



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 REPORT 2018





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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. Liang Yanfeng

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cai Hongping
Ms. Hai Chi Yuet
Mr. Graeme Jack
Mr. Lu Jianzhong
Mr. Gu Xu
Ms. Zhang Weihua

SUPERVISORS

Mr. Ye Hongjun (*Chairman*)
Mr. Hao Wenyi
Mr. Zhu Donglin

INVESTMENT STRATEGY COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

RISK CONTROL COMMITTEE

Mr. Wang Daxiong (*Chairman*)
Mr. Cai Hongping
Mr. Lu Jianzhong
Ms. Zhang Weihua

AUDIT COMMITTEE

Mr. Lu Jianzhong (*Chairman*)
Mr. Cai Hongping
Mr. Huang Jian

EXECUTIVE COMMITTEE

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

CHIEF ACCOUNTANT

Mr. Liu Chong

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

PRINCIPAL 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)
Grandall Law Firm (As to PRC law)

HONG KONG H SHARE REGISTRAR**AND TRANSFER OFFICE**

Computershare Hong Kong Investor Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China
Industrial and Commerce Bank of China
China Development Bank
Agricultural Bank of China
Shanghai Pudong Development Bank
ABN Amro
Standard Chartered 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)

- Revenue amounted to RMB8,221,346,000
- Profit attributable to owners of the parent of the Company for the Period amounted to RMB326,606,000
- Basic earnings per share amounted to RMB0.0280

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS OF OPERATING ENVIRONMENT AND OUTLOOK

1. MACROECONOMIC CONDITIONS

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

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

2. SHIPPING MARKET

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

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



3. FINANCIAL MARKET

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

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

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

FUTURE DEVELOPMENT STRATEGY OF THE COMPANY

1. STRATEGIC POSITION

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

2. DEVELOPMENT GOALS

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



3. DEVELOPMENT PLANS

1) Shipping and Industry-related Leasing Business

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

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

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

2) Container Manufacturing Business

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

3) Investment and Service Business

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

FINANCIAL REVIEW OF THE GROUP

The Group recorded a revenue of RMB8,221,346,000 for the six months ended 30 June 2018 (the “**Period**”), representing an increase of 6.4% as compared with the restated revenue of RMB7,723,343,000 for the same period of last year; profit before tax from continuing operations amounted to RMB487,624,000, representing a decrease of 58.6% as compared with the restated profit of RMB1,179,066,000 for the same period of last year; profit for the Period attributable to owners of the parent amounted to RMB326,606,000, representing a decrease of 69.0% as compared with the restated profit of RMB1,055,029,000 for the same period of last year, mainly due to decrease in prices of shares of listed equity investment held by the Group.

Analyses of segment results are as follows:

Unit: RMB'000

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

1. ANALYSIS OF SHIPPING AND INDUSTRY-RELATED LEASING

1) Operating Revenue

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

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



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

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

2) Operating Costs

Operating costs for leasing business mainly include the depreciation and maintenance costs for self-owned vessels, depreciation of self-owned containers, staff salaries, net carrying value of sales of containers returned upon expiry and rents of the leased-in vessels and containers. Operating costs for leasing business for the six months ended 30 June 2018 was RMB3,509,154,000, representing a decrease of 10.6% as compared with the costs of RMB3,923,605,000 for the same period of last year.

2. ANALYSIS OF CONTAINER MANUFACTURING BUSINESS

1) Operating Revenue

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

2) Operating Costs

The operating costs of the container manufacturing business mainly consist of raw material costs, employee compensation and depreciation expenses. The operating costs of the business amounted to RMB4,364,719,000 for the six months ended 30 June 2018, representing an increase of 100.1% as compared with RMB2,180,779,000 for the same period of last year. Such increase was mainly due to the increase in sales volume of containers as the container manufacturing market gradually improved. Besides, factors such as the industry-wide application of water-based paints in April 2017 have resulted in the rise of raw material prices.

3. ANALYSIS OF INVESTMENT AND SERVICE BUSINESS

1) Operating Revenue

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

2) Operating Costs

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

3) Net Investment Income

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

GROSS PROFIT

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

SIGNIFICANT SECURITIES INVESTMENT

As at 30 June 2018, the Company's equity investments in associates and joint ventures generated profit of RMB1,229,506,000, mainly attributable to the profits from China Everbright Bank Co., Ltd., China International Marine Containers (Group) Co., Ltd. and China Bohai Bank Co., Ltd. for the Period.

1. SHAREHOLDINGS IN OTHER LISTED COMPANIES

Stock code	Company name	Initial investment cost (RMB)	Shareholding at the beginning of the Period (%)	Shareholding at the end of the Period (%)	Book value at the end of the Period (RMB)	Gain during the Period (RMB)	Changes in other reserve during the Period (RMB)	Gain from disposal (RMB)	Dividends received during the Period (RMB)	Accounting ledger	Sources of the shareholding
000039/ 02039	China International Marine Containers (Group) Co., Ltd.	6,338,818,000	22.73	22.71	7,600,724,000	140,093,000	(50,548,000)	-	183,029,000	Investment in associates	Purchase
601818	China Everbright Bank Co., Ltd.	3,398,255,000	1.379	1.379	3,776,278,000	239,257,000	9,093,000	-	131,013,000	Investment in associates	Purchase
600643	Shanghai AJ Group Co., Ltd.	25,452,000	0.33	0.25	33,228,000	(10,461,000)	-	13,443,000	-	Financial assets at fair value through profit or loss	Purchase
000617	CNPC Capital Company Limited	950,000,000	0.97	0.97	829,743,000	(185,290,000)	-	-	-	Financial assets at fair value through profit or loss	Purchase
600390	Minmetals Capital Co., Ltd.	1,500,000,000	3.94	3.94	996,428,000	(381,207,000)	-	-	-	Financial assets at fair value through profit or loss	Purchase
Total		12,212,525,000	/	/	13,236,401,000	(197,608,000)	(41,455,000)	13,443,000	314,042,000		

2. SHAREHOLDINGS IN FINANCIAL ENTERPRISES

Name of investee	Initial investment cost (RMB)	Shareholding at the beginning of the Period (%)	Shareholding at the end of the Period (%)	Book value at the end of the Period (RMB)	Gain during the Period (RMB)	Changes in other reserve during the Period (RMB)	Gain from disposal (RMB)	Dividends received during the Period (RMB)	Accounting ledger	Sources of the shareholding
China Bohai Bank Co., Ltd.	5,749,379,000	13.67	13.67	7,402,930,000	767,805,000	70,309,000	-	10,217,000	Investment in associates	Purchase
Bank of Kunlun Co., Ltd.	838,959,000	3.74	3.74	1,196,480,000	67,000,000	8,759,000	-	18,854,000	Investment in associates	Purchase
Shanghai Life Insurance Co., Ltd.	320,000,000	16	16	866,557,000	(22,074,000)	(30,611,000)	-	-	Investment in associates	Purchase
CIB Fund Management Co., Ltd.	50,000,000	10	10	263,800,000	31,255,000	(451,000)	-	-	Investment in associates	Purchase
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd.	125,000,000	25	25	132,135,000	1,259,000	-	-	-	Investment in joint ventures	Purchase
Chinese Enterprise Elephant Financial Information Services Company Limited (中企大象金融信息服務有限公司)	20,000,000	-	12.5	18,744,000	(303,000)	-	-	-	Investment in associates	Purchase
Shanghai COSCO SHIPPING Micro-finance Company (上海中遠海運小貸公司)	90,000,000	-	45	89,810,000	(190,000)	-	-	-	Investment in associates	Purchase
Total	7,193,338,000	/	/	9,970,456,000	844,752,000	48,006,000	-	29,071,000		

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

Name of investee	Exchange	Principal businesses
China International Marine Containers (Group) Co., Ltd.	Shenzhen Stock Exchange/Hong Kong Stock Exchange	Manufacturing and sales of containers Investment in industries and other financial businesses
Shanghai AJ Group Co., Ltd.	Shanghai Stock Exchange	Bank business
China Everbright Bank Co., Ltd.	Shanghai Stock Exchange	Ore mining, processing and sales
Minmetals Capital Co., Ltd.	Shanghai Stock Exchange	Fund management
CIB Fund Management Co., Ltd.	/	Bank business
Bank of Kunlun Co., Ltd.	/	Insurance
Shanghai Life Insurance Co., Ltd.	/	Bank business
China Bohai Bank Co., Ltd.	/	Leasing
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd.	/	Engine R&D and manufacturing
CNPC Capital Company Limited	Shenzhen Stock Exchange	Financial information services
Chinese Enterprise Elephant Financial Information Services Company Limited	/	Loan extending and other businesses
Shanghai COSCO SHIPPING Micro-finance Company	/	

The stock market was volatile for the six months ended 30 June 2018. The Company expects the investment portfolio of the Group (including the above significant investments) will be subject to the movement of interest rates, market factors and macroeconomic factors etc. Moreover, the market value of individual shares will be affected by the financial results, development plan as well as prospects of the industry of the listed companies. To mitigate relevant risks, the Group will take appropriate measures in due course and adjust its investment strategies in response to market situation.

INCOME TAX

For the six months ended 30 June 2018, the corporate income tax ("CIT") rate applicable to the Company and its subsidiaries in the PRC was 25%.

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

SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

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



OTHER (LOSSES)/GAINS

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

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The profit attributable to owners of the parent of the Company for the six months ended 30 June 2018 was RMB326,606,000, representing a decrease of 69.0% as compared with the restated profit attributable to owners of the parent of RMB1,055,029,000 for the same period of last year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

LIQUIDITY AND BORROWINGS

The Group's principal sources of liquidity are operating cash inflow and short-term bank borrowings. The Group's cash is mainly used for operating expenses, repayment of loans, procurement of containers, and the Group's financial leasing business. During the Period, the Group's net operating cash inflow was RMB1,735,690,000. As at 30 June 2018, the Group's cash and cash equivalents was RMB5,670,318,000.

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

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

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

The Group's RMB-denominated borrowings at fixed interest rates amounted to RMB35,903,733,000. USD-denominated borrowings at fixed interest rates amounted to USD141,193,000 (equivalent to approximately RMB934,220,000), RMB-denominated borrowings at floating interest rates amounted to RMB6,488,441,000, and USD-denominated borrowings at floating interest rates amounted to USD8,156,627,000 (equivalent to approximately RMB53,969,139,000). The Group's borrowings are settled in RMB or USD while its cash and cash equivalents are also primarily denominated in RMB and USD.

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

NET CURRENT LIABILITIES

As at 30 June 2018, the Group's net current liabilities amounted to RMB26,099,077,000. Current assets mainly include: inventories of RMB1,459,731,000, trade and notes receivables of RMB2,094,058,000, prepayments and other receivables of RMB1,328,128,000, the current portion of the finance lease receivables of RMB8,967,555,000, the current portion of the financial assets at fair value through profit or loss of RMB70,001,000, cash and cash equivalents and restricted cash of RMB6,581,309,000, and assets held for sale of RMB19,767,567,000. Current liabilities mainly include: trade payables of RMB2,700,336,000, other payables and accruals of RMB3,476,022,000, contract liabilities of RMB56,695,000, tax payable of RMB284,510,000, short term borrowings of RMB16,003,660,000, current portion of long term borrowings of RMB26,920,401,000, corporate bonds of RMB2,157,374,000, current portion of finance lease obligations of RMB70,467,000, and liabilities held for sale of RMB15,322,991,000.

CASH FLOWS

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

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

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

NET CASH GENERATED FROM OPERATING ACTIVITIES

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



NET CASH USED IN INVESTING ACTIVITIES

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

NET CASH GENERATED FROM FINANCING ACTIVITIES

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

AVERAGE TURNOVER OF TRADE AND NOTES RECEIVABLES

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

GEARING RATIO

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

FOREIGN EXCHANGE RISK

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

CAPITAL EXPENDITURES

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

CAPITAL COMMITMENTS

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

PLEDGE

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

SUBSEQUENT EVENTS

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

CONTINGENT LIABILITIES

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

EMPLOYEES, TRAINING AND BENEFITS

As at 30 June 2018, the Group had 9,476 employees, and the total staff costs for the Period (including staff remuneration, welfare and social insurance, etc.) amounted to approximately RMB942,442,000 (including outsourced labour costs).

Remuneration management, as one of the most effective incentives and a form of enterprise value distribution, was carried out on the basis of total budget control, value creation, internal fairness, market competition and sustainable development. Based on the principle of “contractualized management, differential compensation”, the management has introduced and implemented the professional manager system and strengthened the incentive and restraint mechanism based on performance management. The Company’s overall remuneration system mainly consists of: (1) salaries: including remuneration, title salary, performance salary, special incentives, bonus and allowances; (2) benefits: including mandatory social insurance, provident housing fund and corporate welfares; and (3) recognized schemes and other items in support of corporate strategies and corporate culture.

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

DIVIDEND

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

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

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

SHARE CAPITAL

As at 30 June 2018, 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 2018, the interests or short positions of the directors, 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 Securities and Futures Ordinance (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) 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”) set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) 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 total number 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

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 30 June 2018, 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 2018. 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 2018. As at 30 June 2018, 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 2018. 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 2018. As at 30 June 2018, 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 2018. 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 2018. As at 30 June 2018, Mr. Xu Hui does not hold any shares.

Save as disclosed above, as at 30 June 2018, 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) 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.

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

As at 30 June 2018, 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:

1. "L" means long position in the shares and "P" means shares in the lending pool.
2. Such 4,458,195,175 A shares represent the same block of shares.
3. 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 2018, 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 changes in the information on the directors or supervisors that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules following the date of the 2017 Annual Report of the Company are set out as follows:

Name	Position	Change
Liang Yanfeng	Non-executive director	Appointed
Chen Dong	Non-executive director	Resigned
Gu Xu	Independent non-executive director	Appointed
Gu Xu	Independent supervisor	Resigned
Zhang Weihua	Independent non-executive director	Appointed
Zhang Weihua	Independent supervisor	Resigned
Fu Yi	Employee representative supervisor	Resigned



AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) consists of two independent non-executive directors, namely Mr. Lu Jianzhong and Mr. Cai Hongping, and one non-executive director, namely Mr. Huang Jian.

The Audit Committee has reviewed the Company’s interim report for the Period, and agreed with the accounting methods adopted by the Company.

CORPORATE GOVERNANCE CODE

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors, supervisors and relevant employees on terms no less exacting than the required standard set out in the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors and supervisors of the Company, each of the directors and supervisors has confirmed that he/she has complied with the required standard set out in the Model Code regarding securities transactions by directors and supervisors 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.
Yu Zhen
Company Secretary

Shanghai, the People’s Republic of China
30 August 2018



REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the board of directors 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 information set out on pages 21 to 56 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 2018 and the related interim condensed consolidated statements of profit or loss, 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 information 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 of the Company are responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim condensed consolidated financial information 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 information 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 information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

30 August 2018

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Notes	FOR THE SIX MONTHS ENDED 30 JUNE	
		2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited) (Restated)
CONTINUING OPERATIONS			
REVENUE	4	8,221,346	7,723,343
Cost of sales		(6,521,081)	(6,084,837)
Gross profit		1,700,265	1,638,506
Selling, administrative and general expenses		(587,847)	(354,156)
Other income	5	159,246	74,575
Other (losses)/gains, net	6	(450,108)	19,963
Finance costs		(1,563,438)	(1,368,366)
Share of profits of:			
Associates		1,222,322	1,163,996
Joint ventures		7,184	4,548
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		487,624	1,179,066
Income tax expense	7	(255,967)	(181,436)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		231,657	997,630
DISCONTINUED OPERATION			
Profit for the period from a discontinued operation	8	146,967	90,222
PROFIT FOR THE PERIOD		378,624	1,087,852
Attributable to:			
Owners of the parent		326,606	1,055,029
Non-controlling interests		52,018	32,823
		378,624	1,087,852
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (express in RMB per share)			
Basic and diluted	9		
– For profit for the period		0.0280	0.0903
– For profit for the period from continuing operations		0.0196	0.0854

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	55,740,134	53,844,184
Investment properties		100,971	100,012
Prepaid land lease payments		112,588	114,382
Intangible asset		20,028	18,641
Investments in associates	12	21,263,860	20,256,221
Investments in joint ventures		199,175	198,526
Available-for-sale investments	13	–	4,013,699
Financial assets at fair value through profit or loss	13	3,092,506	–
Finance lease receivables	14	22,997,970	20,087,976
Loans and receivables		–	154,116
Derivative financial instruments		23,320	13,360
Deferred tax assets		145,947	113,147
Other long term prepayments		–	90,000
Total non-current assets		103,696,499	99,004,264
CURRENT ASSETS			
Inventories		1,459,731	1,155,668
Trade and notes receivables	15	2,094,058	859,177
Prepayments and other receivables		1,328,128	896,243
Prepaid land lease payments		3,587	3,587
Finance lease receivables	14	8,967,555	7,333,145
Loans and receivables		–	3,763,801
Factoring receivables		618,627	529,799
Financial assets at fair value through profit or loss	13	70,001	–
Held-for-trading investments	13	–	547,428
Derivative financial instruments		4,776	2,736
Restricted cash	16	910,991	1,748,512
Cash and cash equivalents	16	5,670,318	23,193,300
Total current assets		21,127,772	40,033,396
Assets of a disposal group classified as held for sale	8	19,767,567	–
Total current assets		40,895,339	40,033,396
Total assets		144,591,838	139,037,660

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

30 JUNE 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade payables	17	2,700,336	2,328,672
Other payables and accruals		3,476,022	2,081,501
Contract liabilities		56,695	–
Bank and other borrowings		42,924,061	31,571,856
Corporate bonds		2,157,374	1,611,981
Finance lease obligations		70,467	68,446
Deposits from customers		–	14,757,813
Derivative financial instruments		1,960	–
Tax payable		284,510	237,297
		51,671,425	52,657,566
Liabilities directly associated with assets classified as held for sale	8	15,322,991	–
Total current liabilities		66,994,416	52,657,566
NET CURRENT LIABILITIES		(26,099,077)	(12,624,170)
TOTAL ASSETS LESS CURRENT LIABILITIES		77,597,422	86,380,094
NON-CURRENT LIABILITIES			
Bank and other borrowings		54,371,472	63,849,439
Corporate bonds		3,104,899	2,803,325
Finance lease obligations		483,259	512,082
Deposits from customers		–	14,951
Deferred tax liabilities		315,809	321,867
Other long term payables		2,326,982	2,004,643
Total non-current liabilities		60,602,421	69,506,307
Net assets		16,995,001	16,873,787

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

30 JUNE 2018

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

Sun Yueying

Director

Wang Daxiong

Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Share capital	Special reserve	General reserve	Other reserves	Other equity instrument	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	11,683,125	1,912	142,932	(5,505,506)	1,000,000	8,953,699	16,276,162	597,625	16,873,787
Impact of adopting HKFRS 9 (note 2.2)	-	-	-	151,191	-	(279,660)	(128,469)	-	(128,469)
At 1 January 2018 as restated	11,683,125	1,912	142,932	(5,354,315)	1,000,000	8,674,039	16,147,693	597,625	16,745,318
Profit for the period	-	-	-	-	-	326,606	326,606	52,018	378,624
Other comprehensive loss for the period:									
Cash flow hedges, net of tax:									
Effective portion of changes in fair value of hedging instruments arising during the period	-	-	-	9,527	-	-	9,527	-	9,527
Exchange differences:									
Exchange differences on translation of foreign operations	-	-	-	(128,238)	-	-	(128,238)	-	(128,238)
Associates:									
Share of other comprehensive income of associates	-	-	-	6,548	-	-	6,548	-	6,548
Total comprehensive income for the period	-	-	-	(112,163)	-	326,606	214,443	52,018	266,461
Share of capital reserve of associates	-	-	-	12,544	-	-	12,544	-	12,544
Dividends for other equity instrument	-	-	-	-	-	(29,322)	(29,322)	-	(29,322)
Transfer from retained profits	-	14,858	-	-	-	(14,858)	-	-	-
Utilisation of special reserve	-	(15,244)	-	-	-	15,244	-	-	-
At 30 June 2018 (unaudited)	11,683,125	1,526	142,932	(5,453,934)	1,000,000	8,971,709	16,345,358	649,643	16,995,001

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	Other equity instrument	Retained profits			
	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 CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	FOR THE SIX MONTHS ENDED	
	30 JUNE	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	2,014,388	3,516,436
Income tax paid	(278,698)	(171,933)
Net cash generated from operating activities	1,735,690	3,344,503
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	36,231	42,625
Dividends received from associates	29,071	10,626
Dividends received from joint ventures	6,535	–
Dividends received from available-for-sale investments	–	16,850
Dividends received from financial assets at fair value through profit or loss	17,786	–
Dividends received from held-for-trading investments	–	306
Purchases of items of property, plant and equipment	(2,663,900)	(1,565,882)
Purchases of intangible assets	(8,779)	(2,448)
Proceeds from disposal of items of property, plant and equipment	37,795	1,338,384
Purchases of equity in an associate	(70,000)	(49,500)
Purchases of available-for-sale investments	–	(3,966,045)
Purchases of financial assets at fair value through profit or loss	(5,744,619)	–
Purchases of held-for-trading investments	–	(390,877)
Disposal of subsidiaries	–	2,284
Proceeds from disposal of associates	–	7,083
Proceeds from disposals of available-for-sale investments	–	5,748,989
Proceeds from disposals of financial assets at fair value through profit or loss	5,635,373	–
Proceeds from disposals of held-for-trading investments	–	74,208
(Increase)/decrease in factoring receivables	(89,837)	42,171
Increase in finance lease receivables	(3,436,561)	(4,966,973)
Increase in restricted cash	(200,016)	–
Increase in other long term payables	56,799	13,163
Net cash flows used in investing activities	(6,394,122)	(3,645,036)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Notes	FOR THE SIX MONTHS ENDED	
		30 JUNE	
		2018	2017
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital injection from non-controlling shareholders		–	210,000
Consideration paid for acquisition of subsidiaries under common control		–	(80,383)
New bank and other borrowings		17,262,595	19,222,071
Repayment of bank and other borrowings		(16,054,728)	(18,848,774)
New corporate bonds		1,860,000	1,000,000
Repayment of corporate bonds		(1,027,809)	(1,939,603)
Capital element of finance lease payments		(43,229)	(18,117)
Interest paid		(1,997,482)	(1,690,612)
Dividends paid for other equity instrument		(29,322)	–
Increase in restricted cash		(308,483)	(773)
Net cash flows used in financing activities		(338,458)	(2,146,191)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		23,193,300	15,527,254
Effect of foreign exchange rate changes, net		(77,651)	(88,509)
Cash and cash equivalents balance attributable to discontinued operations	8	(12,448,441)	–
Cash and cash equivalents at end of period		5,670,318	12,992,021



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2018

1. CORPORATE INFORMATION

COSCO SHIPPING Development Co., Ltd. (the “Company”) is a joint stock company with limited liability incorporated in the People’s Republic of China (the “PRC”). The address of the Company’s registered office is Room A-538, International Trade Center, China (Shanghai) Pilot Free Trade Zone, Shanghai, the PRC.

During the six months ended 30 June 2018, the principal activities of the Group were as follows:

- (a) Operating leasing and financial leasing;
- (b) Manufacture and sale of containers;
- (c) Provision of financial and insurance brokerage services;
- (d) Equity investment; and
- (e) Cargo and liner agency services.

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

2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information, which comprise the interim condensed consolidated statement of financial position of the Group as at 30 June 2018 and the related interim condensed consolidated statement of profit or loss, the interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six months ended 30 June 2018, have been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The interim condensed consolidated financial information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern

The Group had net current liabilities of RMB26,099,077,000 as at 30 June 2018. The directors are of opinion that based on the available unutilised banking facilities as at 30 June 2018, the Group will have the necessary liquid funds to finance its working capital and to meet its capital expenditure requirements. Accordingly, the directors are of the opinion that it is appropriate to prepare the interim condensed consolidated financial information on a going concern basis.

The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2017.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018.

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

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

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

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

FOR THE SIX MONTHS ENDED 30 JUNE 2018

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 15 Revenue from Contracts with Customers *(Continued)*

- As required for the interim condensed consolidated financial information, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The Group also disclosed information about the relationship between the disclosure of disaggregated revenue and revenue information disclosed for each reportable segment. Refer to note 4 for the disclosure on disaggregated revenue. Disclosures for the comparative period in the notes to the financial statements would also follow the requirements of HKAS 11, HKAS 18 and related Interpretations. As a result, the disclosure of disaggregated revenue in note 4 would not include comparative information under HKFRS 15; and
- The outstanding balance of advances from customers of RMB87,650,000 as of 1 January 2018 arising from contracts with customers in the scope of HKFRS 15 were reclassified from other payables and accruals to contract liabilities.

HKFRS 9 Financial Instruments

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

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

Changes to classification and measurement

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

HKFRS 9 *Financial Instruments* (Continued)

Changes to classification and measurement (Continued)

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

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

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

Changes to the impairment calculation

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

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

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



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

FOR THE SIX MONTHS ENDED 30 JUNE 2018

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

HKFRS 9 *Financial Instruments* *(Continued)*

Changes to the impairment calculation (Continued)

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

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

2.3 A CHANGE IN ACCOUNTING ESTIMATES

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

- Estimated residual value of vessels changed from US\$280 to US\$330 per ton
- Estimated residual value of certain containers changed from US\$560 – US\$896 to US\$780 – US\$900 per container

This constitutes a change in accounting estimates. In the opinion of the directors, based on the current business condition, the estimated residual value of these vessels and containers is more appropriately reflected by the change.

The change has been applied prospectively and has resulted in a decrease in depreciation of approximately RMB107,113,000 for the six months ended 30 June 2018.

3. OPERATING SEGMENT INFORMATION

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

3. OPERATING SEGMENT INFORMATION (Continued)

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

3. OPERATING SEGMENT INFORMATION (Continued)

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2018 and 31 December 2017, respectively:

	30 June 2018				31 December 2017				
	Shipping and industry-related leasing RMB'000 (Unaudited)	Container manufacturing RMB'000 (Unaudited)	Investment and service RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Shipping and industry-related leasing RMB'000 (Audited)	Container manufacturing RMB'000 (Audited)	Investment and service RMB'000 (Audited)	Others RMB'000 (Audited)	Total RMB'000 (Audited)
Segment assets	95,121,328	6,915,427	51,361,540	6,473	94,093,293	4,696,088	50,555,243	6,942	149,351,566
Elimination of intersegment assets				(8,812,930)					(10,313,906)
Total assets				<u>144,591,838</u>					<u>139,037,660</u>
Segment liabilities	66,483,743	5,450,338	46,197,051	-	66,052,830	3,130,924	45,033,261	25	114,217,040
Unallocated liabilities				17,463,394					17,542,265
Elimination of intersegment liabilities				(7,997,689)					(9,595,432)
Total liabilities				<u>127,596,837</u>					<u>122,163,873</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

With the adoption of HKFRS 15 from 1 January 2018, the disaggregation of the Group's revenue from contracts with customers, including sales of goods and rendering of services above, for the six months ended 30 June 2018 is as follows:

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

5. OTHER INCOME

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

6. OTHER (LOSSES)/GAINS, NET

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

7. INCOME TAX

According to the Corporate Income Tax ("CIT") Law of PRC, which was effective from 1 January 2008, the CIT rate applicable to the Company and its subsidiaries established in the PRC was 25% for the six months ended 30 June 2018 and 2017.

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

Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits of the Group's companies operating in Hong Kong for the six months ended 30 June 2018 (six months ended 30 June 2017: 16.5%).

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

8. DISCONTINUED OPERATION

During the year ended 31 December 2017, the board of directors and the shareholders' meeting approved the merger of China Shipping Finance Company Limited ("CS Finance"), a subsidiary of the Company, and COSCO Finance Company Limited, a fellow subsidiary of the Company (the "Merger"). During the six months ended 30 June 2018, China Banking and Insurance Regulatory Commission, as the regulation authority, approved the Merger. After the Merger had been completed, CS Finance would continue as the surviving company and be renamed as COSCO SHIPPING Finance Company Limited ("COSCO SHIPPING Finance"). The Company would be entitled to 23.38% equity interests of COSCO SHIPPING Finance as the consideration for its 65% equity interests of CS Finance. In the opinion of the directors, the Merger includes the deemed disposal of CS Finance and an acquisition of an associate. CS Finance represents a separate major operation, provision of banking services. As a result, CS Finance was classified as a disposal group held for sale and as a discontinued operation.

The results of the discontinued operation are presented below:

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited) (Restated)
Revenue	305,983	159,202
Cost	(111,851)	(43,399)
Selling and administrative expenses	(42,405)	(13,694)
Other income	24,262	9,580
Other gains, net	15,250	9,402
Profit before tax from the discontinued operation	191,239	121,091
Income tax expense related to ordinary activities	(44,272)	(30,869)
Profit for the period from the discontinued operation	146,967	90,222

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

8. DISCONTINUED OPERATION (Continued)

The major classes of assets and liabilities of CS Finance classified as held for sale as at 30 June 2018 are as follows:

	30 June 2018 RMB'000 (Unaudited)
Assets	
Property, plant and equipment	10,000
Intangible asset	2,995
Loans and receivables	4,799,535
Deferred tax assets	25,960
Financial assets at fair value through profit or loss	984,213
Prepayments and other receivables	44,566
Restricted cash	1,451,857
Cash and cash equivalents	12,448,441
	<hr/>
Assets of a disposal group classified as held for sale	19,767,567
	<hr/>
Liabilities	
Other payables and accruals	(96,327)
Deposits from customers	(15,221,751)
Deferred tax liabilities	(4,913)
	<hr/>
Liabilities directly associated with assets classified as held for sale	(15,322,991)
	<hr/>
Net assets directly associated with the disposal group	4,444,576
	<hr/> <hr/>

As of 30 June 2018, other comprehensive income and non-controlling interests in relation to the disposal group classified as held for sale were nil and RMB649,643,000, respectively.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

8. DISCONTINUED OPERATION (Continued)

The net cash flows incurred by CS Finance are as follows:

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Operating activities	(1,231,499)	(1,959,787)
Investing activities	61,867	(405,241)
Financing activities	–	600,000
Effect of foreign exchange rate changes, net	1,768	–
Net cash flows	(1,167,864)	(1,765,028)
Earnings per share (expressed in RMB per share):		
Basic and diluted, from the discontinued operation	0.0084	0.0049

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

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

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	228,657	997,630
From a discontinued operation	97,949	57,399
	326,606	1,055,029

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

9. EARNINGS PER SHARE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

	Number of shares for the six months ended	
	2018 (‘000)	2017 (‘000)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	11,683,125	11,683,125

There was no dilution effect on the ordinary shares for the period (six months ended 30 June 2017: nil).

10. DIVIDENDS

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

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment with a carrying amount of RMB2,998,979,000 (six months ended 30 June 2017: RMB1,598,127,000). Depreciation for items of property, plant and equipment was RMB1,537,819,000 during the period (six months ended 30 June 2017: RMB1,691,299,000).

The Group disposed of items of property, plant and equipment with a carrying amount of RMB109,101,000 during the six months ended 30 June 2018 (six months ended 30 June 2017: RMB1,592,234,000).

12. INVESTMENTS IN ASSOCIATES

	30 June 2018 RMB‘000 (Unaudited)	31 December 2017 RMB‘000 (Audited)
Share of net assets	21,166,439	20,158,800
Goodwill on acquisition	159,186	159,186
	21,325,625	20,317,986
Provision for impairment	(61,765)	(61,765)
	21,263,860	20,256,221

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

12. INVESTMENTS IN ASSOCIATES (Continued)

As of 30 June 2018, 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	22.71	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	1.379	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 interim condensed consolidated statement of financial position:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

12. INVESTMENTS IN ASSOCIATES (Continued)

	CIMC		CBB		CEB		BOK		Shanghai Life	
	30 June 2018	31 December 2017								
	RMB'000	RMB'000								
	(Unaudited)	(Audited)								
Current assets	64,114,386	59,001,923	102,223,263	142,228,004	941,382,000	736,351,000	133,971,230	126,882,076	18,846,565	4,254,283
Non-current assets	74,153,973	74,455,111	931,740,218	860,339,045	3,341,895,000	3,351,166,817	185,054,727	190,642,799	24,494,779	34,848,481
Total liabilities	93,816,704	87,385,381	979,808,909	954,101,747	3,978,802,231	3,782,807,000	289,566,953	289,586,511	37,925,361	33,357,499
Net assets attributable to owners of the parent	33,468,622	33,262,103	54,154,572	48,465,302	273,841,769	274,087,817	29,386,594	27,865,061	5,415,983	5,745,265
Other equity instrument – perpetual debt	-	2,033,043	-	-	-	-	-	-	-	-
Other equity instrument – preference share	-	-	29,947,000	29,947,000	-	-	-	-	-	-
Non-controlling interests	10,983,033	10,776,507	-	-	686,000	676,000	72,410	73,303	-	-
Net assets	44,451,655	46,071,653	54,154,572	48,465,302	304,474,769	304,710,817	29,459,004	27,938,364	5,415,983	5,745,265
Reconciliation to the Group's interests in the associates:										
Proportion of the Group's ownership	22.71%	22.73%	13.67%	13.67%	1.379%	1.379%	3.74%	3.74%	16.00%	16.00%
Group's share of net assets of the associates	7,600,724	7,560,476	7,402,930	6,625,207	3,776,278	3,779,671	1,099,059	1,042,153	866,557	919,242
Goodwill on acquisition	-	-	-	-	-	-	159,186	159,186	-	-
Provision for impairment	-	-	-	-	-	-	(61,765)	(61,765)	-	-
Carrying amounts of the investments	7,600,724	7,560,476	7,402,930	6,625,207	3,776,278	3,779,671	1,196,480	1,139,574	866,557	919,242
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	RMB'000	RMB'000								
	(Unaudited)	(Unaudited)								
Revenue	43,560,398	33,387,152	12,210,994	13,253,964	100,774,000	95,647,000	5,891,118	4,747,039	5,002,076	6,768,807
Attributable to owners of parent:										
Profit/(loss) for the period	616,878	676,708	5,616,715	5,079,058	17,350,036	16,223,533	1,791,444	1,676,551	(137,963)	(142,050)
Other comprehensive (loss)/income for the period	(222,582)	(352,281)	514,330	(227,899)	659,419	(1,388,008)	234,195	(77,219)	(191,319)	74,194
Total comprehensive income/(loss) for the period	394,296	324,427	6,131,045	4,851,159	18,009,455	14,835,525	2,025,639	1,599,332	(329,282)	(67,856)
Dividends declared	805,939	178,822	74,745	-	9,500,554	4,574,551	504,106	284,229	-	-

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

12. INVESTMENTS IN ASSOCIATES (Continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	For the six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Share of the associates' profit for the period	30,241	24,136
Share of the associates' other comprehensive loss	(454)	(168)
Share of the associates' total comprehensive income	29,787	23,968
	30 June	31 December
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Aggregate carrying amount of the Group's investments in the associates	420,891	232,051

13. FINANCIAL INVESTMENTS

	30 June	31 December
	2018	2017
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Held-for-trading investments:		
Debt investments, at fair value	–	547,428
Available-for-sale investments:		
Equity investments, at fair value	–	2,444,747
Equity investments, at cost	–	1,074,571
Debt investments, at fair value	–	494,381
	–	4,013,699
Financial assets at fair value through profit or loss:		
Equity investments, at fair value	3,162,507	–

As of 1 January 2018, held-for-trading investments and available-for-sale investments under HKAS 39 were transferred to financial assets at fair value through profit or loss under HKFRS 9 (note 2.2).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

14. FINANCE LEASE RECEIVABLES

The table below summarise the movements in impairment losses on finance lease receivables:

	30 June 2018 <i>RMB'000</i> (Unaudited)	30 June 2017 <i>RMB'000</i> (Unaudited)
At 1 January	473,300	336,969
Impairment losses recognised	108,760	55,223
Exchange realignment:	1,138	(2,790)
	583,198	389,402

15. 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 2018 <i>RMB'000</i> (Unaudited)	31 December 2017 <i>RMB'000</i> (Audited)
Within 3 months	2,001,929	740,338
4 to 6 months	43,258	69,761
7 to 12 months	23,999	31,098
Over 1 year	24,872	17,980
	2,094,058	859,177

The movements in provision for impairment of trade receivables are as follow:

	30 June 2018 <i>RMB'000</i> (Unaudited)	30 June 2017 <i>RMB'000</i> (Unaudited)
At 1 January	134,775	87,837
Impairment losses recognised	47,597	8,434
Amount written off as uncollectable	(565)	(241)
Exchange realignment	1,327	(557)
	183,134	95,473

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

16. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Cash and bank balances	6,581,309	24,941,812
Mandatory reserves with the central bank	–	(1,325,386)
Pledged time deposits for corporate bonds and general banking facilities	(486,809)	(178,325)
Pledged time deposits for bank acceptance bills	(374,409)	(174,393)
Pledged to customs as guarantees for import	(100)	(100)
Restricted insurance premium received	(49,673)	(70,308)
Restricted cash	(910,991)	(1,748,512)
Cash and cash equivalents	5,670,318	23,193,300

17. TRADE PAYABLES

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

18. COMMITMENTS

Capital commitment

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Contracted, but not provided for:		
Equity investments	709,517	1,910,500
Containers	633,652	661,839
	1,343,169	2,572,339

Credit Commitment

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

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Contracted, but not provided for:		
Irrevocable credit commitments	1,057,640	813,554

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

19. SIGNIFICANT RELATED PARTY TRANSACTIONS

	For the six months ended 30 June	
	2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Interest income from:		
Immediate holding company	15,774	38,413
Fellow subsidiaries	76,534	29,906
Interest expenses to:		
Immediate holding company	10,694	73,159
Fellow subsidiaries	264,830	102,803
Sales of goods to:		
Fellow subsidiaries	1,306,312	775,939
Purchases of goods from:		
Fellow subsidiaries	93,718	106,027
Rendering of services to fellow subsidiaries:		
Vessel chartering and container leasing	3,011,316	3,608,879
Management fee income	10,000	–
Finance lease income	5,722	7,584
Others	8,781	13,766
Receiving of services from:		
Fellow subsidiaries	637,643	513,359
Sales of items of property, plant and equipment:		
Fellow subsidiaries	–	1,245,809

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

20. 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 – debt instruments at amortised cost

	30 June 2018 RMB'000 (Unaudited)
Cash and cash equivalents	5,670,318
Restricted cash	910,991
Trade and notes receivables	2,094,058
Financial assets included in prepayments and other receivables	532,773
Finance lease receivables	31,965,525
Factoring receivables	618,627
	<hr/> <hr/> 41,792,292

Financial assets – financial assets at fair value through profit or loss

	30 June 2018 RMB'000 (Unaudited)
Financial assets at fair value through profit or loss	3,162,507
Derivative financial instruments	28,096
	<hr/> <hr/> 3,190,603

Financial assets – held-for-trading financial assets

	31 December 2017 RMB'000 (Audited)
Held-for-trading investments	547,428
Derivative financial instruments	16,096
	<hr/> <hr/> 563,524

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

20. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial assets – loans and receivables

	31 December 2017 RMB'000 (Audited)
Cash and cash equivalents	23,193,300
Restricted cash	1,748,512
Trade and notes receivables	859,177
Financial assets included in prepayments and other receivables	252,310
Finance lease receivables	27,421,121
Loans and receivables	3,917,917
Factoring receivables	529,799
	<hr/> <hr/> 57,922,136

Financial assets – available-for-sale financial assets

	31 December 2017 RMB'000 (Audited)
Available-for-sale financial assets	4,013,699
	<hr/> <hr/> 4,013,699

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

20. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities

	Financial liabilities at amortised costs 30 June 2018 RMB'000 (Unaudited)	Financial liabilities at amortised costs 31 December 2017 RMB'000 (Audited)
Trade payables	2,700,336	2,328,672
Financial liabilities included in other payables and accruals	3,231,527	1,944,748
Bank and other borrowings	97,295,533	95,421,295
Corporate bonds	5,262,273	4,415,306
Finance lease obligations	553,726	580,528
Deposits from customers	–	14,772,764
Other long term payables	2,326,982	2,004,643
	111,370,377	121,467,956

Financial liabilities – held-for-trading financial liabilities

	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Derivative financial instruments	1,960	–

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

21. 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 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Bank and other borrowings	54,371,472	63,849,439	53,811,456	63,705,423
Corporate bonds	3,104,899	2,803,325	3,024,438	2,781,927
Other long term payables	2,326,982	2,004,643	2,282,319	1,941,108
	59,803,353	68,657,407	59,118,213	68,428,458

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 finance lease receivables, factoring receivables, trade payables, financial liabilities included in other payables and accruals, the current portion of bank and other borrowings, the current portion of corporate bonds and the current portion of finance lease obligations, respectively, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The non-current portion of finance lease receivables and the non-current portion of finance lease obligations of the Group approximate to their fair values due to their carrying amounts are present value and internal rates of return are close to rates currently available for instruments with similar terms, credit risk and remaining maturities.

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

The fair value of the non-current portion of bank and other borrowings, 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. The differences between the carrying amounts and fair values of those financial liabilities are not significant.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Financial assets measured at fair value

30 June 2018

	Fair value measurement categorised into			Total RMB'000 (Unaudited)
	Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)	
Financial assets at fair value through profit or loss	33,228	3,129,279	–	3,162,507
Derivative financial instruments	–	28,096	–	28,096
	33,228	3,157,375	–	3,190,603

31 December 2017

	Fair value measurement categorised into			Total RMB'000 (Audited)
	Level 1 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Level 3 RMB'000 (Audited)	
Held-for-trading investments	547,428	–	–	547,428
Available-for-sale investments	76,160	2,862,968	–	2,939,128
Derivative financial instruments	–	16,096	–	16,096
	623,588	2,879,064	–	3,502,652

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2018

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

Fair value hierarchy (Continued)

Financial liabilities measured at fair value

30 June 2018

	Fair value measurement categorised into			Total RMB'000 (Unaudited)
	Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)	
Derivative financial instruments	–	1,960	–	1,960

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 2017: nil).

22. EVENT AFTER THE REPORTING PERIOD

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

23. COMPARATIVE AMOUNTS

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

24. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 30 August 2018.