shipping industry. The balance between the supply and the demand in the shipping industry is gradually recovering, which is likely to bring more opportunities to the Group.

For offshore clean energy sector, the strong demand for energy such as liquefied natural gas ("**LNG**") and liquefied petroleum gas ("**LPG**") in East Asia, especially in China, promotes the rapid increase in the volume of international clean energy maritime trade, and drives the rate of LNG and LPG vessels significantly. The Group will respond to changes in the global clean energy layout and, apart from the three major vessel types of bulk carriers, container vessels and tankers, expand our investment in equipment for clean energy, in particular those relating to natural gas.

2. The Group's Response

Established in June 2012 in Hong Kong, we are the first shipyard-affiliated leasing company in Greater China and one of the world's leading ship leasing companies. Our core business is the provision of leasing services, which include finance lease and operating lease. Our leasing services primarily focus on ship leasing. We also provide shipbroking and loan services to our customers. In the first half of 2019, the Company implemented the following actions in response to the abovementioned industry environment:

2.1 Countercyclical Investments and Purchase of Quality Assets at Competitive Cost

In view of the high cyclicality of the maritime industry, the Group has been adhering to the principles of countercyclical investments of high-quality assets, investing in assets with promising prospects in various market segments of the maritime industry in their cyclical lows. The Group acquired a variety of high-quality vessel assets, including multi-purpose heavy lifting vessels and refined oil tankers, in the first half of 2019, and entered into agreements for the purchase of assets, such as multi-purpose heavy lifting vessels and LPG carriers, which are in market lows. The Group believes that these high-quality assets with cost advantages will lay a solid foundation for the Group's development and performance growth in the future.

2.2 Comprehensive Distribution of Offshore Clean Energy Industry Chain

Following the development trend of international clean energy demand, the Group provided leasing services for the world's first converted floating LNG plant ("**FLNG**"), which is a new LNG production solution and was successfully put into operation in mid-2018. The Group provided leasing services for China's first FLNG re-gasification unit, which integrates the functions of offshore natural gas receiving stations and re-gasification stations and is characterized by the advantages of short investment cycle, small environmental impact, ease of movement and operation and promising market prospect. The Group is also actively investing in clean energy marine carriers, and owns ships that provide services for the construction of clean energy infrastructure. The Group's joint venture owns and operates four ultra-large LPG carriers. The Group believes that the demand for offshore clean energy production and logistics would further increase in the future, which is bound to promote the development of offshore clean energy related equipment leasing business.

2.3 Responding to and Making Timely Changes in relation to Maritime Environmental Protection

The International Maritime Organization (IMO) will implement a new ship discharge standard in 2020, which will impose strict limitations on sulfide emission. The Group is actively installing environmental desulfurization devices in its vessels to comply with new emission regulations. Since 2018, the Group has acquired several dual-fuel vessels. The Group will actively seek business opportunities for new vessel demand as a result of the new emission regulations. In addition, the refined oil tanker fleet invested by the Group's joint venture has a greater opportunity of benefiting from the development of and changes in global oil trade under the new emission standards.

2.4 Benefiting from our Parent Group's Rich Resources and the Good Strategic Synergy with our Shareholders

The Group has a strong shareholder background. Our controlling shareholder is CSSC Group, the largest and the second largest shipbuilding group in China and in the world, respectively. The Group benefits from the abundant resources of CSSC Group in ship design, shipbuilding and supporting services. In addition, the Group was successfully listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 17 June 2019 (the "**Listing Date**"). Through the Listing, the Group introduced other significant shareholders, including China Reinsurance (Group) Corporation, COSCO SHIPPING Financial Holdings Co., Limited, Wison Engineering Services Co. Ltd., and First Automobile Finance Co., Ltd.*（一汽財務有限公司）, and has established a good strategic synergy relationship with them, which will bring new opportunities for the Group's future development.

3. Outlook

In the first half of 2019, in view of the weak global macroeconomic growth, the imbalance of development of the world's major economies, and the intensified trade relations between China and the United States (the "**US**"), the maritime industry operated at a low level. Against this background, the vessel leasing industry maintained a rapid development. The Group believes that the good performance of the vessel leasing industry during the downturn of the maritime industry for nearly 10 years proves that the vessel leasing industry has a vigorous vitality and substantial market prospects. The Group is confident that the development of vessel leasing industry will provide promising opportunities.

The Group believes that the low-level operation of the marine industry in the past decade or so restricted the launch of new shipping capacity and accelerated the elimination of old shipping capacity. The balance between supply and demand in the marine industry has gradually recovered, and the foundation for the recovery of the marine industry is becoming more solid. The Group's unique industrial background has enabled it to grasp the cyclical opportunities in the marine industry more easily. The growing demand for offshore clean energy will drive the development of the offshore clean energy industry chain. Leveraging our strong maritime expertise and good synergy with shipyards, the Group will further deepen our cooperation with leading partners in this market segment and establish a long-term and stable relationship.

The Group will continue to utilize its industrial background advantages, strengthen its market development, reduce its financing costs, establish a balanced and stable asset portfolio, and solidify its position as a leading company in vessel and marine equipment leasing. In addition, the Group is actively seeking to develop a business model for light assets, bringing into play its capabilities in business development and asset management, exploring the possibility of securitization of leased assets, and improving its operational and financial efficiency.

In addition, the Group has been informed that CSSC Group, the Company's controlling shareholder, is planning on a strategic restructuring with China Shipbuilding Industry Corporation*（中國船舶重工集團有限公司）("**CSIC**"). The orders held by CSSC Group and CSIC after restructuring will account for 40% of the total orders in China and 15% of the world's orders. The Group believes that the strategic restructuring will result in resource integration and strengthen the competitive advantages as an industry leader, which will have a positive impact on our development.

4. Analysis on Condensed Consolidated Statements of Comprehensive Income

4.1 Overview of Consolidated Statements of Comprehensive Income

As at 30 June 2019, the Group's fleet size in operation increased by six to 71 vessels. The Group's revenue was HK$1,196.9 million for the six months ended 30 June 2019, representing an increase of HK$156.2 million or 15.0% as compared with that of the corresponding period last year. The Group's profit for the six months ended 30 June 2019 amounted to HK$452.4 million, representing an increase of HK$53.3 million or 13.3% as compared with that of the corresponding period last year. The increase in revenue and profit was mainly due to the increase in lease income and interest income from loan as a result of the continued expansion of the Group's leasing and loan business.

4.2 Revenue

For the six months ended 30 June 2019, the Group's revenue amounted to HK$1,196.9 million compared with HK$1,040.7 million for the corresponding period last year, representing an increase of HK$156.2 million or 15.0%. This was mainly due to the increase in lease income and interest income from loan borrowings, which was partially offset by the decrease in commission income.

Revenue by Business Activity

The following table sets out, for the periods indicated, a breakdown of the Group's revenue by business activity:

	Six months ended 30 June		
	2019	2018	**Change**
	HK$'000	*HK$'000*	
	(Unaudited)		
Finance lease income	**363,432**	465,073	(21.9%)
Operating lease income	**389,749**	316,326	23.2%
Interest income from loan borrowings	**429,414**	180,774	137.5%
Commission income	**14,258**	78,483	(81.8%)
	1,196,853	1,040,656	

The Group's lease income from finance lease and operating lease for the six months ended 30 June 2019 amounted to a total of HK$753.2 million, compared with HK$781.4 million for the six months ended 30 June 2018. The decrease in finance lease income was due to the exercise of purchase options by lessees in respect of four and seven vessels during the second half of 2018 and the first half of 2019, respectively. The growth in operating lease income was attributable to the increase in the number of vessels under operating lease from 14 as at 30 June 2018 to 33 vessels as at 30 June 2019.

The Group recognised interest income from loan borrowings of HK$429.4 million for the six months ended 30 June 2019, compared with HK$180.8 million for six months ended 30 June 2018, representing an increase of HK$248.6 million or 137.5%. Such increase was due to the increase in the average balance of loan borrowings.

4.3 Other Income and Other Gains/Losses, Net

For the first half of 2019, the Group's other income and other gains/(losses), net amounted to (HK$61.7 million), representing a decrease of 9.5% as compared with (HK$68.2 million) for the corresponding period last year, primarily due to the decrease in exchange loss.

4.4 Expenses

The following table sets out, for the periods indicated, a summary of the major expenses incurred by the Group:

	Six months ended 30 June		
	2019	2018	**Change**
	HK$'000	*HK$'000*	
	(Unaudited)		
Finance costs and bank charges	**424,416**	459,528	(7.6%)
Depreciation	**100,996**	69,818	44.7%
Vessel operating costs	**62,993**	62,496	0.8%

(a) Finance Costs and Bank Charges

For the six months ended 30 June 2019, finance costs and bank charges incurred by the Group amounted to HK$424.4 million compared with HK$459.5 million for the corresponding period last year, representing a decrease of HK$35.1 million or 7.6%. The decrease was mainly due to the decrease in average balance of interest-bearing borrowings.

(b) Depreciation

Depreciation on the Group's property, plant and equipment for the six months ended 30 June 2019 was HK$101.0 million compared with HK$69.8 million for the corresponding period last year, representing an increase of HK$31.2 million or 44.7%. The increase was mainly attributable to the increase in the number of vessels under operating lease from 14 as at 30 June 2018 to 33 as at 30 June 2019.

(c) Vessel Operating Costs

The Group's vessel operating costs mainly represent the expenses incurred for operating the vessels under operating lease arrangements, including crew expenses, fuel expenses, vessel management fees and vessel insurance. As most of the new operating lease arrangements entered into by the Group during the period were bareboat charters, the vessel operating cost remained relatively stable compared with the corresponding period last year.

4.5 Share of Results of Associates

The decrease in the Group's share of results of associates from HK$82.8 million for the six months ended 30 June 2018 to HK$1.2 million for the six months ended 30 June 2019 was due to the disposal of investments in two associates, namely CSSC Offshore & Marine Engineering (Group) Company Limited and Bank of Tianjin Co., Ltd, in September 2018.

5. Analysis on Consolidated Statements of Financial Position

5.1 Total Assets

The principal components of the Group's assets were property, plant and equipment, loan receivables and cash and cash equivalents, collectively representing 88.2% of the Group's total assets as at 30 June 2019. As at 30 June 2019, the Group's total assets amounted to HK$29,510.3 million, representing an increase of 0.7% as compared with HK$29,310.0 million as at 31 December 2018, primarily due to the increase in property, plant and equipment and cash and cash equivalent, which was partially offset by the decrease in finance lease receivables.

(a) Property, Plant and Equipment

As at 30 June 2019, the Group's vessels held for operating lease amounted to HK$6,466.0 million, representing an increase of 26.9% as compared with HK$5,096.9 million as at 31 December 2018, primarily due to the expansion of the scale of the Group's vessel fleet.

(b) Loan Receivables

The following table sets out, as at the dates indicated, the components of the Group's loan receivables:

	As at 30 June 2019 *HK$'000* **(Unaudited)**	As at 31 December 2018 *HK$'000*	**Change**
Finance lease receivables	**7,452,009**	9,489,933	(21.5%)
Loan borrowings	**7,304,311**	7,804,116	(6.4%)
Loans to joint ventures	**597,704**	505,607	18.2%
	15,354,024	17,799,656	(13.7%)

During the year ended 31 December 2018 and the six months ended 30 June 2019, none of the Group's loan receivables was written off.

(c) Finance Lease Receivables

The Group's net finance lease receivables represent the present value of minimum lease payment receivables from vessels classified as finance lease and their residual value. There was a decrease in finance lease receivables as at 30 June 2019 as compared to 31 December 2018, mainly due to the exercise of purchase options by lessees in respect of seven vessels during the six months ended 30 June 2019.

(d) Loan Borrowings

The Group's loan borrowings mainly include receivables from secured loans. The decrease in loan borrowings as at 30 June 2019 as compared to 31 December 2018 was mainly due to the repayment made by the Group's customers during the six months ended 30 June 2019.

(e) Loans to Joint Ventures

The increase in loans to joint ventures as at 30 June 2019 as compared to 31 December 2018 was mainly because more funding was required by the Group's joint ventures due to business expansion.

5.2 Total Liabilities

As at 30 June 2019, the Group's total liabilities amounted to HK$21,297.9 million compared with HK$23,544.8 million as at 31 December 2018, representing a decrease of HK$2,246.9 million or 9.5%, which was mainly due to the repayment of certain bank borrowings during the six months ended 30 June 2019.

6. Analysis of Consolidated Statements of Cash Flow

The following table sets out, for the periods indicated, a summary of the Group's consolidated statements of cash flow:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	
Net cash generated from operating activities	**2,917,153**	567,135
Net cash used in investing activities	**(1,052,689)**	(3,857,919)
Net cash (used in)/generated from financing activities	**(72,088)**	4,292,219
Net increase in cash and cash equivalents	**1,792,376**	1,001,435
Cash and cash equivalents at the beginning of the period	**924,060**	1,018,922
Effect of foreign exchange rate changes on cash and cash equivalents	**(4,496)**	(3,639)
Cash and cash equivalents at the end of the period	**2,711,940**	2,016,718

7. Asset Quality

The Group writes off loan receivables, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include the cessation of enforcement activities. The Group may write off loan receivables that are still subject to enforcement activities.

The Group did not write off any loan receivables during the year ended 31 December 2018 and the six months ended 30 June 2019.

7.1 Working Capital

During the six months ended 30 June 2019, the Group recorded a relatively high gearing ratio, primarily due to its reliance on bank borrowings to finance its capital expenditure and its financial and liquidity needs derived from its growing business operation. The Group requires substantial working capital for its daily operations due to the balance sheet-driven nature of its business. The Directors are of the view that the Group's high gearing ratio should not be used as the sole indication that we are subject to unmanageable liquidity risk.

8. Fund Management

8.1 Liquidity

In the first half of 2019, with the continuous development of the Group's main business, the steady improvement in the Group's business performance, the increasing recognition of the Group's vessel leasing business model by banks and other financial institutions, coupled with the Group's successful Listing, the Group has continuously strengthened its fund-raising and financing capabilities. The Group has continued to step up its business cooperation with domestic and foreign banks and financial institutions to fully secure the necessary financial support for its business development. As at 30 June 2019, the Group established a solid business relationship with more than 20 banks, and obtained banking facilities of approximately HK$30,554.7 million, of which approximately HK$4,727.7 million was unutilised. As at 30 June 2019, the balance of the Group's cash and cash equivalents and deposit was HK$4,547.0 million. The sources of funds mainly include the proceeds from the Listing and income generated from the ordinary course of business operation.

8.2 Bank Loans and Capital Structure

As at 30 June 2019, the balance of the Group's bank loans was HK$20,533.4 million, representing a decrease of HK$2,034.1 million as compared with HK$22,567.5 million as at 31 December 2018, comprising balance of long-term project loans of HK$12,445.2 million and balance of working capital loans of HK$8,088.2 million. The term of long-term project loans matches with the term of leasing projects, which is generally approximately 10 years. Among the long-term project loans, HK$3,004.3 million carried interest at fixed rates and HK$9,440.9 million carried interest at floating interest rates, which was in line with the Group's income from leasing projects. Working capital loans are mainly used for the daily operation of the Group with a term generally ranging from one to three years, all of which carry interest at floating interest rates. The Group strictly fulfilled its obligations under the bank loans and repaid the principal and interest in a timely manner.

As at 30 June 2019, the Group's total assets and total liabilities were HK$29,510.3 million and HK$21,297.9 million, respectively, and its equity attributable to owners was HK$8,182.6 million. The Group's gearing ratio was 72.2%, down by approximately 8 percentage points from the beginning of the year, which was mainly due to the capital raised from the Listing and the early repayment of certain bank borrowings.

8.3 Finance Costs and Structure

In the first half of 2019, in the context of complex and volatile macro-financial environment at home and abroad, mounting uncertainties in the international situation, and the fluctuating US dollar London Inter-bank Offered Rate ("**LIBOR**") at high levels despite the federal government's release of signals to suspend interest rate hikes, the Company kept abreast of the changes in macro situation and adjusted its financing strategies in a timely manner. The Group also rationally selected US dollar-denominated financing products and properly arranged the term structure to further optimise its debt structure. During the six months ended 30 June 2019, the Group's average finance costs were 3.94%, down by 46 basis points from the corresponding period last year. The Group effectively controlled its capital costs through various measures, mainly including lowering the interest rate of existing bank loans, exercising strict control over the interest rate of new loans and adjusting its loan structure. The relevant economic benefits will become increasingly prominent. In terms of interest rate structure, the Group continued to uphold its original interest rate risk management strategies and proactively managed the matching of assets and liabilities in the interest rate structure. In terms of exchange rate structure, the Group continued to uphold its original exchange rate risk management strategies and maintained the basic matching of assets and liabilities in currency.

8.4 Interest Rate Risk

In terms of interest rate risk, the Group's interest spread may be narrowed due to fluctuations in market interest rate. Therefore, the Group manages interest rate risk mainly by controlling the interest rate of its leased assets and corresponding liabilities. As most of the Group's finance lease projects charges rental at floating interest rates, which is calculated using US dollar LIBOR, and the corresponding bank loans carry interest at floating interest rates linked to LIBOR, the Group is not subject to interest rate risk in this respect. As some of the Group's operating lease projects charges rental at fixed interest rates, while the corresponding bank loans carry interest at floating interest rates, the Group is subject to interest rate risk exposure. The Group uses bank loans bearing fixed interest rates and converts floating interest rates into fixed interest rates through interest rate swap contracts and cross-currency interest rate swap contracts to hedge against the relevant interest rate risk, thereby effectively matching the future fixed rental income and reducing the impact of changes in US dollar interest rate on the Group's operating performance. As at 30 June 2019, the Group had interest rate swap contracts with a notional principal amount of US$721.4 million and cross-currency interest rate swap contracts with a notional principal amount of US$340.0 million.

8.5 Exchange Rate Risk

In terms of exchange rate risk, the vessels under finance lease and operating lease are purchased in US dollars, and the corresponding finance lease receivables and fixed assets are denominated in US dollars, while the main source of funding is bank loans denominated in US dollars. There is therefore no significant risk exposure in exchange rate. The Group holds some of its monetary funds in Hong Kong dollars, Renminbi and Euros, but the overall proportion is relatively small. Due to the different levels of depreciation of Hong Kong dollars, Renminbi and Euros against US dollars, the Group's exchange loss was approximately HK$14.2 million for the six months ended 30 June 2019.

9. Use of Proceeds from the Listing

The Company's net proceeds from the Listing after deduction of underwriting fees and related expenses were approximately HK$1,974.5 million, As at 30 June 2019, some of the proceeds had been utilised. The remaining proceeds will be allocated for use in accordance with the purposes set out in the prospectus of the Company dated 28 May 2019.

FINANCIAL STATEMENTS AND MATERIAL NOTES

CONDENSED CONSOLIDATED INCOME STATEMENTS

For the six months ended 30 June 2019

	Note	Six months ended 30 June 2019 HK$'000 (Unaudited)	2018 HK$'000
Revenue	*3*	**1,196,853**	1,040,656
Other income and other gains/(losses) net		**(61,743)**	(68,218)
Total revenue and other income		**1,135,110**	972,438
Expenses			
Finance cost and bank charges	*4*	**(424,416)**	(459,528)
Provision for impairment of loan receivables, net		**(7,693)**	(22,471)
Depreciation		**(100,996)**	(69,818)
Employee benefits expenses		**(18,238)**	(13,810)
Vessel operating costs		**(62,993)**	(62,496)
Other operating expenses		**(30,750)**	(27,304)
Total expenses		**(645,086)**	(655,427)
Profit from operations	*5*	**490,024**	317,011
Share of results of:			
– Joint ventures		**(34,104)**	–
– Associates		**1,243**	82,782
Profit before income tax		**457,613**	399,793
Income tax expense	*6*	**(4,762)**	(643)
Profit for the period		**452,401**	399,150
Attributable to:			
Equity holders of the Company		**451,461**	387,515
Non-controlling interests		**940**	11,635
		452,401	399,150
Earnings per share *(HK$)*			
Basic and diluted	*7*	**0.096**	0.084

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	
Profit for the period	**452,401**	399,150
Other comprehensive (loss)/income for the period		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of investments in subsidiaries and associates	**(17,571)**	155,209
– Fair value change of derivative financial instruments	**(60,439)**	–
– Fair value change of financial assets at fair value through other comprehensive income (debts instruments)	**11,451**	–
– Release upon settlement of debt instruments at fair value through other comprehensive income	**5,000**	–
Items that will not be reclassified to profit or loss:		
– Share of other comprehensive income of associates, net	**–**	22,389
– Fair value change of financial assets at fair value through other comprehensive income (equity instruments)	**43,964**	(71,467)
Total other comprehensive (loss)/income for the period	**(17,595)**	106,131
Total comprehensive income for the period	**434,806**	505,281
Total comprehensive income for the period attributable to:		
Equity holders of the Company	**434,169**	493,646
Non-controlling interests	**637**	11,635
	434,806	505,281

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June 2019

	Note	**As at 30 June 2019 HK$'000 (Unaudited)**	As at 31 December 2018 HK$'000
ASSETS			
Property, plant and equipment		**7,975,738**	6,790,885
Right-of-use assets		**2,080**	–
Interests in associates		**17,128**	15,938
Interests in joint ventures		**40,918**	8
Prepayments, deposits and other receivables		**159,815**	264,103
Loan receivables	*9*	**15,354,024**	17,799,656
Derivative financial assets		**13,171**	27,623
Financial assets at fair value through profit or loss		**456,198**	385,659
Financial assets at fair value through other comprehensive income		**798,291**	1,071,174
Amounts due from associates		**24,856**	24,841
Amounts due from related companies		**4,940**	–
Amounts due from joint ventures		**14,251**	–
Amounts due from fellow subsidiaries		**101,900**	114,098
Structured bank deposits		**261,423**	312,156
Time deposits with maturity over three months		**1,573,664**	1,579,858
Cash and cash equivalents		**2,711,940**	924,060
Total assets		**29,510,337**	29,310,059

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2019

	Note	**As at 30 June 2019** *HK$'000* **(Unaudited)**	As at 31 December 2018 *HK$'000*
LIABILITIES			
Income tax payables		**8,783**	20,649
Borrowings		**20,533,351**	22,567,489
Derivative financial liabilities		**102,592**	–
Amounts due to a non-controlling interest		**88,439**	88,397
Amounts due to related companies		**–**	70,433
Amounts due to a joint venture		**18,093**	–
Amounts due to fellow subsidiaries		**109,886**	439,013
Amounts due to immediate holding company		**38,252**	–
Lease liabilities		**2,088**	–
Other payables and accruals		**396,404**	358,850
Total liabilities		**21,297,888**	23,544,831
Net assets		**8,212,449**	5,765,228
EQUITY			
Share capital	*10*	**6,614,466**	4,602,046
Reserves		**1,568,145**	1,133,981
		8,182,611	5,736,027
Non-controlling interests		**29,838**	29,201
Total equity		**8,212,449**	5,765,228

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2019

1. Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2019, which does not constitute the Group's statutory financial statements, has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial information relating to the year ended 31 December 2018 that is included in the condensed consolidated interim financial information for the six months ended 30 June 2019 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

This condensed consolidated interim financial information should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, as set out in the prospectus of the Group dated 28 May 2019.

2. Accounting policies

The accounting policies adopted are consistent with those of the previous consolidated financial statements for the year ended 31 December 2018, except for the adoption of hedge accounting and the adoption of new standards, amendments and interpretations to standards which are effective for the Group's financial year beginning 1 January 2019.

(a) Derivative and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives:

- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At the inception of the hedging, The Group documents the economic, relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

(i) Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other income, gains or losses.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedging no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

(ii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income, other gains or losses.

(b) New and amended standards adopted by the Group

A number of new or amended standards became effective for the current reporting period, and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting HKFRS 16 "Leases".

The impact of the adoption of this standard and the new accounting policies are disclosed below. The adoption of other standards and amended standards does not have any material impact on the Group's accounting policies and does not require retrospective adjustments.

Effect of the adoption of HKFRS 16 Leases

(i) HKFRS 16 "Leases" – Impact of adoption

The Group has adopted HKFRS 16 "Leases" from 1 January 2019 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial information. The new accounting policies are set out in note 2(b)(ii) below. In accordance with the transition provision in HKFRS 16, the Group has adopted the modified retrospective approach for the transition to the new leases standard. The reclassification arising from the new rules is therefore not reflected in the consolidated statement of financial position as at 31 December 2018, but is recognised in the opening consolidated statement of financial position on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3%.

The adjustment on the consolidated statement of financial position as at 1 January 2019 are summarised below:

	As at 31 December 2018 As originally presented	**Effect of the adoption of HKFRS 16**	**As at 1 January 2019 As restated**
	HK$'000	*HK$'000*	*HK$'000*
			(Unaudited)
Assets			
Right-of-use assets	–	3,572	3,572
Liabilities			
Lease liabilities	–	3,577	3,577
Equity			
Retained profits	1,218,828	(5)	1,218,823

(ii) HKFRS 16 Leases – Accounting policies applied from 1 January 2019

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases with a lease term of 12 months or less and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

3. Segment information and revenue

The chief operating decision-maker ("CODM") has been identified as the executive directors of the Group. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and analysed from a business perspective: (i) leasing services, (ii) loan borrowings and (iii) shipbroking services.

The Group derives revenue from the transfer of services in the following:

	Leasing services	**Loan borrowings**	**Shipbroking services**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
For the period ended 30 June 2019				
Segment revenue	**753,181**	**429,414**	**14,258**	**1,196,853**
Inter-segment revenue	**–**	**–**	**–**	**–**
Revenue from external customers	**753,181**	**429,414**	**14,258**	**1,196,853**
For the period ended 30 June 2018				
Segment revenue	781,399	180,774	78,483	1,040,656
Inter-segment revenue	–	–	–	–
Revenue from external customers	781,399	180,774	78,483	1,040,656

Commission income, including in shipbroking services segment, are recognised at point in time method during the six months ended 30 June 2019 and 2018:

Segment assets and liabilities

No assets and liabilities are included in the Group's segment reporting that are submitted to and reviewed by CODM internally. Accordingly, no segment assets and liabilities are presented.

4. Finance cost and bank charges

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	
Interest and charges on borrowings	**489,333**	489,781
Less: finance costs capitalised	**(65,981)**	(50,634)
Bank charges	**1,009**	879
Interest on lease liabilities	**55**	–
Interest and charges on bonds	**–**	19,502
	424,416	459,528

5. Profit from operations

Profit from operations is stated after crediting/(charging) the followings:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	
Dividend income	**14,779**	27,283
Interest income from financial assets at fair value through other comprehensive income	**16,723**	–
Net realised gain from derivative financial instruments	**11,271**	–
Net (loss)/gain on changes in fair value of derivative financial instrument	**(56,505)**	44,572
Net gain/(loss) on changes in fair value of financial assets at fair value through profit or loss	**31,497**	(12,692)
Net loss on de-recognition of finance lease receivables	**(103,112)**	–
Listing expenses	**(14,918)**	(8,258)

6. Income tax expenses

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	
Current income tax		
– People Republic of China ("PRC") corporate income tax	**4,762**	12,082
Deferred income tax	**–**	(11,439)
	4,762	643

PRC corporate income tax has been calculated on the estimated assessable profit for the period at the income tax rate of the PRC entities of 25% (2018: 25%) on the estimated assessable profit for the period.

7. Earnings per share

Basic

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	
Profit attributable to equity holders of the Company *(in HK$'000)*	**451,461**	387,515
Weighted average number of ordinary shares in issue *('000)*	**4,720,700**	4,602,046
Basic earnings per share *(in HK$)*	**0.096**	0.084

Diluted

Diluted earnings per share is of the same amount as the basic earnings per share as there were no potentially dilutive ordinary shares outstanding as at 30 June 2019 and 2018.

8. Dividend

	2019	2018
	HK$'000	*HK$'000*
Interim dividend: HK 3 cents (2018: nil) per ordinary share	**184,082**	–

At the board meeting held on 23 August 2019, the board has declared an interim dividend of HK3 cents (2018: nil) per share, and the interim dividend is declared after reporting period, such dividend has not been recognised as liability as at 30 June 2019.

9. Loan receivables

	As at 30 June 2019		
	Gross amount	**Impairment loss**	**Net carrying amount**
	HK$'000	***HK$'000***	***HK$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Loan borrowings *(note a)*	**7,434,929**	**(130,618)**	**7,304,311**
Loans to joint ventures *(note b)*	**597,704**	**–**	**597,704**
Finance lease receivables *(note c)*	**7,769,425**	**(317,416)**	**7,452,009**
	15,802,058	**(448,034)**	**15,354,024**

	As at 31 December 2018		
	Gross amount	Impairment loss	Net carrying amount
	HK$'000	*HK$'000*	*HK$'000*
Loan borrowings *(note a)*	7,892,193	(88,077)	7,804,116
Loans to joint ventures *(note b)*	505,607	–	505,607
Finance lease receivables *(note c)*	9,842,197	(352,264)	9,489,933
	18,239,997	(440,341)	17,799,656

(a) A maturity profile of the loan borrowings as at the end of the reporting periods, based on the maturity date, net of provision, is as follows:

	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000
Within 1 year	**992,481**	1,010,119
More than 1 year but less than 2 years	**799,348**	630,629
Between 2 to 5 years	**2,064,789**	1,661,565
Over 5 years	**3,447,693**	4,501,803
	7,304,311	7,804,116

(b) Loans to joint ventures are repayable on demand.

(c)

	As at 30 June 2019 HK$'000 (Unaudited)	As at 31 December 2018 HK$'000
Gross investment in leases	**9,390,768**	12,103,419
Less: unearned finance income	**(1,621,343)**	(2,261,222)
Net investments in leases	**7,769,425**	9,842,197
Less: accumulated allowance for impairment	**(317,416)**	(352,264)
Finance lease receivables – net	**7,452,009**	9,489,933

The table below analyses the Group's gross investment in finance leases by relevant maturity groupings at the end of the reporting periods:

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
Gross investment in finance leases		
– Within 1 year	**2,281,034**	1,872,853
– More than 1 year but less than 2 years	**1,790,716**	1,341,362
– Between 2 to 5 years	**1,782,295**	3,720,179
– Over 5 years	**3,536,723**	5,169,025
	9,390,768	12,103,419

The carrying amounts of the Group's loan receivables approximate their fair values and are mainly denominated in Renminbi and US dollar.

10. Share capital

Ordinary shares, issued and fully paid:

	Numbers of shares	**Share capital**
	('000)	***HK$'000***
At 31 December 2018 and 1 January 2019	**4,602,046**	**4,602,046**
Issues of shares by public offering *(note)*	**1,534,020**	**2,012,420**
At 30 June 2019	**6,136,066**	**6,614,466**

Note:

1,534,020,000 ordinary shares were issued by way of the public offering on the Main Board of The Stock Exchange of Hong Kong at a price of HK$1.34 per share on 17 June 2019. The net proceeds raised by the Company after deducting the capitalised listing expenses of HK$43,167,000 were approximately HK$2,012,420,000.

OTHER INFORMATION

Corporate Governance Practices

The Group is committed to maintaining high standards of corporate governance in order to safeguard the interests of the shareholders of the Company (the "**Shareholders**") and enhance its corporate value and accountability. The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance since the Listing Date.

During the period from the Listing Date to 30 June 2019, the Company had complied with all code provisions set out in the CG Code and adopted most of the recommended best practices.

Interim Dividend

The Board declared an interim dividend of HK$0.03 per share for the six months ended 30 June 2019. The aforesaid dividend will be paid on 27 September 2019 to the Shareholders whose names appear on the register of members of the Company on 11 September 2019.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from 9 September 2019 to 11 September 2019 (both dates inclusive), during which no transfer of shares will be registered. All transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on 6 September 2019.

EVENTS AFTER THE END OF THE REPORTING PERIOD

There had been no significant events affecting the Group since 30 June 2019 and up to the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities by Directors. Having made specific enquiry with the Directors, all Directors confirmed that they had complied with the standards set out in the Model Code throughout the period from the Listing Date to 30 June 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from the Listing Date to 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF INTERIM RESULTS

The Board has established an audit committee (the "**Audit Committee**") which currently comprises three independent non-executive Directors, namely Mdm. Shing Mo Han Yvonne (chairperson), Dr. Wong Yau Kar David and Mr. Li Hongji, and one non-executive Director, namely Mr. Li Wei. The primary duties of the Audit Committee are to review the financial information of the Company and oversee the financial reporting system, risk management and internal control system of the Company.

The unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2019 have been reviewed by the Audit Committee.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2019 will be published on the websites of the Company (www.csscshipping.net) and HKExnews of the Hong Kong Stock Exchange (www.hkexnews.hk) in due course.

By order of the Board
CSSC (Hong Kong) Shipping Company Limited
Mr. Yang Li
Chairman

Hong Kong, 23 August 2019

As at the date of this announcement, the Board comprises Mr. Yang Li and Mr. Hu Kai as executive Directors, Mr. Li Wei as non-executive Director, and Dr. Wong Yau Kar David, Mdm. Shing Mo Han Yvonne and Mr. Li Hongji as independent non-executive Directors.