中遠海運發展股份有限公司

COSCO SHIPPING Development Co., Ltd.*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 02866)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS (UNDER HKFRSs)

- Revenue amounted to RMB14,155,859,000
- Profit attributable to owners of the parent of the Company for the year amounted to RMB1,744,733,000
- Basic earnings per share attributable to ordinary equity holders of the parent of the Company amounted to RMB0.1285
- The Board proposed the payment of a final dividend of RMB0.045 per share (inclusive of applicable tax)

The board of directors (the "**Board**") of COSCO SHIPPING Development Co., Ltd. (the "**Company**" or "**COSCO SHIPPING Development**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 (the "**Period**") prepared under Hong Kong Financial Reporting Standards ("**HKFRSs**"), together with the comparative figures for the year ended 31 December 2018.

CHAIRMAN'S STATEMENT

In 2019, given the uncertainties from the macroeconomic environment and global trade frictions, the growth in global demand for transportation slowed down amid the ongoing trend of ships becoming larger, and in the shipping market, where the overall supply and demand imbalance saw no significant improvement, remained in the doldrums.

Faced with the complex market environment and against the backdrop of tightening financial policies and increasing market uncertainties, the Group stayed united to forge ahead with high-quality development focusing on the shipping business, actively implemented the strategy of industry-finance integration, and constantly explored new business models and areas. As a result, the Company achieved good operating results, with all business segments maintaining a sound development momentum.

For 2019, the Company's revenue was RMB14.156 billion, a decrease of 13% compared with 2018; net profit attributable to owners of the parent amounted to RMB1.745 billion, up 26% from 2018; and basic earnings per share amounted to RMB0.1285.

The Board proposed a final dividend of RMB0.045 per share.

REVIEW OF OPERATIONS

In 2019, with the strategic objective to build an integrated supply chain financial service platform featuring shipping logistics and through ongoing exploration and innovation, the Company initially built up a one-stop shipping financial service platform with the theme of "combining industry with finance and boosting industry development with finance", a market-oriented, diversified, professional team, and a corporate culture of pursuing excellence and seeking practical results. Focusing on its principal shipping business, the Company explored market opportunities and expanded the growth potential of various segments in an effort to grow stronger and better.

I. The Leasing Segments Achieved Steady Growth Through Inward and Outward Efforts

1. Vessel Leasing Business Deepened Internal Coordination and Developed External Leasing Business

Focusing on the strategic requirements of industry-finance integration, the Company strengthened internal coordination and flexibly designed various business models such as operating lease, second-hand vessel financing and long-term leaseback to provide high-quality leasing services for upstream and downstream players in the shipping industry chain. The Company opportunistically made a breakthrough in the cruise leasing business, helping China's cruise industry to sail to the world. In addition, the Company vigorously developed external leasing business (covering various vessels such as chemical vessels, refined oil tankers and bulk carriers) and expanded the coverage of customers and business, in a drive to continuously enhance its competitiveness and brand influence in the industry. As at 31 December 2019, the Company had a fleet of 87 container vessels with a total capacity of 609,400 TEU, 4 bulk carriers of 64,000 DWT each, a total of over 80 LNG vessels, heavy lift vessels, oil tankers and other vessels, and over 30 projects regarding terminals, terminal equipment and major transportation.

2. Container Leasing Business Reinforced Industry Chain Synergy and Made Multiple Breakthroughs

In an overall challenging industry environment, the Company made strategic adjustments in a timely manner and better leveraged its synergistic advantages to seek breakthroughs in the container leasing business and related innovative business lines. Specifically, the Company advanced the big customer strategy, built an extensive regional customer base, and captured the market demand for reefer containers and special containers to promote the development of non-dry container business. Meanwhile, the Company developed new container trading business, scaled up mobile warehousing and leasing projects, and explored finance lease business, thus improving the overall return on investment. As at 31 December 2019, the container fleet of Florens International Limited ("**FIL**"), an affiliate of the Company, boasted a total capacity of about 3.66 million TEU, ranking second in the world.

3. *Other Leasing Businesses Explored New Business Areas While Developing Steadily*

In the face of the increasingly fierce competition in the industry, the Company explored new business areas to seek new profit growth drivers while consolidating its existing development advantages; accelerated the disposal of existing risk projects and improved asset disposal and operation capabilities; launched asset-backed schemes to expand financing channels and constantly optimized the financing structure to reduce financing costs.

II. Container Manufacturing Segment Achieved Economies of Scale and Enhanced Research and Innovation Capabilities

In 2019, given the weak demand for containers, the Company faced up to the market challenges and actively sought business breakthroughs, optimized service quality, and innovated in service models to further enhance the synergy of shipping business. Meanwhile, the elite assets of Singamas Container Holdings Limited acquired by China COSCO SHIPPING Corporation Limited ("**COSCO SHIPPING**") had been entrusted to Shanghai Universal Logistics Equipment Co., Ltd., a subsidiary of the Company, for management, pushing up the market share of the Group's container manufacturing segment to rank second in the world. The acquisition also made up for certain weaknesses of the Group, such as insufficient production capacity, lack of presence in key regions, and lack of reefer containers. In addition, the Group continuously improved its research and innovation capabilities and concentrated on upgrading technical management, with a view to enhancing the core competitiveness of its container manufacturing segment.

III. Investment and Services Segment Deepened Industry-finance Integration to Facilitate the Development of the Shipping Business and New Business Lines

With a focus on the shipping industry chain, the Company constantly optimized its investment portfolio and successfully implemented sizeable financial and other equity investment projects, buffering the fluctuations in the shipping market. The Company further promoted the launch of "Yuan Hai" (遠海) series of industry funds and searched high-quality industry-finance integration projects to build up a characteristic industry brand, and achieved breakthroughs in multiple projects. In addition, the Company expanded the scope of supply chain financial services, enhanced service capacity and leveraged the strengths of its service portfolio to increase customer stickiness in different industries.

IV. Improving the Return on Investment and Safeguarding the Interests of Investors

On 14 May 2019, the Company completed its share buybacks in the A-share and H-share markets by repurchasing a total of approximately 155 million A and H shares, representing approximately 1.32% of its total share capital. By doing so, the Company became the first listed company in the capital market to successfully implement share buybacks in two stock exchanges, winning wide recognition in the capital market and increasing the Company's market influence. The move also enhanced investors' investment confidence, safeguarded the interests of investors, and promoted the Company's long-term sustainable development. In the second half of the year, the Company completed the dividend distribution to A-share and H-share investors, distributing a total cash dividend of approximately RMB380 million to all shareholders. The generous dividend distribution heaped praise from investors.

V. Carrying Out Comprehensive Risk Management and Improving Internal Control Capabilities

In 2019, on the basis of building a favorable environment and developing measures for risk management, the Company systematically performed risk monitoring and dynamically reinforced risk limit management. Based on the requirements of its risk management system, the Company intensified the measures for the management of liquidity risk, credit risk and operational risk, improved liquidity risk monitoring, and promoted the integration of risk management into production and operation through risk limits, risk assessment, risk reporting, etc. The Company also strengthened the construction of risk management information system, improved the professionalism in risk management, and carried out comprehensive risk management to ensure that no major risk events occurred throughout the year.

VI. Promoting the "Excellence" Corporate Culture and Honoring Social Responsibility

The Company upholds the philosophy of sustainable development and actively fulfills its social responsibility. The Company constantly strengthened environment management to minimize its environment impact, adopted various measures to pursue sustainable development, and worked with China Development Bank to promote tourism poverty alleviation and practice financial poverty alleviation in an effort to contribute to poverty alleviation. Meanwhile, the Company centered on the corporate mission of "boosting industry development with finance and creating value through development" to greatly promote the "excellence" corporate culture, thus providing strong cultural power and value support for the development and management of the Company. This can gather strength to drive the Company to grow faster and better.

OUTLOOK

In 2020, as the world's two largest economies reached the Phase 1 trade agreement, it is widely expected that the downward pressure on the global economy will be relieved to a certain extent. However, the intensifying international geopolitical turmoil, rising oil price volatility, and the global spread of the COVID-19 outbreak have brought great uncertainties to the global economic development. In particular, the recent huge volatility in global financial markets, especially the stock markets of major world economies, has pushed up the external pressure to an extraordinarily high level. Furthermore, the overall over-supply in the shipping market will persist in 2020. As such, the Company will face certain challenges in 2020.

The Company will strengthen macro analysis and market research, promote reform and transformation, develop new competitive strengths focusing on industry-finance integration, continuously improve high-quality development, and seek breakthroughs in distinctive shipping financial services.

In terms of shipping and industry-related leasing segments, the Company will continue to strengthen the combination of industry and finance, reinforce the collaboration among internal industry chains, and steadily expand external business. In terms of business model, the Company will step up efforts to develop leasing business for special containers and reefer containers, and study and explore smart container leasing, in a bid to build a shipping leasing company with unique competitive strengths. Meanwhile, the Company will uphold the strategy of organic, sustainable, high-quality development to promote the development of other industry-related leasing business, expand financing channels, and develop value-added leasing services, in an effort to become a leader in the leasing industry.

In terms of container manufacturing segment, the Company will steadily advance the multi-dimensional integration of its entrusted container manufacturing assets into the Company's existing business, and enhance its overall competitiveness through technological upgrading, management improvement, process promotion and cultural integration; strengthen communication with industry peers to maintain a healthy business environment of the industry; enhance customer service awareness and seize opportunities to develop the market, so as to enable the industrial chain to grow stronger and better; reinforce the concept of green environmental protection, deepen fine management, continuously improve research and innovation capabilities, in an effort to build a world-class container manufacturing company.

In terms of investment and services segment, the Company will focus on upstream and downstream customers in the industrial chain, constantly optimize its investment portfolio, and seek a balance between strategic value and financial returns; gather external capital, talents and technology through industry funds and other models to boost the development of shipping business and new business lines; improve professional service capabilities and vigorously explore the market to build up a shipping insurance expert platform; combine industry with finance and provide one-stop supply chain financial services covering logistics, financing and risk management, in a great effort to build a supply chain financial ecosystem featuring shipping logistics.

The year 2020 is a new beginning. In this era where challenges and opportunities coexist, COSCO SHIPPING Development will adhere to its original objective of developing shipping finance, and ride on the deepening reform of state-owned enterprises to set sail towards high-quality development, so as to achieve its corporate vision of "building an excellent industry financial services provider".

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	**For the year ended 31 December 2019** ***RMB'000***	For the year ended 31 December 2018 *RMB'000*
CONTINUING OPERATIONS			
REVENUE		**14,155,859**	16,242,002
Cost of sales		**(10,615,484)**	(12,342,761)
Gross profit		**3,540,375**	3,899,241
Other income	*5*	**414,051**	393,967
Other gains/(losses), net	*6*	**835,317**	(272,695)
Selling, administrative and general expenses		**(1,178,677)**	(930,121)
Expected credit losses		**(417,563)**	(289,157)
Finance costs		**(3,540,784)**	(3,406,547)
Share of profits of associates		**2,292,840**	2,314,450
Share of (losses)/profits of joint ventures		**(1,077)**	6,467
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**1,944,482**	1,715,605
Income tax expense	*7*	**(199,749)**	(356,208)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**1,744,733**	1,359,397
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation		**–**	76,878
PROFIT FOR THE YEAR		**1,744,733**	1,436,275
Attributable to:			
Owners of the parent		**1,744,733**	1,384,257
Non-controlling interests		**–**	52,018
		1,744,733	1,436,275
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (expressed in RMB per share)	*9*		
Basic and diluted			
– For profit for the year		**0.1**	0.1
– For profit from continuing operations		**0.1**	0.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	For the year ended 31 December 2019 *RMB'000*	For the year ended 31 December 2018 *RMB'000*
PROFIT FOR THE YEAR	**1,744,733**	1,436,275
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income of associates	**302,336**	177,395
Share of other comprehensive (loss)/income of joint ventures	**(59)**	51
Effective portion of cash flow hedges	**(30,084)**	2,775
Exchange differences on translation of foreign operations	**(187,211)**	(581,687)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**84,982**	(401,466)
Other comprehensive income/(loss) that may not be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income/(loss) of associates	**51,295**	(39,256)
Net other comprehensive income/(loss) that may not be reclassified to profit or loss in subsequent periods	**51,295**	(39,256)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**136,277**	(440,722)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,881,010**	995,553
Attributable to:		
Owners of the parent	**1,881,010**	943,535
Non-controlling interests	**–**	52,018
	1,881,010	995,553

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2019

	Note	**31 December 2019** **RMB'000**	31 December 2018 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**56,818,972**	56,483,496
Investment properties		**105,547**	104,443
Prepaid land lease payments		**–**	110,795
Right-of-use assets		**274,620**	–
Intangible assets		**27,174**	18,388
Investments in joint ventures		**188,827**	193,308
Investments in associates		**25,665,387**	23,629,294
Financial assets at fair value through profit or loss		**4,266,308**	3,446,701
Finance lease receivables		**26,623,268**	23,220,091
Factoring receivables		**428,409**	150,937
Derivative financial instruments		**569**	16,283
Deferred tax assets		**243,651**	197,740
Other long term prepayments		**50,641**	24,437
Total non-current assets		**114,693,373**	107,595,913
CURRENT ASSETS			
Inventories		**881,129**	1,017,748
Trade and notes receivables	*10*	**1,111,000**	1,034,872
Prepayments and other receivables		**458,969**	595,364
Financial assets at fair value through profit or loss		**490,967**	–
Finance lease receivables		**15,532,797**	10,711,620
Factoring receivables		**1,123,489**	673,737
Derivative financial instruments		**960**	7,309
Pledged deposits		**566,339**	951,665
Cash and cash equivalents		**9,635,096**	15,249,194
Total current assets		**29,800,746**	30,241,509
Total assets		**144,494,119**	137,837,422

continued/...

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
31 December 2019

	Note	31 December 2019 RMB'000	31 December 2018 RMB'000
CURRENT LIABILITIES			
Trade payables	11	**2,553,700**	1,686,104
Other payables and accruals		**3,658,271**	2,665,099
Contract liabilities		**150,194**	26,811
Derivative financial instruments		**3,445**	883
Bank and other borrowings		**43,066,519**	47,656,637
Corporate bonds		**4,273,467**	2,631,916
Lease liabilities		**391,082**	–
Tax payable		**174,881**	225,114
Total current liabilities		**54,271,559**	54,892,564
NET CURRENT LIABILITIES		**(24,470,813)**	(24,651,055)
TOTAL ASSETS LESS CURRENT LIABILITIES		**90,222,560**	82,944,858
NON-CURRENT LIABILITIES			
Bank and other borrowings		**54,853,209**	58,706,276
Corporate bonds		**8,271,400**	3,381,784
Lease liabilities		**148,648**	–
Derivative financial instruments		**8,590**	3,071
Deferred tax liabilities		**350,975**	371,812
Government grants		**11,484**	13,036
Other long term payables		**2,370,536**	2,428,744
Total non-current liabilities		**66,014,842**	64,904,723
Net assets		**24,207,718**	18,040,135
EQUITY			
Equity attributable to owners of the parent			
Share capital		**11,608,125**	11,683,125
Treasury shares		**(233,428)**	–
Special reserves		**1,606**	–
Other reserves		**(2,338,187)**	(2,788,157)
Other equity instruments		**7,000,000**	2,000,000
Retained profits		**10,976,614**	10,088,456
Other comprehensive loss		**(2,807,012)**	(2,943,289)
Total equity		**24,207,718**	18,040,135

1. CORPORATE AND GROUP INFORMATION

COSCO SHIPPING Development Co., Ltd. (the "Company") is a joint stock company with limited liability 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 year, the principal activities of the Group were as follows:

(a) Operating leasing and financial leasing;

(b) Manufacture and sale of containers;

(c) Provision of financial and insurance brokerage services; and

(d) Equity investment.

In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company are China Shipping Group Company Limited and China COSCO Shipping Corporation Limited, respectively, both established in the PRC.

2. BASIS OF PREPARATION

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

The financial statements have been prepared under the going concern basis notwithstanding that the Group had net current liabilities of RMB24,470,813,000 as at 31 December 2019. The directors of the Company are of opinion that based on the available unutilised banking facilities as at 31 December 2019, the Group will have the necessary liquid funds to finance its working capital and to meet its capital expenditure requirements. Accordingly, the directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for HKFRS 16 *Leases*, the rest of the new and revised HKFRSs had no significant impact on the Group's financial statements. The nature and the impact of HKFRS 16 are described below:

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

For a sublease arrangement, the classification of the sublease is made by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset.

The Group reassessed a sublease arrangement at 1 January 2019 that was previously classified as an operating lease applying HKAS 17 based on the remaining contractual terms and conditions of the head lease and sublease at 1 January 2019, and determined that this arrangement is a finance lease applying HKFRS 16. Accordingly, the Group recognised a net investment in a sublease amounting to RMB839,566,000 and derecognised the corresponding right-of-use asset of the head lease amounting to RMB691,961,000, resulting in a gain of RMB147,605,000 recognised in the opening balance of retained profits at 1 January 2019.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were recognised based on the carrying amount as if the standard had always been applied, except for the incremental borrowing rate where the Group applied the incremental borrowing rate at 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application; and

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics.

Financial impact at 1 January 2019

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase/(decrease) *RMB'000*
Assets	
Decrease in the non-current portion of prepaid land lease payments	(110,795)
Increase in right-of-use assets	262,128
Increase in finance lease receivables	839,566
Decrease in the current portion of prepaid land lease payments	(3,587)
Increase in total assets	987,312
Liabilities	
Increase in lease liabilities	990,551
Increase in total liabilities	990,551
Decrease in retained profits	(3,239)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as of 31 December 2018 are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	1,183,673
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(150,198)
	1,033,475
Weighted average incremental borrowing rate as at 1 January 2019	3.50%
Lease liabilities as at 1 January 2019	990,551

4. OPERATING SEGMENT INFORMATION

During the year ended 31 December 2019, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

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

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

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

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

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

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

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

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

	For the year ended 31 December 2019				
	Shipping and industry-related leasing *RMB'000*	Container manufacturing *RMB'000*	Investment and financial services *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue					
Sales of containers	–	3,076,280	–	–	3,076,280
Sales of shipping related spare parts	180,607	–	–	–	180,607
Shipping related services	1,019,721	–	–	–	1,019,721
Fee and commission income	–	–	39,940	–	39,940
Total revenue from contracts with external customers	1,200,328	3,076,280	39,940	–	4,316,548
Other revenue from external customers	9,839,311	–	–	–	9,839,311
Total revenue from external customers	11,039,639	3,076,280	39,940	–	14,155,859
Intersegment revenue from contracts with customers	–	1,506,420	8,053	–	1,514,473
Total revenue	11,039,639	4,582,700	47,993	–	15,670,332
Segment results	1,149,670	(202,854)	1,956,177	(75,789)	2,827,204
Elimination of intersegment results					3,952
Unallocated selling, administrative and general expenses					(144,105)
Unallocated finance costs					(742,569)
Profit before tax					1,944,482

4. OPERATING SEGMENT INFORMATION (CONTINUED)

	For the year ended 31 December 2018				
	Shipping and industry-related leasing *RMB'000*	Container manufacturing *RMB'000*	Investment and financial services *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue					
Sales of containers	–	5,827,452	–	–	5,827,452
Sales of shipping related spare parts	171,368	–	–	–	171,368
Shipping related services	898,892	–	–	–	898,892
Fee and commission income	–	–	39,893	–	39,893
Total revenue from contracts with external customers	1,070,260	5,827,452	39,893	–	6,937,605
Other revenue from external customers	9,304,397	–	–	–	9,304,397
Total revenue from external customers	10,374,657	5,827,452	39,893	–	16,242,002
Intersegment revenue from contracts with customers	–	2,004,398	6,911	–	2,011,309
Total revenue	10,374,657	7,831,850	46,804	–	18,253,311
Segment results	1,472,789	408,018	748,664	(5,609)	2,623,862
Elimination of intersegment results					(163,928)
Unallocated selling, administrative and general expenses					(106,649)
Unallocated finance costs					(637,680)
Profit before tax from continuing operations					1,715,605

5. OTHER INCOME

	For the year ended 31 December 2019 *RMB'000*	For the year ended 31 December 2018 *RMB'000*
Interest income	**191,010**	123,713
Government grants related to the ordinary course of business	**1,552**	1,550
Government subsidies	**90,600**	167,676
Super-deduction of valued-added input tax	**31**	–
Fees refunded for individual income tax withheld	**204**	–
Dividend income from financial assets at fair value through profit or loss	**83,918**	75,537
Others	**46,736**	25,491
	414,051	393,967

6. OTHER GAINS/(LOSSES), NET

	For the year ended 31 December 2019 *RMB'000*	For the year ended 31 December 2018 *RMB'000*
Gain on disposal of items of property, plant and equipment	**82,630**	100,913
Changes in fair value of financial assets at fair value through profit or loss	**663,115**	(565,703)
Net foreign exchange gain	**57,448**	100,623
Compensation gain from Hanjin*	**–**	96,071
Others	**32,124**	(4,599)
	835,317	(272,695)

* During the year ended 31 December 2016, Hanjin Shipping Co., Ltd. ("Hanjin"), one of the Group's former customers in the shipping and industry-related leasing segment filed for bankruptcy protection. As a result, certain containers were not probable to be recovered from Hanjin based on management' best estimate at that time and an impairment of RMB126,122,000 was recognised. During the year ended 31 December 2018, the Korean Court has made the judgement and the Group received a compensation gain of RMB96,071,000 from Hanjin for the unrecovered containers.

7. INCOME TAX

According to the Corporate Income Tax ("CIT") Law of the PRC, which was effective from 1 January 2008, the CIT rate applicable to the Company and its subsidiaries established in the PRC was 25% for the years ended 31 December 2019 and 2018.

Hong Kong profits tax was provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits of the Group's companies operating in Hong Kong during the year.

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

	For the year ended 31 December 2019 *RMB'000*	For the year ended 31 December 2018 *RMB'000*
Current income tax:		
Mainland China	**211,398**	357,937
Hong Kong	**7,083**	7,024
United States	**10,191**	9,347
Elsewhere	**433**	–
	229,105	374,308
Deferred income tax	**(29,356)**	(18,100)
	199,749	356,208

8. DIVIDENDS

	For the year ended 31 December 2019 *RMB'000*	For the year ended 31 December 2018 *RMB'000*
Proposed final dividend – RMB0.045 (2018: RMB0.033) per ordinary share	**518,782**	384,035

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

The Board proposed the payment of a final dividend of RMB0.045 (2018: RMB0.033) per share (inclusive of applicable tax), totaling approximately RMB518,782,000 (2018: RMB384,035,000) calculated based on 11,528,497,997 shares (being the number of issued shares of the Company of 11,608,125,000 as at 27 March 2020 deducting 79,627,003 A shares repurchased by the Company) for the year ended 31 December 2019.

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

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

	For the year ended 31 December 2019 ***RMB'000***	For the year ended 31 December 2018 *RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation		
From continuing operations	**1,487,279**	1,300,591
From a discontinued operation	**–**	24,860
	1,487,279	1,325,451
Interest on perpetual debts*	**257,454**	58,806
Profit attributable to equity holders of the parent before interest on perpetual debts	**1,744,733**	1,384,257
Attribute to:		
From continuing operations	**1,744,733**	1,359,397
From a discontinued operation	**–**	24,860
	1,744,733	1,384,257

	For the year ended 31 December 2019 ***'000***	For the year ended 31 December 2018 *'000*
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**11,575,875**	11,683,125

There was no dilutive effect for the year (2018: Nil).

* The Company issued perpetual debts during the year ended 31 December 2019 and 2018. The dividend distribution and repurchase of shares of the Company triggered the mandatory interest payment event of perpetual debts. For the purpose of calculating basic earnings per ordinary share in respect of the years 2019 and 2018, RMB257,454,000 (2018: RMB58,806,000) attributable to perpetual debts was deducted from profits attributable to equity holders of the Company.

10. TRADE AND NOTES RECEIVABLES

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

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Within 3 months	**965,844**	891,139
3 to 6 months	**88,287**	84,953
6 to 12 months	**35,793**	37,781
Over 1 year	**4,375**	13,819
	1,094,299	1,027,692

11. TRADE PAYABLES

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

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Within 3 months	**1,980,343**	1,235,434
3 to 6 months	**374,247**	243,238
6 to 12 months	**184,017**	190,298
1 to 2 years	**15,093**	17,134
	2,553,700	1,686,104

12. EVENTS AFTER THE REPORTING PERIOD

On 27 March 2020, the Board proposed the payment of a final dividend of RMB0.045 per share (inclusive of applicable tax), totaling approximately RMB518,782,000 calculated based on 11,528,497,997 shares, being the number of issued shares of the Company of 11,608,125,000 as at 27 March 2020 deducting 79,627,003 A shares repurchased by the Company, for the year ended 31 December 2019, which is subject to the approval of shareholders of the Company at the forthcoming annual general meeting of the Company.

On 5 March 2020, the extraordianry general meeting and the class meetings of the Company approved the share option incentive scheme of the Company. Under the share option incentive scheme, up to a total of 88,474,448 share options will be granted to certain of the directors and core management and business personnel of the Group in respect of their services to the Group in the forthcoming year.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING ENVIRONMENT

In 2019, amid the increasing trade barriers and economic and geopolitical uncertainties, the growth of manufacturing and international trade slowed down globally. Overall, China's economy was running smoothly with improving quality of development. In 2019, China's GDP grew at a rate of 6.1%, maintaining a medium-to-high growth rate. The supply-side structural reform achieved remarkable results, further optimizing the economic structure.

In 2019, the global shipping market was sluggish due to the slowdown in world economic growth and global trade frictions. Global financial markets were rather volatile. In a complex and challenging global environment, China adopted a series of policies and measures for stable growth, structural adjustment, reform, and risk prevention, and hence its financial market remained stable.

FUTURE DEVELOPMENT STRATEGY OF THE COMPANY

1. *Strategic Position*

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

2. *Development Goals*

To bring into play the advantages in shipping logistics industry and integrated shipping industry chain with shipping finance as the foundation; to develop industrial cluster with shipping and industry-related leasing, container manufacturing, investment and service business as the core; and to develop into a "one-stop" shipping financial service platform by combining industry with finance, facilitating industry development with finance and taking advantage of the synergy of various businesses, featuring market-oriented mechanism, differentiated advantages and international vision.

3. *Development Plans*

(1) Shipping and Industry-related Leasing Business

The vessel leasing business focuses on the operating lease or finance lease of various vessels, such as container vessels and dry bulk cargo vessels. The Company will, based on its existing business, gradually set up a high-level professional investment and financing team, so as to become a first-class domestic ship owner leasing enterprise. In a short-term view, the Group is to mobilize its current fleet resources to revive its internal business; in the long run, it is to gradually increase the proportion of external business and work out a "one-stop" business model leveraging COSCO SHIPPING's advantages of full industrial chain deployment, in an attempt to establish a unique competitive edge in the industry.

The container leasing business, as an integral part of the container industry chain, mainly involves container leasing and trading of various kinds. The Group will strive to develop a world-class leasing company with unique competitive edges on the back of the current leasing business of FIL. In a short-term view, the Company will follow the guideline of "consolidating core businesses while seizing market opportunities", strengthen the development on special container and reefer container business, improve the synergy in the coordinated industry chain comprising manufacturing, leasing and shipping of containers, promote the duel model of lease and sale, and study the leasing of smart containers. In a long-term view, the Company will strive to seize market opportunities, actively enhance asset quality, optimize its contract portfolios and improve its capital structure so as to enhance the rate of return.

Other industry leasing businesses mainly focus on areas with development potential such as medical services, education, new energy, intelligent manufacturing and automobile finance. The Company sets its focus on the small and medium enterprise clients and small to medium-sized projects, leverages on its existing business strength, experience and capital to promote the integration of industry and finance, conducts refined risk controls, adheres to organic and sustainable high-quality development strategy, supports customer-oriented industry development needs, and provides value-added leasing services, striving to become a leading company in the financial leasing industry.

(2) Container manufacturing business

We will enhance our comprehensive competitiveness through technology upgrading, management improvement and accelerating the promotion and upgrading of environmental protection technology. We will improve the synergy in the container industry chain, strengthen dry container manufacturing, enhance the development on special container and reefer container business, and explore the research and development of smart containers. We will improve and maintain a healthy operating environment of the industry, with an aim to develop ourselves into a world-class container manufacturing company with strong technological edge and high capacity utilization and profitability.

3) Investment and service business

We give equal weight to strategic value and financial returns, adhere to the core business of shipping logistics, continuously focus on investment areas, constantly optimize investment portfolios, strengthen asset operation, reduce the fluctuation risks of portfolios and increase the investment gains. We will also tap into external resources of capital, talent and technology through various models such as industry fund to support the development of the shipping industry and emerging sectors and promote the integration of industry and finance, paving the way for the development of the Company's financial investment business in the future while achieving desirable financial returns.

We constantly explore the financial services business opportunities in the supply chain, seize opportunities to expand the market share of international commercial factoring business, integrate resources to establish a professional expert platform for shipping insurance, make full use of integrated service advantages, focus on the small and medium-sized customers in the upstream and downstream industry chain of the core companies under the Group, strive to improve the financial ecology of the shipping logistics supply chain for smooth integration of industry and finance and capital operation, provide one-stop supply chain finance services covering logistics, finance and risk management to boost industry stickiness and improve bargaining power.

MAJOR RISKS AND COUNTERMEASURES

1. Macroeconomic Risks

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

2. Market Risk

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

3. Liquidity Risk

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

4. Strategy Risk

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

5. Company-wide Concentration Risk

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

6. Risk of Industry Competition

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

FINANCIAL REVIEW OF THE GROUP

The Group recorded operating revenue of RMB14,155,859,000 for 2019, representing a decrease of 13% as compared with RMB16,242,002,000 of last year; total profit before income tax from continuing operations amounted to RMB1,944,482,000, representing an increase of 13% as compared with RMB1,715,605,000 of last year; profit attributable to owners of the parent of the Company for the year amounted to RMB1,744,733,000, representing an increase of 26% as compared with RMB1,384,257,000 of last year, mainly attributable to active stock markets. During the Period, the gains derived from fair value changes of financial assets amounted to RMB663,115,000.

Analysis of segment results is as follows:

Unit: RMB'000

	Revenue			Cost		
Segment	**2019**	**2018**	**Change** *(%)*	**2019**	**2018**	**Change** *(%)*
Shipping and industry-related leasing business	11,039,639	10,374,657	6%	7,471,383	6,903,133	8%
Container manufacturing business	4,582,700	7,831,850	-41%	4,582,348	7,295,222	-37%
Investment and service business	47,993	46,804	3%	591	497	19%
Other businesses	–	–	–	79,587	17,449	356%
Offset amount	(1,514,473)	(2,011,309)	-25%	(1,518,425)	(1,873,540)	-19%
Total	**14,155,859**	**16,242,002**	**-13%**	**10,615,484**	**12,342,761**	**-14%**

1. ANALYSIS OF SHIPPING AND INDUSTRY-RELATED LEASING BUSINESS

1) Operating Revenue

The Group recorded a revenue from its leasing business of RMB11,039,639,000 for 2019, maintaining almost the same level as compared with RMB10,374,657,000 of last year, which accounted for 70.5% of the total revenue of the Group.

Revenue from vessel leasing business amounted to RMB5,085,227,000, representing a decrease of 1% as compared with RMB5,122,696,000 of last year. Of which, revenue from vessel operating leasing amounted to RMB4,579,715,000, revenue from vessel finance leasing amounted to approximately RMB505,512,000. The decrease in revenue from vessel leasing was mainly due to the decrease in rental income arising from vessel leasing cancellations and the increase in the number of days of suspension and maintenance as compared with last year. In 2019, the Group leased out 91 vessels (2018: 94 vessels).

Revenue from container leasing business amounted to RMB3,405,190,000, representing an increase of 6% as compared with RMB3,201,872,000 of last year, which was mainly due to the effect that the number of leased containers maintained a steady growth this year.

Revenue from other industry-related finance leasing amounted to RMB2,549,222,000, representing an increase of 24% as compared with RMB2,050,089,000 of last year, which was mainly due to further expansion of our finance leasing business scale this year.

2) Operating Costs

Operating costs for leasing business mainly include the depreciation and maintenance costs for self-owned vessels, depreciation of self-owned containers, staff salaries, and rental expense of the leased-in vessels and containers. Operating costs for the leasing business in 2019 was RMB7,471,383,000, representing a year-on-year increase of 8% as compared with RMB6,903,133,000 of last year, which was mainly due to the further expansion of finance leasing business and exchange rate movements.

2. ANALYSIS OF CONTAINER MANUFACTURING BUSINESS

1) Operating Revenue

In 2019, the Group's container manufacturing business realized operating revenue of RMB4,582,700,000, representing a decrease of 41% as compared with RMB7,831,850,000 of last year, which accounted for 29.2% of the total revenue of the Group. Such substantial decrease in revenue was mainly due to the continued economic slowdown trend worldwide, weak performance on global trade, low demand for containers arising from changes in macro supply and demand relations and repercussions of global trade friction during the Period, which resulted in significant decrease in volume and price of the container manufacturing segment as compared with last year. The Group's accumulated container sales amounted to 402,943 TEU during the year, representing a decrease of 35% as compared with 615,600 TEU of last year.

2) Operating Costs

The operating costs of the container manufacturing business mainly consist of raw material costs, shipping costs, employee compensation and depreciation expenses. The operating costs amounted to RMB4,582,348,000 in 2019, representing a decrease of 37% as compared with RMB7,295,222,000 of last year. Such decrease in costs was mainly due to the decline in the sales volume of containers this year, leading to a corresponding decrease in production costs, including the material and labour costs.

3. ANALYSIS OF INVESTMENT AND SERVICE BUSINESS

1) Operating Revenue

In 2019, the Group's financial services business realized revenue of RMB47,993,000, representing an increase of 3% as compared with RMB46,804,000 of last year and accounting for 0.3% of the Group's total revenue.

2) Operating Costs

The operating costs in 2019 were RMB591,000, representing an increase of 19% as compared with RMB497,000 of last year.

3) Investment Income

In 2019, the income from investment business was RMB3,038,796,000, representing an increase of 66% as compared with RMB1,830,751,000 of last year. Such increase in income was mainly attributable to the increase in fair value of investments at fair value through profit or loss for the Period held by the Group as a result of market conditions.

GROSS PROFIT

Due to the above reasons, the Group recorded gross profit of RMB3,540,375,000 for 2019 (2018: gross profit of RMB3,899,241,000).

SIGNIFICANT SECURITIES INVESTMENT

During the year ended 31 December 2019, the Company's equity investments in associates and joint ventures generated a profit of RMB2,291,763,000, which was mainly attributable to the profits from China Everbright Bank Co., Ltd., China International Marine Containers (Group) Co., Ltd. and China Bohai Bank Co., Ltd. for the Period.

1. Shareholdings in Other Listed Companies

Stock code	Company name	Initial investment cost *(RMB)*	Number of shares held at the end of the period	Shareholding at the beginning of the period *(%)*	Shareholding at the end of the period *(%)*	Fair value at the end of the period *(RMB)*	Gain during the reporting period *(RMB)*	Changes in other reserve during the reporting period *(RMB)*	Gain from disposal *(RMB)*	Dividends received during the reporting period *(RMB)*	Proportion of fair value at the end of the Period relative to the total assets of the Company *(%)*	Accounting ledger	Sources of the shareholding
000039/02039	China International Marine Containers (Group) Ltd.	6,338,818,000	813,616,829	22.71	22.70	7,889,213,000	262,604,000	463,192,000	–	372,908,000	5.5%	Investment in associates	Purchase
601818/06818	China Everbright Bank Co., Ltd.	3,398,255,000	723,999,875	1.379	1.379	3,192,839,000	484,414,000	14,921,000	–	116,564,000	2.2%	Investment in associates	Purchase
600643	Shanghai AJ Group Co., Ltd.	25,452,000	3,534,965	0.22	0.22	33,936,000	3,924,000	–	–	424,000	0.0%	Financial assets at fair value through profit or loss	Purchase
000617	CNPC Capital Company Limited	950,000,000	87,881,591	0.97	0.97	1,010,695,000	198,230,000	–	–	21,179,000	0.7%	Financial assets at fair value through profit or loss	Purchase
688009	China Railway Signal & Communication Corporation Limited	69,258,000	11,839,000	–	0.11	74,553,000	5,294,000	–	–	–	0.1%	Financial assets at fair value through profit or loss	Purchase
600390	Minmetals Capital Co., Ltd.	1,500,000,000	177,339,901	3.94	3.94	1,376,938,000	482,081,000	–	–	26,749,000	1.0%	Financial assets at fair value through profit or loss	Purchase
Total		**12,281,783,000**	/	/	/	**13,578,174,000**	**1,436,547,000**	**478,113,000**	**–**	**537,824,000**	**9.4%**		

2. Shareholdings in Financial Enterprises

Name of investee	Initial investment cost (RMB)	Shareholding at the beginning of the period (%)	Shareholding at the end of the period (%)	Carrying amount at the end of the period (RMB)	Gain during the reporting period (RMB)	Changes in other reserve during the reporting period (RMB)	Gain from disposal (RMB)	Dividends received during the reporting period (RMB)	Proportion of carrying amount at the end of Period relative to the total assets of the Company (%)	Accounting ledger	Sources of the shareholding
China Bohai Bank Co., Ltd.	5,749,379,000	13.67	13.67	8,587,463,000	1,170,658,000	93,787,000	–	313,038,000	5.9%	Investment in associates	Purchase
Bank of Kunlun Co., Ltd.	838,959,000	3.74	3.74	1,319,727,000	132,137,000	2,335,000	–	48,845,000	0.9%	Investment in associates	Purchase
Shanghai Life Insurance Co., Ltd.	320,000,000	16	16	988,072,000	38,475,000	66,464,000	–	–	0.7%	Investment in associates	Purchase
CIB Fund Management Co., Ltd.	50,000,000	10	10	316,506,000	41,567,000	231,000	–	–	0.2%	Investment in associates	Purchase
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd.	125,000,000	25	25	134,038,000	390,000	–	–	–	0.1%	Investment in joint ventures	Purchase
Chinese Enterprise Elephant Financial Information Services Company Limited	20,000,000	12.5	12.5	18,898,000	-494,000	1,244,000	–	–	0.0%	Investment in associates	Purchase
Shanghai COSCO SHIPPING Microfinance Company Limited	90,000,000	45	45	91,536,000	1,509,000	–	–	–	0.1%	Investment in associates	Purchase
COSCO SHIPPING Finance Company Limited	1,186,390,000	23.38	23.38	1,336,082,000	153,183,000	5,672,000	–	70,070,000	0.9%	Investment in associates	Purchase
Total	**8,379,728,000**	/	/	**12,792,322,000**	**1,537,425,000**	**169,733,000**	**-**	**431,953,000**	**8.9%**		

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

Name of Investee	Exchange	Principal businesses
China Bohai Bank Co., Ltd.	/	Banking business
Bank of Kunlun Co., Ltd.	/	Banking business
Shanghai Life Insurance Co., Ltd.	/	Insurance business
CIB Fund Management Co., Ltd.	/	Fund management business
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd.	/	Leasing business
Chinese Enterprise Elephant Financial Information Services Company Limited	/	Financial information service
Shanghai COSCO SHIPPING Microfinance Company Limited	/	Loan extending and other businesses
COSCO SHIPPING Finance Company Limited	/	Banking business
China International Marine Containers (Group) Co., Ltd.	Shenzhen Stock Exchange/Hong Kong Stock Exchange	Manufacturing and sales of containers
Shanghai AJ Group Co., Ltd.	Shanghai Stock Exchange	Investment in industries and other financial businesses
China Everbright Bank Co., Ltd.	Shanghai Stock Exchange/Hong Kong Stock Exchange	Banking business
China Railway Signal & Communication Corporation Limited	Shanghai Stock Exchange/Hong Kong Stock Exchange	Provision of railway traffic control system services
Minmetals Capital Co., Ltd.	Shanghai Stock Exchange	Integrated finance business
CNPC Capital Company Limited	Shenzhen Stock Exchange	Integrated finance business

The stock market was volatile in 2019. The Company expects that the investment portfolio of the Group (including the above major investments) will be subject to, among other things, the movement of interest rates, market factors and macroeconomic factors. Moreover, the market value of individual shares will be affected by relevant companies' financial results, development plan as well as the prospects of the industry where they operate. To mitigate relevant risks, the Group will take appropriate measures in due course and adjust its investment strategies in response to the changes in market conditions.

INCOME TAX

From 1 January 2019 to 31 December 2019, the corporate income tax ("**CIT**") rate applicable to the Company and its other subsidiaries in the PRC was 25%.

Pursuant to the relevant new CIT regulations, the profits derived from the Company's offshore subsidiaries shall be subject to applicable CIT when dividends were declared by such offshore subsidiaries. The Company uses an applicable tax rate in accordance with relevant CIT regulations to pay CIT on profits of the offshore subsidiaries.

SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

For the year ended 31 December 2019, the Group's selling, administrative and general expenses were RMB1,178,677,000, representing an increase of 27% as compared with 2018.

OTHER GAINS/(LOSSES), NET

For the year ended 31 December 2019, other gains of the Group were RMB835,317,000, representing an increase in gains of approximately RMB1,108,012,000 as compared with other losses of RMB272,695,000 for 2018, which was mainly attributable to the appreciation of fair value of the securities held by the Company.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT FOR THE YEAR

In 2019, the profit attributable to owners of the parent of the Company for the year was RMB1,744,733,000, representing an increase of 26% as compared with RMB1,384,257,000 for 2018.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Analysis of Liquidity and borrowings

The Group's principal sources of liquidity are cash flow from operating business and short-term bank borrowings. The Group's cash is mainly used for expenses of operating cost, repayment of loans, construction of new vessels, procurement of containers, and support of the Group's financial leasing business. During the Period, the Group's net operating cash inflow was RMB8,424,065,000. As at 31 December 2019, the Group's cash and bank balances were RMB9,635,096,000.

As at 31 December 2019, the Group's total bank loans and other borrowings were RMB97,919,728,000, of which RMB43,066,519,000 is repayable within one year. The Group's long-term bank loans are mainly used to finance the procurement of containers, the acquisition of financial lease assets and replenishment of liquidity.

As at 31 December 2019, the Group's RMB-denominated bonds payable amounted to RMB12,544,867,000, and all proceeds raised from the bonds were used for the replenishment of liquidity and the repayment of loans.

The Group's RMB borrowings at fixed interest rates amounted to RMB34,882,196,000. USD borrowings at fixed interest rates amounted to USD496,970,000 (equivalent to approximately RMB3,466,961,000), RMB borrowings at floating interest rates amounted to RMB746,334,000, and USD borrowings at floating interest rates amounted to USD8,432,132,000 (equivalent to approximately RMB58,824,237,000). The Group's borrowings are settled in RMB or USD while its cash and cash equivalents are also primarily denominated in RMB and USD.

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

Net current liabilities

As at 31 December 2019, the Group's net current liabilities amounted to RMB24,470,813,000. Current assets mainly include: the current portion of the finance lease receivables of RMB15,532,797,000, inventories of RMB881,129,000, trade and notes receivables of RMB1,111,000,000, prepayments and other receivables of RMB458,969,000, the current portion of factoring receivables of RMB1,123,489,000, the current portion of financial assets at fair value through profit or loss of RMB490,967,000, cash and cash equivalents of RMB9,635,096,000, and pledged deposits of RMB566,339,000. Current liabilities mainly include: trade payables of RMB2,553,700,000, other payables and accruals of RMB3,658,271,000, tax payables of RMB174,881,000, the current portion of bank and other borrowings of RMB43,066,519,000, the current portion of corporate bonds of RMB4,273,467,000, contract liabilities of RMB150,194,000, and current portion of lease liabilities of RMB391,082,000.

CASH FLOWS

For the year of 2019, the Group's net cash inflow generated from operating activities was RMB8,424,065,000, denominated principally in RMB and USD, representing an increase of RMB2,006,088,000 as compared with the net cash inflow generated from operating activities of RMB6,417,977,000 in 2018. Cash and cash equivalents balances at the end of 2019 decreased by RMB5,614,098,000 year-on-year, mainly reflecting the fact that the net cash inflow generated from operating activities was less than the net cash outflow used in financing activities and the net cash outflow used in investing activities. The cash inflow generated from financing activities of the Group during the year was mainly derived from bank loans and issuance of commercial bills and such proceeds were used mainly for the purposes of short-term operation and purchase and construction of containers.

The following table provides the information regarding the Group's cash flow for the years ended 31 December 2019 and 31 December 2018:

Unit: RMB

	2019	2018
Net cash generated from operating activities	**8,424,065,000**	6,417,977,000
Net cash used in investing activities	**(10,383,969,000)**	(17,788,636,000)
Net cash (used in)/generated from financing activities	**(3,715,251,000)**	3,227,502,000
Impact of exchange rate movement on cash	**61,057,000**	199,051,000
Net decrease in cash and cash equivalents	**(5,614,098,000)**	(7,944,106,000)

Net cash generated from operating activities

For the year ended 31 December 2019, the net cash inflow generated from operating activities was RMB8,424,065,000, representing an increase of RMB2,006,088,000 as compared with that of RMB6,417,977,000 for 2018. Overall, cash flow of operating activities maintains a stable and positive trend.

Net cash used in investing activities

For the year ended 31 December 2019, the net cash outflow used in investing activities was RMB10,383,969,000, decreased by RMB7,404,667,000 as compared with that of RMB17,788,636,000 for 2018, which remained broadly stable on a year-on-year basis, excluding the effect of the disposal of China Shipping Finance Co., Ltd. last year. During the year, the Company effectively controlled its investment scale and pace, which accelerated the strong investment returns and increased its funds utilization efficiency, and in turn maintained a reasonable investment level according to the macro economic landscape.

Net cash generated from financing activities

For the year ended 31 December 2019, the net cash outflow used in financing activities was RMB3,715,251,000, representing a decrease of RMB6,942,753,000 as compared with the net cash inflow generated from financing activities of RMB3,227,502,000 for 2018. For the year of 2019, the Group's new bank and other borrowings, perpetual debts, and corporate bonds amounted to RMB73,198,431,000, repayment of bank and other borrowings, corporate bonds and lease obligation principal amounted to RMB71,641,780,000, and the payment of interest amounted to RMB4,844,875,000.

TRADE AND NOTES RECEIVABLES

As at 31 December 2019, the balance of trade and notes receivables by the Group amounted to RMB1,111,000,000, representing an increase of RMB76,128,000 as compared with last year. Of which note receivables increased by RMB9,521,000 while trade receivables increased by RMB66,607,000.

ANALYSIS OF GEARING RATIO

As at 31 December 2019, the Company's net gearing ratio (i.e. net debts over shareholders' equity) was 416%, which was lower than 533% of last year. The net gearing ratio decreased slightly as compared with last year.

ANALYSIS OF FOREIGN EXCHANGE RISK

Revenues and costs of the Group's shipping-related leasing business and container manufacturing operations are settled or denominated in USD. As a result, the impact on the net operating revenue due to RMB exchange rate fluctuation can be offset by each other to a certain extent. During the Period, the Group recorded a net exchange gain of RMB57,448,000 which was mainly due to fluctuations in the exchange rates of the USD and Euro in 2019; the decrease in exchange difference which was charged to equity attributable to shareholders of the parent amounted to RMB187,211,000. The Group will continue to closely monitor the exchange rate fluctuation of RMB and major international currencies, minimize the loss arising from exchange rate fluctuation, and take appropriate measures to mitigate the Group's foreign exchange exposure when necessary.

CAPITAL EXPENDITURES

For the year ended 31 December 2019, the Group's expenditures on the acquisition of containers and other expenditures amounted to RMB2,828,747,000, and expenditures on the acquisition of finance lease assets amounted to RMB21,542,542,000.

CAPITAL COMMITMENTS

As at 31 December 2019, the Group had RMB67,665,000 in capital commitments which had been contracted but not provided for in relation to property, plant and equipment. Equity investment commitment was RMB757,005,000.

PLEDGE

As at 31 December 2019, certain container vessels and containers with net carrying value of approximately RMB25,765,286,000 (2018: RMB22,735,030,000), finance lease receivables of RMB24,015,141,000 (2018: RMB18,018,213,000) and pledged deposits of RMB237,539,000 (2018: RMB597,465,000) of the Group were pledged to banks for the grant of credit facilities and issuance of bonds.

SUBSEQUENT EVENTS

On 27 March 2020, the Board proposed the payment of a final dividend of RMB0.045 per share (inclusive of applicable tax), totaling approximately RMB518,782,000 calculated based on 11,528,497,997 shares, being the result of deducting 79,627,003 A shares repurchased by the Company for the year ended 31 December 2019 from 11,608,125,000 shares in issue of the Company as at 27 March 2020, which is subject to the approval of shareholders of the Company at the forthcoming annual general meeting of the Company (the "**AGM**").

On 5 March 2020, the extraordinary general meeting and the class meetings of the Company approved the A Share Option Incentive Scheme of the Company. Pursuant to the A Share Option Incentive Scheme, certain directors, core management and business personnel of the Group will be granted up to a total of maximum 88,474,448 A shares options in respect of their services to the Group in the forthcoming year.

CONTINGENT LIABILITIES

As at 31 December 2019, there were no significant contingent liabilities for the Group.

EMPLOYEES, TRAINING AND BENEFITS

As at 31 December 2019, the Group had a total of 7,325 employees, and the total staff costs for the Period (including staff remuneration, welfare expenses and social insurance fees) amounted to approximately RMB1,812,679,000 (including outsourced labour costs).

Remuneration management, as one of the most effective incentives means and a form of enterprise value distribution, was carried out on the principles of total budget control, value creation, internal fairness, market competition and sustainable development. Based on the principle of "contractualized management and differential compensation", the management of the Company has introduced and implemented the professional manager system and strengthened the incentive and restraint mechanism based on performance management. The Company's overall remuneration system mainly consists of: (1) salaries, including remuneration, title salary, performance salary, special incentives, bonus and allowances; and (2) benefits, including social insurance required by the state, provident housing fund and corporate welfares.

To support human resources management reform, talent development and cultivation, the Company has developed its employee training system to make it base on identification of demand, with the support of clear defined responsibilities and list-based management. We have optimized the training content and implementation system, and improved the effectiveness of training resource allocation, staff training participation and satisfaction. Based on training system, various training programmes were designed and implemented to address different types of business and positions, covering topics such as transformation and innovation, industry development, management capability, financial business, risk management, safety and individual caliber.

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2019, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

DIVIDEND

The Board proposed the payment of a final dividend of RMB0.045 per share (inclusive of applicable tax) for the year ended 31 December 2019 (2018: RMB0.033 per share), which is subject to the approval of the shareholders of the Company at the forthcoming AGM. The final dividend will be denominated and declared in RMB and payable in RMB to the holders of the A shares of the Company, and in Hong Kong dollars to the holders of the H shares of the Company within two months after the approval at the AGM.

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

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

During the year ended 31 December 2019, the Company repurchased 79,627,003 A shares on Shanghai Stock Exchange and 75,000,000 H shares on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"), respectively. Of which, 75,000,000 H shares were cancelled during the Period.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the Period.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") consists of two independent non-executive directors, namely Mr. Lu Jianzhong and Mr. Cai Hongping, and one non-executive director, namely Mr. Huang Jian. The Audit Committee has discussed with Ernst & Young, an independent auditor of the Company, and reviewed the Group's annual results for the year ended 31 December 2019.

This annual results announcement is based on the Company's consolidated financial statements for the year ended 31 December 2019 which have been agreed with the auditor of the Company.

CORPORATE GOVERNANCE CODE

The Board confirms that the Company was in compliance with all the code provisions of the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the year ended 31 December 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this results announcement have been agreed by the Company's auditors to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on this results announcement.

DISCLOSURE OF INFORMATION

This announcement is published on the website of Hong Kong Stock Exchange at http://www.hkexnews.hk and the Company's website at http://development.coscoshipping.com. The annual report of the Company for the year ended 31 December 2019 will be despatched by the Company to its shareholders and published on the aforesaid websites of Hong Kong Stock Exchange and the Company in due course.

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

Shanghai, the People's Republic of China
27 March 2020

As at the date of this announcement, the Board comprises Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, being executive directors, Mr. Feng Boming, Mr. Huang Jian and Mr. Liang Yanfeng, being non-executive directors, and Mr. Cai Hongping, Ms. Hai Chi Yuet, Mr. Graeme Jack, Mr. Lu Jianzhong and Ms. Zhang Weihua, being independent non-executive directors.

* *The Company is a registered non-Hong Kong company as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and it is registered under its Chinese name and under the English name "COSCO SHIPPING Development Co., Ltd.".*