



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: 2866

Shipping Financial Service Platform

INTERIM
2017 REPORT





CONTENTS

Corporate Information	2
Financial Highlights (Under HKFRSs)	4
Management Discussion and Analysis	4
Report on Review of Interim Condensed Consolidated Financial Statements	20
Interim Condensed Consolidated Statement of Profit or Loss	21
Interim Condensed Consolidated Statement of Comprehensive Income	22
Interim Condensed Consolidated Statement of Financial Position	23
Interim Condensed Consolidated Statement of Changes in Equity	25
Interim Condensed Consolidated Statement of Cash Flows	27
Notes to the Interim Condensed Consolidated Financial Statements	29



CORPORATE INFORMATION

DIRECTORS

EXECUTIVE DIRECTORS

Ms. Sun Yueying (*Chairman*)
Mr. Wang Daxiong
Mr. Liu Chong
Mr. Xu Hui

NON-EXECUTIVE DIRECTORS

Mr. Feng Boming
Mr. Huang Jian
Mr. Chen Dong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cai Hongping
Ms. Hai Chi Yuet
Mr. Graeme Jack

SUPERVISORS

Mr. Ye Hongjun (*Chairman*)
Mr. Hao Wenyi
Mr. Gu Xu
Ms. Zhang Weihua
Mr. Zhu Donglin
Mr. Fu Yi

INVESTMENT STRATEGY COMMITTEE

Ms. Sun Yueying (*Chairman*)
Mr. Wang Daxiong
Mr. Liu Chong
Mr. Feng Boming
Mr. Huang Jian
Mr. Cai Hongping
Ms. Hai Chi Yuet

NOMINATION COMMITTEE

Ms. Hai Chi Yuet (*Chairman*)
Ms. Sun Yueying
Mr. Wang Daxiong
Mr. Cai Hongping

REMUNERATION COMMITTEE

Mr. Cai Hongping (*Chairman*)
Ms. Hai Chi Yuet
Mr. Graeme Jack

RISK CONTROL COMMITTEE

Mr. Wang Daxiong (*Chairman*)
Mr. Cai Hongping

AUDIT COMMITTEE

Mr. Chen Dong
Mr. Cai Hongping

EXECUTIVE COMMITTEE

Ms. Sun Yueying (*Chairman*)
Mr. Wang Daxiong
Mr. Liu Chong
Mr. Xu Hui

CHIEF ACCOUNTANT

Mr. Zhang Mingwen

COMPANY SECRETARY

Mr. Yu Zhen

AUTHORISED REPRESENTATIVES

Mr. Wang Daxiong
Mr. Yu Zhen

LEGAL ADDRESS IN THE PRC

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The PRC

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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The PRC

**PLACE OF BUSINESS IN HONG KONG**

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Hong Kong

INTERNATIONAL AUDITOR

Ernst & Young

DOMESTIC AUDITOR

Baker Tilly China (Special General Partnership)

LEGAL ADVISERS TO THE COMPANY

Paul Hastings (As to Hong Kong law)
Zhong Lun Law Firm (As to PRC law)

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China
Industrial and Commerce Bank of China
Citibank
China Merchants Bank
Shanghai Pudong Development Bank

TELEPHONE NUMBER

86 (21) 6596 6105

FAX NUMBER

86 (21) 6596 6813

COMPANY WEBSITE

<http://development.coscoshipping.com>

H SHARE LISTING PLACE

Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

LISTING DATE

16 June 2004

NUMBER OF H SHARES IN ISSUE

3,751,000,000 H Shares

BOARD LOT (H SHARES)

1,000 Shares

HONG KONG STOCK EXCHANGE**STOCK CODE**

02866

A SHARE LISTING PLACE

Shanghai Stock Exchange

LISTING DATE

12 December 2007

NUMBER OF A SHARES IN ISSUE

7,932,125,000 A Shares

BOARD LOT (A SHARES)

100 Shares

SHANGHAI STOCK EXCHANGE STOCK CODE

601866

* 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."



FINANCIAL HIGHLIGHTS (UNDER HKFRSs)

	First half of 2017 RMB (Unaudited)	First half of 2016 RMB (Unaudited) (Restated)	change (%)
Revenue	7,882,545,000	8,375,935,000	-6%
Profit before income tax from continuing operations	1,300,157,000	87,252,000	1,390%
Earnings/(loss) per share attributable to ordinary equity holders of the parent	1,055,029,000	(11,590,000)	9,203%
Basic earnings/(loss) per share	0.0903	(0.0010)	9,130%
Gross profit margin	22.26%	6.09%	266%
Net gearing ratio	611%	662%	-8%

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS OF OPERATING ENVIRONMENT AND OUTLOOK

1. MACROECONOMIC CONDITIONS

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

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

2. SHIPPING MARKET

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



3. FINANCIAL MARKET

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

4. CONTAINER VESSEL LEASING MARKET

1) Industry environment

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

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



2) Competitive landscape

According to the relevant data, the scale of shipping facilities granted by the top 40 banks engaged in shipping loans business in the global market in 2016 is estimated to be approximately US\$350 billion, the lowest in the last decade. Among which, the percentage of shipping facilities granted by banks from Europe and America to the total amount decreased while the percentage of shipping facilities granted by financial institutions in Asia to the total amount increased.

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

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

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

5. CONTAINER LEASING AND MANUFACTURING MARKET

1) Industry environment

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

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

2) Competitive landscape

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

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



6. FINANCIAL LEASING MARKET FOR NON-SHIPPING

1) Industry environment

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

2) Competitive landscape

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

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

FUTURE DEVELOPMENT STRATEGY OF THE COMPANY

1. STRATEGIC POSITIONING

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

2. DEVELOPMENT GOALS

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



3. DEVELOPMENT PLAN

1) Leasing business

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

The vessel leasing business focuses on the operating lease or finance lease of various vessels, such as container vessels and dry bulk cargo vessels. The Company will develop the vessel financial leasing as its core business on the basis of its existing business. In a short-term view, the Company is to mobilize its current fleet resources to revive its internal business; in the long run, it is to gradually increase the proportion of external business and work out a “one-stop” business model leveraging on China COSCO Shipping Corporation Limited advantages of full industrial chain deployment, in an attempt to establish a unique competitive edge in the industry.

The non-shipping leasing business mainly involves various non-shipping leasing businesses, with a focus on areas of development potential such as medical services, education, new energy and intelligent manufacturing. The Company sets its focus on the small and medium enterprise clients and small and medium sized projects, and strives to become a financial leasing leader in leveraging on its existing business, experience and capital to promote integration of industry and finance. In the industrial sector, the Company will support customer-oriented development and provide financial leasing value-added services, so as to establish a leasing business platform that offers professional services with uniform standards.

2) Investment business

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

3) Integrated financial services

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



FINANCIAL REVIEW OF THE GROUP

ANALYSIS OF SEGMENT RESULTS OF THE GROUP

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

Analyses of segment results are as follows:

1. ANALYSIS OF SHIPPING-RELATED LEASING BUSINESS

1) Operating revenue

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

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

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

2) Operating costs

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



2. ANALYSIS OF CONTAINER MANUFACTURING BUSINESS

1) Operating revenue

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

2) Operating costs

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

3. ANALYSIS OF NON-SHIPPING FINANCIAL LEASING BUSINESS

1) Operating revenue

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

2) Operating costs

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

4. ANALYSIS OF FINANCIAL SERVICES

1) Operating revenue

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



2) Operating costs

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

5. ANALYSIS OF INVESTMENT BUSINESS

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

SIGNIFICANT SECURITIES INVESTMENT

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

1. SHAREHOLDINGS IN OTHER LISTED COMPANIES

Stock code	Company name	Initial investment cost (RMB)	Shareholding at the beginning of the period (%)	Shareholding at the end of the period (%)	Book value at the end of the period (RMB)	Gain during the period (RMB)	Changes in other reserve during the period (RMB)	Gain from disposal (RMB)	Dividends received during the period (RMB)	Accounting ledger	Sources of the shareholding
000039/02039	China International Marine Containers (Group) Co., Ltd.	3,057,384,000	22.76	22.75	6,975,206,000	153,951,000	-80,144,000	-	40,681,000	Investments in associates	Purchase
600643	Shanghai AJ Group Co., Ltd	33,814,000	0.56	0.33	70,411,000	-	-5,269,000	24,343,000	-	Available-for-sale investments	Purchase
601818	China Everbright Bank Co., Ltd	3,398,255,000	1.551	1.551	3,648,087,000	251,627,000	-21,528,000	-	70,952,000	Investments in associates	Purchase
600390	Minmetals Capital Co., Ltd	1,500,000,000	-	3.94	1,252,759,000	-	-247,241,000	-	-	Available-for-sale investments	Purchase
000617	Jinan Diesel Engine Co., Ltd	95,000,000	0.97	0.97	945,957,000	-	-125,099,000	-	-	Available-for-sale investments	Purchase
Total		8,084,453,000	/	/	12,892,420,000	405,578,000	-479,281,000	24,343,000	111,633,000		



2. SHAREHOLDINGS IN NON-LIST FINANCIAL ENTERPRISES

Name of investee	Initial investment cost (RMB)	Shareholding at the beginning of the period (%)	Shareholding at the end of the period (%)	Book value at the end of the period (RMB)	Gain during the period (RMB)	Changes in other reserve during the period (RMB)	Gain from disposal (RMB)	Dividends received during the period (RMB)	Accounting ledger	Source of the shareholding
Bank of Kunlun Co., Ltd	838,959,000	3.74	3.74	1,120,824,000	62,703,000	-2,888,000	-	10,626,000	Investment in associates	Purchase
CIB Fund Management Co., Ltd	50,000,000	10.00	10.00	155,805,000	26,468,000	-168,000	-	-	Investment in associates	Purchase
Shanghai Life Insurance Co., Ltd.	320,000,000	16.00	16.00	895,691,000	-22,728,000	11,871,000	-	-	Investment in associates	Purchase
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd.	125,000,000	25.00	25.00	129,765,000	2,194,000	-	-	-	Investment in associates	Purchase
China Bohai Bank Co., Ltd	5,749,379,000	13.67	13.67	6,412,532,000	694,307,000	-31,154,000	-	-	Investment in Associates	Purchase
Total	7,083,338,000	/	/	8,714,617,000	762,944,000	-22,339,000	-	10,626,000		

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

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

The stock market was volatile in the first half of 2017. The Company expects the investment portfolio of the Group (including the above major investments) will be subject to the movement of interest rates, market factors and macroeconomic factors etc. Moreover, the market value of individual shares will be affected by the financial results, development plan as well as prospects of the industry of the listed company. To mitigate relevant risks, the Group will take appropriate measures in due course and adjust its investment strategies in response to market situation.



LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

1. LIQUIDITY AND BORROWINGS

The Group's principal sources of liquidity are operating cash inflow and short-term bank borrowings. The Group's cash is mainly used for operating expenses, repayment of loans, procurement of containers, and the Group's financial leasing business. During the Period, the Group's net operating cash inflow was RMB3,344,503,000. As at 30 June 2017, the Group's cash balance in banks was RMB12,992,021,000.

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

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

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

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

2. GEARING RATIO

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

3. FOREIGN EXCHANGE RISK

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



4. CAPITAL COMMITMENT

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

PLEDGE

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

SUBSEQUENT EVENTS

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

CONTINGENT LIABILITIES

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

EMPLOYEES, TRAINING AND BENEFITS

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

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

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



SHARE CAPITAL

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

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

INTERESTS OR SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, the interests or short positions of the directors (the "Directors"), supervisors (the "Supervisors") or chief executive(s) of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors or chief executive(s) of the Company is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") adopted by the Company were as follows:

INTERESTS IN THE SHARES OF THE COMPANY

Name	Position	Class of Shares	Capacity	Number of Shares interested (Note 1)	Approximate percentage of the relevant class of Shares of the Company (%)	Approximate percentage of the issued share capital of the Company (%)
Wang Daxiong	Director	H Shares	Other	834,677 (L) (Notes 2 and 3)	0.02	0.01
Liu Chong	Director	H Shares	Other	1,112,903 (L) (Notes 2 and 4)	0.03	0.01
Xu Hui	Director	H Shares	Other	945,968 (L) (Notes 2 and 5)	0.03	0.01
Fu Yi	Supervisor	H Shares	Other	556,452 (L) (Notes 2 and 6)	0.01	0.00



Notes:

1. "L" means long position in the shares.
2. As disclosed in the announcement of the Company dated 24 November 2016, certain executive Directors, Supervisor, senior management and employees of the Company have voluntarily invested, with their own fund, in an asset management plan (the "Asset Management Plan"), pursuant to which the executive Directors, Supervisor, senior management and employees of the Company have subscribed to the units of the Asset Management Plan and entrusted the manager of the Asset Management Plan to manage the Asset Management Plan, which will invest in the H Shares. The manager of the Asset Management Plan shall be responsible for, among other things, the investment and re-investment of the assets under the Asset Management Plan and shall be entitled to exercise the voting rights and other relevant rights in respect of the H Shares held under the Asset Management Plan. The Company did not participate in the Asset Management Plan, and the Asset Management Plan does not constitute a share option scheme or any type of employee benefit scheme of the Company. As at 31 December 2016, the Asset Management Plan has been fully funded and has acquired 6,900,000 H Shares on the market at an average price of HK\$1.749 per H Share.
3. Mr. Wang Daxiong is one of the participants of the Asset Management Plan through which he holds approximately 12.10% of the total number of units of the Asset Management Plan as at 30 June 2017. Accordingly, the 834,677 H Shares represent the interests derived from the units subscribed by Mr. Wang Daxiong in the Asset Management Plan as at 30 June 2017. As at 30 June 2017, Mr. Wang Daxiong does not hold any Shares.
4. Mr. Liu Chong is one of the participants of the Asset Management Plan through which he holds approximately 16.13% of the total number of units of the Asset Management Plan as at 30 June 2017. Accordingly, the 1,112,903 H Shares represent the interests derived from the units subscribed by Mr. Liu Chong in the Asset Management Plan as at 30 June 2017. As at 30 June 2017, Mr. Liu Chong does not hold any Shares.
5. Mr. Xu Hui is one of the participants of the Asset Management Plan through which he holds approximately 13.71% of the total number of units of the Asset Management Plan as at 30 June 2017. Accordingly, the 945,968 H Shares represent the interests derived from the units subscribed by Mr. Xu Hui in the Asset Management Plan as at 30 June 2017. As at 30 June 2017, Mr. Xu Hui does not hold any Shares.
6. Mr. Fu Yi is one of the participants of the Asset Management Plan through which he holds approximately 8.06% of the total number of units of the Asset Management Plan as at 30 June 2017. Accordingly, the 556,452 H Shares represent the interests derived from the units subscribed by Mr. Fu Yi in the Asset Management Plan as at 30 June 2017. As at 30 June 2017, Mr. Fu Yi does not hold any Shares.

Save as disclosed above, as at 30 June 2017, none of the Directors, Supervisors or chief executive(s) of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors or chief executive(s) of the Company is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company.



INTERESTS OR SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS OR OTHER PERSONS IN THE SHARES OR UNDERLYING SHARES

As at 30 June 2017, so far as was known to the Directors, Supervisors or chief executive(s) of the Company, the interests or short positions of the shareholders who are entitled to exercise or control 5% or more of the voting power at any general meeting of the Company or other persons (other than a Director, Supervisor or chief executive(s) of the Company) in the shares or underlying shares of the Company which were required to be disclosed to the Company or the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or the interests or short positions which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO or the interests or short positions which have been notified to the Company and the Stock Exchange were as follows:

Name of Shareholder	Class of Shares	Capacity	Number of Shares interested (Note 1)	Approximate percentage of the total number of the relevant class of Shares of the Company (%)	Approximate percentage of the issued share capital of the Company (%)
China Shipping (Group) Company ("China Shipping")	A Shares	Beneficial owner	4,458,195,175 (L) (Note 2)	56.20	38.16
	H Shares	Interest of controlled corporation	100,944,000 (L) (Note 3)	2.69	0.86
China COSCO SHIPPING Corporation Limited	A Shares	Interest of controlled corporation	4,458,195,175 (L) (Note 2)	56.20	38.16
	H Shares	Interest of controlled corporation	100,944,000 (L) (Note 3)	2.69	0.86
The Northern Trust Company (ALA)	H Shares	Approved lending agent	249,945,900 (P)	6.66	2.14

Notes:

- "L" means long position in the shares and "P" means shares in the lending pool.
- Such 4,458,195,175 A Shares represent the same block of shares.
- Such 100,944,000 H Shares represent the same block of shares held by Ocean Fortune Investment Limited, an indirectly wholly-owned subsidiary of China Shipping.

Save as disclosed above, as at 30 June 2017, no other person (other than Directors, Supervisors or chief executive(s) of the Company) had any interest or short position in any shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or any interest or short positions recorded in the register kept by the Company pursuant to Section 336 of the SFO or any interest or short positions which have been notified to the Company and the Stock Exchange.



CHANGES IN INFORMATION ON DIRECTORS AND SUPERVISORS

The change in the information on the Directors or Supervisors that is required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") following the date of the 2016 Annual Report of the Company is set out as follows:

DIRECTORS AND SUPERVISORS – DETAILS OF CHANGES

Name	Position	Cause of change
Tsang Hing Lun	Independent non-executive Director	Passed away

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

INTERIM DIVIDENDS

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

AUDIT COMMITTEE

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

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

CORPORATE GOVERNANCE CODE

The Company was in compliance with all the code provisions of the "Corporate Governance Code" set out in Appendix 14 to the Listing Rules during the Period.



MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors', Supervisors' and relevant employees' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Following specific enquiry made with all the Directors and supervisors of the Company, each of them has confirmed that he/she has complied with the required standard set out in the Model Code regarding directors' and supervisors' securities transactions during the Period. The Company is not aware of any non-compliance with these guidelines by the relevant employees.

By order of the Board
COSCO SHIPPING Development Co., Ltd.
Sun Yueying
Chairman

Shanghai, the PRC
30 August 2017



REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of COSCO SHIPPING Development Co., Ltd.

(Established in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial statements set out on pages 21 to 44 which comprise the interim condensed consolidated statement of financial position of COSCO SHIPPING Development Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2017 and the related interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, changes in equity and cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed consolidated financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong
30 August 2017



INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Notes	FOR THE SIX MONTHS ENDED 30 JUNE	
		2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited) (Restated)
CONTINUING OPERATIONS			
REVENUE	3	7,882,545	8,375,935
Cost of sales		(6,128,236)	(7,866,192)
Gross profit		1,754,309	509,743
Selling, administrative and general expenses		(452,905)	(631,924)
Other income	4	84,155	73,939
Other gains, net	5	29,365	130,251
Finance costs		(1,283,311)	(686,916)
Share of profits of:			
Associates		1,163,996	686,671
Joint ventures		4,548	5,488
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		1,300,157	87,252
Income tax expense	6	(212,305)	(80,982)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		1,087,852	6,270
DISCONTINUED OPERATION			
Profit for the period from a discontinued operation		–	9,772
PROFIT FOR THE PERIOD		1,087,852	16,042
Attributable to:			
Owners of the parent		1,055,029	(11,590)
Non-controlling interests		32,823	27,632
		1,087,852	16,042
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (express in RMB per share)	7		
Basic and diluted			
– For profit/(loss) for the period		0.0903	(0.0010)
– For profit/(loss) for the period from continuing operations		0.0903	(0.0016)



INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

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



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2017

	Notes	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	55,753,769	58,392,439
Investment properties		17,630	8,217
Prepaid land lease payments		202,900	216,817
Intangible asset		19,105	21,881
Investments in associates	10	19,208,299	18,244,380
Investments in joint ventures		191,397	137,349
Available-for-sale investments		4,069,413	6,114,082
Finance lease receivables	11	18,884,858	15,010,397
Loans and receivables		244,856	198,114
Derivative financial instruments		5,118	6,702
Deferred tax assets		96,490	89,482
Other long term prepayments		88,200	144,229
Total non-current assets		98,782,035	98,584,089
CURRENT ASSETS			
Inventories		998,341	859,415
Trade and notes receivables	12	1,542,358	1,655,656
Prepayments and other receivables		1,076,095	899,933
Prepaid land lease payments		3,836	3,918
Finance lease receivables	11	5,052,015	3,593,896
Loans and receivables		2,984,084	3,132,913
Held-for-trading investments		390,910	72,466
Derivative financial instruments		1,048	1,340
Restricted cash	13	1,098,090	1,129,425
Cash and cash equivalents	13	12,992,021	15,527,254
Total current assets		26,138,798	26,876,216
Total assets		124,920,833	125,460,305
CURRENT LIABILITIES			
Trade and notes payables	14	2,037,393	1,738,742
Other payables and accruals		1,905,100	2,184,723
Bank and other borrowings		28,415,711	29,925,251
Corporate bonds		666,733	2,075,822
Finance lease obligations		35,403	36,104
Deposits from customers		8,294,574	8,550,566
Tax payable		139,269	123,266
Total current liabilities		41,494,183	44,634,474



INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

30 JUNE 2017

	30 June 2017 <i>RMB'000</i> (Unaudited)	31 December 2016 <i>RMB'000</i> (Audited)
NET CURRENT LIABILITIES	(15,355,385)	(17,758,258)
TOTAL ASSETS LESS CURRENT LIABILITIES	83,426,650	80,825,831
NON-CURRENT LIABILITIES		
Bank and other borrowings	64,615,090	64,102,361
Corporate bonds	1,862,669	1,426,942
Finance lease obligations	286,229	311,344
Deposits from customers	6,951	951
Deferred tax liabilities	285,442	264,041
Other long term payables	1,624,211	1,157,078
Total non-current liabilities	68,680,592	67,262,717
Net assets	14,746,058	13,563,114
EQUITY		
Equity attributable to owners of the parent		
Share capital	11,683,125	11,683,125
Special reserve	340	–
General reserve	79,291	79,291
Other reserves	(6,186,373)	(6,067,818)
Retained profits	8,610,138	7,555,449
Non-controlling interests	14,186,521	13,250,047
	559,537	313,067
Total equity	14,746,058	13,563,114

Sun Yueying

Director

Wang Daxiong

Director



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Special reserve	General reserve	Other reserves	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	11,683,125	-	79,291	(6,067,818)	7,555,449	13,250,047	313,067	13,563,114
Profit for the period	-	-	-	-	1,055,029	1,055,029	32,823	1,087,852
Other comprehensive loss for the period:								
Available-for-sale investments:								
Change in fair value of available for-sale investments, net of tax	-	-	-	(327,214)	-	(327,214)	3,982	(323,232)
Reclassification adjustments for gains included in the consolidated statement of profit or loss	-	-	-	(41,608)	-	(41,608)	(335)	(41,943)
Cash flow hedges, net of tax:								
Effective portion of changes in fair value of hedging instruments arising during the period	-	-	-	(1,711)	-	(1,711)	-	(1,711)
Exchange differences:								
Exchange differences on translation of foreign operations	-	-	-	287,256	-	287,256	-	287,256
Associates:								
Share of other comprehensive loss of associates	-	-	-	(124,010)	-	(124,010)	-	(124,010)
Total comprehensive income for the period	-	-	-	(207,287)	1,055,029	847,742	36,470	884,212
Capital injection from non-controlling shareholders	-	-	-	-	-	-	210,000	210,000
Share of capital reserve of associates	-	-	-	45,888	-	45,888	-	45,888
Transfer from retained profits	-	21,941	-	-	(21,941)	-	-	-
Utilisation of special reserve	-	(21,601)	-	-	21,601	-	-	-
Others	-	-	-	42,844	-	42,844	-	42,844
At 30 June 2017 (unaudited)	11,683,125	340	79,291	(6,186,373)	8,610,138	14,186,521	559,537	14,746,058



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Attributable to owners of the parent					Total	Non-controlling interests	Total equity
	Share capital	Special reserve	General reserve	Other reserves	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2016	11,683,125	21,090	65,504	25,576,278	7,433,077	44,779,074	497,549	45,276,623
Profit for the period	-	-	-	-	(11,590)	(11,590)	27,632	16,042
Other comprehensive loss for the period:								
Available-for-sale investments:								
Change in fair value of available for-sale investments, net of tax	-	-	-	(90,148)	-	(90,148)	(4,456)	(94,604)
Reclassification adjustments for gains included in the consolidated statement of profit or loss	-	-	-	(963)	-	(963)	-	(963)
Cash flow hedges, net of tax:								
Effective portion of changes in fair value of hedging instruments arising during the period	-	-	-	(32,196)	-	(32,196)	-	(32,196)
Exchange differences:								
Exchange differences on translation of foreign operations	-	-	-	(236,686)	-	(236,686)	(4,361)	(241,047)
Reclassification adjustments for foreign operations disposed of	-	-	-	1,431	-	1,431	-	1,431
Associates:								
Share of other comprehensive loss of associates	-	-	-	(8,339)	-	(8,339)	-	(8,339)
Reclassification adjustments for associates disposed of	-	-	-	(1,179)	-	(1,179)	-	(1,179)
Total comprehensive loss for the period	-	-	-	(368,080)	(11,590)	(379,670)	18,815	(360,855)
Consideration for acquisition of subsidiaries under common control	-	-	-	(21,381,010)	-	(21,381,010)	-	(21,381,010)
Disposal of subsidiaries	-	(22,548)	-	-	22,548	-	(65,180)	(65,180)
Dividends paid to former shareholders of acquired subsidiaries under common control	-	-	-	-	(227,055)	(227,055)	-	(227,055)
Dividends paid to a former shareholder of an acquired associate under common control	-	-	-	(137,558)	-	(137,558)	-	(137,558)
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	(122,190)	(122,190)
Transfer from retained profits	-	77,897	27,852	-	(105,749)	-	-	-
Utilisation of special reserves	-	(71,622)	-	-	71,622	-	-	-
Others	-	-	-	1,431	(92)	1,339	(69)	1,270
At 30 June 2016 (unaudited and restated)	11,683,125	4,817	93,356	3,691,061	7,182,761	22,655,120	328,925	22,984,045



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	FOR THE SIX MONTHS ENDED	
	30 JUNE	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited) (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	3,510,097	5,131,865
Income tax paid	(165,594)	(6,444)
Net cash generated from operating activities	3,344,503	5,125,421
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	42,625	36,830
Dividends received from associates	10,626	15,356
Dividends received from joint ventures	–	312
Dividends received from available-for-sale investments	16,850	954
Dividends received from held-for-trading investments	306	58,581
Purchases of items of property, plant and equipment	(1,568,330)	(2,028,404)
Proceeds from disposal of items of property, plant and equipment and intangible assets	1,338,384	745,064
Purchases of equity in an associate	(49,500)	–
Purchases of equity in a joint venture	–	(125,000)
Purchases of available-for-sale investments	(3,966,045)	(700,329)
Prepayment for an available-for-sale investment	–	(225,000)
Purchases of held-for-trading investments	(390,877)	–
Disposal of subsidiaries	–	(349,884)
Consideration received from disposal of subsidiaries in a previous period	2,284	–
Proceeds from disposal of associates	7,083	3,954,920
Proceeds from disposal of joint ventures	–	54,602
Proceeds from disposals of available-for-sale investments	5,748,989	216,345
Proceeds from disposals of held-for-trading investments	74,208	200,008
Increase in finance lease receivables	(4,966,973)	(4,103,553)
Increase in other long term payables	55,334	296,902
Net cash flows used in investing activities	(3,645,036)	(1,952,296)



INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Note	FOR THE SIX MONTHS ENDED	
		2017	2016
		RMB'000	RMB'000
		(Unaudited)	(Unaudited) (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injection from non-controlling shareholders		210,000	–
Consideration paid for acquisition of subsidiaries under common control		(80,383)	(21,350,801)
New bank and other borrowings		19,222,071	95,046,616
Proceeds from issuance of a corporate bond		1,000,000	–
Repayment of bank and other borrowings		(18,848,774)	(77,598,733)
Repayment of corporate bonds		(1,939,603)	(188,815)
Capital element of finance lease payments		(18,117)	(141)
Dividends paid to former shareholders of acquired subsidiaries under common control		–	(227,138)
Dividends paid to non-controlling shareholders		–	(137,492)
Interest paid		(1,690,612)	(821,187)
(Increase)/decrease in restricted cash		(773)	62,046
Net cash flows used in financing activities		(2,146,191)	(5,215,645)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		15,527,254	15,931,671
Effect of foreign exchange rate changes, net		(88,509)	147,304
Cash and cash equivalents at end of period	13	12,992,021	14,036,455



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

1. CORPORATE INFORMATION

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

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

- (a) Vessel chartering and container leasing;
- (b) Non-shipping related leasing;
- (c) Manufacture and sale of containers;
- (d) Provision of financial and insurance brokerage services;
- (e) Equity investment; and
- (f) Cargo and liner agency services.

2.1 BASIS OF PREPARATION

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

Going concern

The Group had net current liabilities of RMB15,355,385,000 as at 30 June 2017. The directors are of opinion that based on the available unutilised banking facilities as at 30 June 2017, the Group will have the necessary liquid funds to finance its working capital and to meet its capital expenditure requirements. Accordingly, the directors are of the opinion that it is appropriate to prepare the interim condensed consolidated financial statements on a going concern basis.

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2017

2.2 MERGER ACCOUNTING FOR ACQUISITION OF A SUBSIDIARY AND AN ASSOCIATE FROM FELLOW SUBSIDIARIES UNDER COMMON CONTROL

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

In December 2016, the Group acquired 13.67% equity interests in China Bohai Bank Co., Ltd. (“CBB”) from another fellow subsidiary, accounted for as investment in an associate (note 10).

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

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Amendments to HKAS 7
Amendments to HKAS 12

Annual Improvements 2014-2016 Cycle

Statement of Cash Flows: Disclosure Initiative
Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses

Amendments to HKFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in HKFRS 12

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

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

3. OPERATING SEGMENT INFORMATION AND REVENUE

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

	For the six months ended 30 June 2017				For the six months ended 30 June 2016									
	Vessel chartering and container leasing RMB'000	Non-shipping related leasing RMB'000	Container leasing RMB'000	Financial services RMB'000	Equity investment RMB'000	Others RMB'000	Total RMB'000	Container shipping RMB'000	Non-shipping related leasing RMB'000	Container shipping RMB'000	Financial services RMB'000	Equity investment RMB'000	Others RMB'000	Total RMB'000
Segment revenue:														
Sales to external customers	4,631,034	708,543	2,360,729	179,293	-	2,946	7,882,545	3,235,222	4,189,951	310,392	475,663	-	15,766	8,375,935
Intersegment sales	-	-	-	-	-	-	-	-	1,924,030	-	195,666	-	-	2,146,816
Total revenue	4,631,034	708,543	2,360,729	179,293	-	2,946	7,882,545	3,235,222	6,113,981	310,392	671,329	-	15,766	10,522,751
Segment results	118,821	364,344	99,244	117,615	793,408	6,264	1,499,696	(940,341)	323,099	183,616	94,763	640,242	(6,623)	318,816
Elimination of intersegment results							10,256							87,837
Unallocated administrative and general expenses							-							(195,798)
Unallocated finance costs							(209,795)							(123,603)
Profit before tax							1,300,157							87,252



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

3. OPERATING SEGMENT INFORMATION AND REVENUE (Continued)

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2017 and 31 December 2016, respectively:

	30 June 2017				31 December 2016										
	Vessel chartering and container leasing RMB'000	Non-shipping related leasing RMB'000	Financial services RMB'000	Equity investment RMB'000	Others RMB'000	Total RMB'000	Container shipping RMB'000	Vessel chartering and container leasing RMB'000	Non-shipping related leasing RMB'000	Financial services RMB'000	Equity investment RMB'000	Others RMB'000	Total RMB'000		
Segment assets	67,075,648	19,772,539	4,156,522	12,282,426	32,772,401	6,665	136,066,201	116,006	71,144,122	15,596,557	2,440,078	13,920,827	33,557,167	6,390	136,781,127
Elimination of intersegment assets						(11,145,366)									(11,320,822)
Total assets						124,920,833									125,460,305
Segment liabilities	44,227,798	16,653,488	2,705,293	11,547,216	30,539,728	25	105,673,548	150,489	47,195,705	12,903,691	1,070,712	13,473,782	32,115,220	27	106,909,626
Unallocated liabilities						15,016,644									15,653,031
Elimination of intersegment liabilities						(10,515,417)									(10,665,466)
Total liabilities						110,174,775									111,897,191



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

4. OTHER INCOME

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

5. OTHER GAINS, NET

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

6. INCOME TAX

According to the Corporate Income Tax ("CIT") Law of PRC, which was effective from 1 January 2008, the CIT rate applicable to the Company and its subsidiaries established in the PRC was 25% for the six months ended 30 June 2017 and 2016.

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

Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits of the Group's companies operating in Hong Kong for the six months ended 30 June 2017 (six months ended 30 June 2016: 16.5%).

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

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

7. EARNINGS/(LOSS) PER SHARE

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

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

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

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

8. DIVIDENDS

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

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment with a carrying amount of RMB1,598,127,000 (six months ended 30 June 2016: RMB2,651,171,000). Depreciation for items of property, plant and equipment was RMB1,691,299,000 during the period (six months ended 30 June 2016: RMB1,559,611,000). Impairment on items of property, plant and equipment was nil during the period (six months ended 30 June 2016: RMB6,183,000).

The Group disposed of items of property, plant and equipment with a carrying amount of RMB1,592,234,000 during the six months ended 30 June 2017 (six months ended 30 June 2016: RMB355,555,000).



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

10. INVESTMENTS IN ASSOCIATES

	30 June 2017 <i>RMB'000</i> (Unaudited)	31 December 2016 <i>RMB'000</i> (Audited)
Share of net assets	19,029,541	18,065,622
Goodwill on acquisition	240,523	240,523
	19,270,064	18,306,145
Provision for impairment	(61,765)	(61,765)
	19,208,299	18,244,380

As of 30 June 2017, particulars of the material associates are as follows:

Name	Particulars of issued shares held	Place of registration	Percentage of ownership interest	Principal activities
China International Marine Containers (Group) Co., Ltd. ("CIMC")	Ordinary shares RMB1 each	PRC	22.75	Manufacture and sale of containers
China Bohai Bank Co., Ltd. ("CBB")	Ordinary shares RMB1 each	PRC	13.67	Banking
China Everbright Bank Co., Ltd. ("CEB")	Ordinary shares RMB1 each	PRC	1.551	Banking
Bank of Kunlun Co., Ltd. ("BOK")	Ordinary shares RMB1 each	PRC	3.74	Banking
Shanghai Life Insurance Co., Ltd. ("Shanghai Life")	Registered capital RMB1 each	PRC	16	Insurance

The Group has less than 20% of equity interests in CBB, CEB, BOK and Shanghai Life. With the Group's presence in the boards of these companies and participation in the financial and operating activities of these companies, the Group could exercise significant influence over these companies. Accordingly, these companies are accounted for as associates.

The following tables illustrate the summarised financial information in respect of each of the Group's material associates adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

11. FINANCE LEASE RECEIVABLES

Impairment of finance lease receivables was RMB55,223,000 during the period (six months ended 30 June 2016: RMB29,087,000).

12. TRADE AND NOTES RECEIVABLES

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

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

13. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	30 June 2017 <i>RMB'000</i> (Unaudited)	31 December 2016 <i>RMB'000</i> (Audited)
Cash and bank balances	14,090,111	16,656,679
Mandatory reserves with the central bank	(863,637)	(834,184)
Pledged time deposits for corporate bonds and general banking facilities	(109,365)	(107,848)
Pledged time deposits for bank acceptance bills	(80,261)	(18,200)
Time deposits with original maturity of more than three months	–	(104,055)
Pledged to customs as guarantees for import	(200)	(100)
Restricted insurance premium received	(44,627)	(65,038)
Restricted cash	(1,098,090)	(1,129,425)
Cash and cash equivalents	12,992,021	15,527,254



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

14. TRADE AND NOTES PAYABLES

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

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

15. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2017 <i>RMB'000</i> (Unaudited)	31 December 2016 <i>RMB'000</i> (Audited)
Contracted, but not provided for:		
Equity investments	1,959,000	1,843,000
Containers	383,780	–
Vessels under construction	–	11,091,514
Others	79,200	10,459
	2,421,980	12,944,973



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

16. SIGNIFICANT RELATED PARTY TRANSACTIONS

	For the six months ended 30 June	
	2017 <i>RMB'000</i> (Unaudited)	2016 <i>RMB'000</i> (Unaudited) (Restated)
Interest income from:		
Immediate holding company	38,413	16,791
Fellow subsidiaries	29,906	36,059
Interest expenses to:		
Immediate holding company	73,159	133,657
Fellow subsidiaries	102,803	11,330
Sales of goods to fellow subsidiaries	775,939	200,662
Sales of items of property, plant and equipment to a fellow subsidiary	1,245,809	–
Rendering of services to fellow subsidiaries:		
Vessel chartering and container leasing	3,608,879	2,840,334
Liner services	–	11,908
Finance lease income	755	10,677
Others	13,766	11,086
Receiving of services from fellow subsidiaries	513,359	630,400
Purchases of goods from fellow subsidiaries	89,796	161,647
Purchases of items of property, plant and equipment from fellow subsidiaries	12,596	143

The related party transactions above were made according to the published prices or interest rates and conditions similar to those offered to the respective major customers.

17. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets – held-for-trading investments

	30 June 2017 <i>RMB'000</i> (Unaudited)	31 December 2016 <i>RMB'000</i> (Audited)
Held-for-trading investments	390,910	72,466
Derivative financial instruments	6,166	8,042
	397,076	80,508



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

17. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial assets – loans and receivables

	30 June 2017	31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Cash and cash equivalents	12,992,021	15,527,254
Restricted cash	1,098,090	1,129,425
Financial assets included in prepayments and other receivables	345,751	300,110
Trade and notes receivables	1,542,358	1,655,656
Finance lease receivables	23,936,873	18,604,293
Loans and receivables	3,228,940	3,331,027
	43,144,033	40,547,765

Financial assets – available-for-sale financial assets

	30 June 2017	31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Available-for-sale investments	4,069,413	6,114,082

Financial liabilities – other liabilities at amortised cost

	30 June 2017	31 December 2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Trade and notes payables	2,037,393	1,738,742
Financial liabilities included in other payables and accruals	1,777,083	2,071,688
Bank and other borrowings	93,030,801	94,027,612
Corporate bonds	2,529,402	3,502,764
Finance lease obligations	321,632	347,448
Deposits from customers	8,301,525	8,551,517
Other long term payables	1,624,211	1,157,078
	109,622,047	111,396,849



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Finance lease receivables	18,884,858	15,010,397	18,884,858	15,010,397
Bank and other borrowings	64,615,090	64,102,361	64,613,479	64,064,806
Corporate bonds	1,862,669	1,426,942	1,883,302	1,417,571
Finance lease obligations	286,229	311,344	286,229	311,344
Other long term payables	1,624,211	1,157,078	1,585,583	1,129,560
	87,273,057	82,008,122	87,253,451	81,933,678

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade and notes receivables, financial assets included in prepayments and other receivables, the current portion of financial lease receivables and loans and receivables, trade and notes payables, financial liabilities included in other payables and accruals and the current portion of bank and other borrowings, corporate bonds, finance lease obligations and deposits from customers approximate to their carrying amounts largely due to the short term maturities of these instruments.

Management has assessed that the fair values of the non-current portion of loans and receivables and non-current portion of deposits from customers of the Group approximates to their fair value due to their floating interest rates.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair value of the non-current portion of financial lease receivables, bank and other borrowings and corporate bonds and other long term payables has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2017

18. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

FINANCIAL ASSETS MEASURED AT FAIR VALUE

30 June 2017

	Fair value measurement categorised into			Total RMB'000 (Unaudited)
	Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)	
Held-for-trading investments	190,910	200,000	–	390,910
Available-for-sale investments	587,324	2,764,614	–	3,351,938
Derivative financial instruments	–	6,166	–	6,166
	778,234	2,970,780	–	3,749,014

31 December 2016

	(Audited)	(Audited)	(Audited)	(Audited)
Held-for-trading investments	72,466	–	–	72,466
Available-for-sale investments	5,367,651	–	–	5,367,651
Derivative financial instruments	–	8,042	–	8,042
	5,440,117	8,042	–	5,448,159

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (six months ended 30 June 2016: Nil).



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2017

19. EVENT AFTER THE REPORTING PERIOD

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

20. COMPARATIVE AMOUNTS

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

21. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 30 August 2017.