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中遠海運發展股份有限公司
COSCO SHIPPING Development Co., Ltd.*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 02866)

**ANNOUNCEMENT OF THE UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

FINANCIAL HIGHLIGHTS (UNDER HKFRSs)

- Revenue amounted to RMB13,107,007,000
- Profit attributable to owners of the parent for the Period amounted to RMB2,695,009,000
- Basic earnings per share amounted to RMB0.1994

The board of directors (the “**Board**”) of COSCO SHIPPING Development Co., Ltd. (the “**Company**” or “**COSCO SHIPPING Development**”) hereby announces the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2022 (or the “**Period**”) prepared under Hong Kong Accounting Standard 34, “Interim Financial Reporting”, which has been reviewed by the audit committee of the Company (the “**Audit Committee**”). The Company’s auditor, SHINEWING (HK) CPA Limited, has reviewed the unaudited condensed consolidated interim financial information of the Group for the Period 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.

During the Period, the Group recorded revenue of RMB13,107,007,000, representing a decrease of 12.3% as compared with the restated revenue of RMB14,948,584,000 for the same period of last year; profit attributable to owners of the parent for the Period amounted to RMB2,695,009,000, representing a decrease of 11.2% as compared with the profit of RMB3,036,529,000 for the same period of last year. Basic earnings per share amounted to RMB0.1994.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

		FOR THE SIX MONTHS ENDED 30 JUNE	
	<i>Notes</i>	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited) (Restated)
CONTINUING OPERATIONS			
REVENUE	4	13,107,007	14,948,584
Cost of sales		<u>(9,915,937)</u>	<u>(11,013,968)</u>
Gross profit		3,191,070	3,934,616
Other income	5	146,638	54,398
Other gains, net	6	804,736	131,177
Selling, administrative and general expenses		(666,568)	(517,356)
Expected credit losses		(151,243)	(72,828)
Finance costs		(971,538)	(873,910)
Share of profits of:			
Associates		1,041,031	1,144,849
Joint ventures		<u>(28,517)</u>	<u>4,521</u>
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		3,365,609	3,805,467
Income tax expense	7	<u>(670,600)</u>	<u>(785,094)</u>
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		<u>2,695,009</u>	<u>3,020,373</u>
DISCONTINUED OPERATION			
Profit for the period from discontinued operations		<u>–</u>	<u>16,156</u>
PROFIT FOR THE PERIOD		<u>2,695,009</u>	<u>3,036,529</u>
Attributable to owners of the parent		<u>2,695,009</u>	<u>3,036,529</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
(expressed in RMB per share)	8		
Basic			
– For profit for the period		0.1994	0.2515
– For profit for the period from continuing operations		<u>0.1994</u>	<u>0.2501</u>
Diluted			
– For profit for the period		0.1993	0.2514
– For profit for the period from continuing operations		<u>0.1993</u>	<u>0.2500</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2022

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	2,695,009	3,036,529
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Associates		
Share of other comprehensive (expense)/income	(45,941)	51,632
Reclassification to profit or loss	(3,493)	(52)
	(49,434)	51,580
Share of other comprehensive expense of joint ventures	(385)	(102)
Effective portion of cash flow hedges	71,312	21,756
Exchange differences on translation of foreign operations	356,778	63,183
Comprehensive income that may be reclassified to profit or loss in subsequent periods	378,271	136,417
Other comprehensive income/(expense) that will not to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income/(expense) of associates	12,487	(2,855)
Other comprehensive income/(expense) that may not to be reclassified to profit or loss in subsequent periods:	12,487	(2,855)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF TAX	390,758	133,562
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,085,767	3,170,091
Attributable to owners of the parent	3,085,767	3,170,091

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 JUNE 2022

	30 June	31 December
	2022	2021
<i>Notes</i>	RMB'000	RMB'000
	(Unaudited)	(Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	39,855,353	38,432,202
Investment properties	100,062	95,338
Right-of-use assets	635,316	530,466
Intangible assets	45,616	181,563
Investments in joint ventures	156,799	185,701
Investments in associates	24,372,723	24,285,370
Financial assets at fair value through profit or loss	3,931,788	4,012,295
Finance lease receivables	32,648,458	30,931,971
Factoring receivables	107,857	194,870
Derivative financial instruments	34,409	–
Deferred tax assets	71,132	41,154
Other long term prepayments	241,820	157,713
	<hr/>	<hr/>
Total non-current assets	102,201,333	99,048,643
CURRENT ASSETS		
Inventories	5,611,740	6,901,763
Trade and notes receivables	3,487,361	1,372,306
Prepayments and other receivables	1,609,189	1,503,818
Financial assets at fair value through profit or loss	65,434	1,073,731
Finance lease receivables	3,340,173	3,217,218
Factoring receivables	980,087	1,479,284
Derivative financial instruments	32,745	–
Restricted and pledged deposits	178,508	148,413
Cash and cash equivalents	14,136,947	17,871,147
	<hr/>	<hr/>
Total current assets	29,442,184	33,567,680
	<hr/>	<hr/>
Total assets	131,643,517	132,616,323
	<hr/> <hr/>	<hr/> <hr/>

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

30 JUNE 2022

	<i>Notes</i>	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and notes payables	11	4,376,536	4,054,265
Other payables and accruals		5,978,300	2,519,119
Contract liabilities		1,706,984	1,313,944
Derivative financial instruments		–	3,934
Bank and other borrowings		35,991,762	41,884,085
Corporate bonds		7,500,000	3,500,000
Lease liabilities		47,173	47,226
Tax payable		520,238	562,072
Total current liabilities		56,120,993	53,884,645
NET CURRENT LIABILITIES		(26,678,809)	(20,316,965)
TOTAL ASSETS LESS CURRENT LIABILITIES		75,522,524	78,731,678
NON-CURRENT LIABILITIES			
Bank and other borrowings		39,134,123	40,345,183
Corporate bonds		8,000,000	5,000,000
Lease liabilities		49,322	66,466
Derivative financial instruments		–	223
Deferred tax liabilities		31,708	39,177
Government grants		36,721	22,113
Other long term payables		519,049	569,619
Total non-current liabilities		47,770,923	46,042,781
Net assets		27,751,601	32,688,897
EQUITY			
Share capital		13,586,477	13,586,477
Treasury shares		(173,155)	(233,428)
Other equity instruments		–	5,000,000
Other reserves		14,338,279	14,335,848
Total equity		27,751,601	32,688,897

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2022

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 2022, the principal activities of the Group were as follows:

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

In the opinion of the directors of the Company, 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 condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” and the 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 does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2021.

The interim condensed consolidated statement of financial position have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Going concern

The Group had net current liabilities of RMB26,678,809,000 as at 30 June 2022. The directors are of the opinion that based on the available unutilised banking facilities and unutilised quota for the issuance of corporate bonds as at 30 June 2022, 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.

2.2 CHANGES IN SIGNIFICANT 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 2021, except for the adoption of the following amendments to Hong Kong Financial Reporting Standards for the first time for the current period’s financial information.

Amendments to HKFRS 3
 Amendments to HKFRS 16
 Amendments to HKFRS 37
 Amendments to HKAS

Reference to the Conceptual Framework
 Property, Plant and Equipment – Proceeds before Intended Use
 Onerous Contracts – Cost of Fulfilling a Contract
 Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements.

3. OPERATING SEGMENT INFORMATION

The following table presents revenue and profit information for the Group's operating segments for the six months ended 30 June 2022 and 2021, respectively:

	For the six months ended 30 June 2022				For the six months ended 30 June 2021			
	Shipping leasing <i>RMB'000</i> (Unaudited)	Container manufacturing <i>RMB'000</i> (Unaudited)	Investment management service <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)	Shipping leasing <i>RMB'000</i> (Unaudited) (Restated)	Container manufacturing <i>RMB'000</i> (Unaudited) (Restated)	Investment management service <i>RMB'000</i> (Unaudited) (Restated)	Total <i>RMB'000</i> (Unaudited) (Restated)
Segment revenue:								
Sales of containers	-	9,052,963	-	9,052,963	-	12,100,393	-	12,100,393
Rendering of service	-	-	20,218	20,218	-	-	24,122	24,122
Total revenue from contracts with customers from external customers	-	9,052,963	20,218	9,073,181	-	12,100,393	24,122	12,124,515
Other revenue to external customers	3,979,893	-	53,933	4,033,826	2,752,687	-	71,382	2,824,069
Total revenue to external customers	3,979,893	9,052,963	74,151	13,107,007	2,752,687	12,100,393	95,504	14,948,584
Intersegment revenue from contracts with customers	-	3,660,406	4,910	3,665,316	-	2,404,750	4,925	2,409,675
Total revenue	<u>3,979,893</u>	<u>12,713,369</u>	<u>79,061</u>	<u>16,772,323</u>	<u>2,752,687</u>	<u>14,505,143</u>	<u>100,429</u>	<u>17,358,259</u>
Segment results	1,204,934	1,912,528	733,042	3,850,504	745,819	2,671,127	1,170,788	4,587,734
Elimination of intersegment results				(420,844)				(607,388)
Unallocated administrative and general expenses				(42,108)				(47,087)
Unallocated finance costs				(21,943)				(127,792)
Continuing operations								
Profit before tax				<u>3,365,609</u>				<u>3,805,467</u>

4. REVENUE

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Revenue from contracts with customers	9,073,181	12,124,515
Other revenue	4,033,826	2,824,069
	13,107,007	14,948,584

The disaggregation of the Group's revenue from contracts with customers, including sale of goods and rendering of services above, for the six months ended 30 June 2022 and 30 June 2021 is as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Type of goods or services		
Sales of containers	9,052,963	12,100,393
Rendering of service	20,218	24,122
Total revenue from contracts with customers	9,073,181	12,124,515
Geographical markets		
United States	3,468,396	7,816,376
Mainland China	2,267,318	1,543,846
Asia (excluding Hong Kong and Mainland China)	1,192,756	639,513
Europe	1,059,500	112,395
Hong Kong	882,438	1,964,640
Others	202,773	47,745
Total revenue from contracts with customers	9,073,181	12,124,515
Timing of revenue recognition		
Goods transferred at a point in time	9,052,963	12,100,393
Services transferred at a point in time	20,218	24,122
Total revenue from contracts with customers	9,073,181	12,124,515

5. OTHER INCOME

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited) (Restated)
Interest income	46,223	31,177
Government grant	64,840	12,032
Others	35,575	11,189
	<u>146,638</u>	<u>54,398</u>

6. OTHER GAINS/(LOSSES), NET

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited) (Restated)
Gain on disposal of items of property, plant and equipment	22,695	3,827
Gain on disposal of investments in an associate	14,008	23,236
Fair value (loss)/gain on financial assets at fair value through profit or loss	(112,712)	228,209
Foreign exchange gain/(loss), net	877,971	(149,394)
Donation expenditures for public interest	(5,332)	–
Others	8,106	25,299
	<u>804,736</u>	<u>131,177</u>

7. INCOME TAX EXPENSE

According to the Corporate Income Tax (“CIT”) Law of the PRC, which was effective from 1 January 2008, the CIT rate applicable to the Company and its subsidiaries established in the PRC was 25% for the six months ended 30 June 2022 and 2021.

Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong of the Group’s companies operating in Hong Kong for the six months ended 30 June 2022 (six months ended 30 June 2021: 16.5%).

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 subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Current income tax		
– PRC	648,378	693,788
– Hong Kong	12,617	15,941
– elsewhere	35,510	21,236
Deferred income tax	(25,905)	54,129
	<hr/>	<hr/>
Total tax charge for the period from continuing operations	670,600	785,094
Total tax charge for the period from discontinued operations	–	68,127
	<hr/>	<hr/>
	670,600	853,221
	<hr/> <hr/>	<hr/> <hr/>

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

Basic earnings per share amount are 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	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	2,695,009	2,883,121
From a discontinued operation	–	16,156
	<hr/>	<hr/>
	2,695,009	2,899,277
Interest on perpetual debts*	–	137,252
	<hr/>	<hr/>
Profit attributable to equity holders of the parent before interest on perpetual debts	2,695,009	3,036,529
	<hr/> <hr/>	<hr/> <hr/>

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Attributable to:		
From continuing operations	2,695,009	3,020,373
From a discontinued operation	–	16,156
	<u>2,695,009</u>	<u>3,036,529</u>
	Number of shares for the	
	six months ended 30 June	
	2022	2021
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	13,513,818	11,528,498
Effect of dilution-weighted average number of ordinary shares:		
Share options	<u>5,673</u>	<u>5,173</u>
	<u>13,519,491</u>	<u>11,533,671</u>

* The Company issued perpetual debts during the years ended 31 December 2019 and 2018. The dividend distribution and repurchase of shares of the Company triggered the mandatory interest payment event of perpetual debts. No interest on perpetual debts incurred for the six months ended 30 June 2022. For the purpose of calculating basic earnings per ordinary share in respect of the six months ended 30 June 2021, the portion of RMB137,252,000 attributable to perpetual debts was deducted from profits attributable to equity holders of the Company.

9. INTERIM DIVIDENDS

The Board did not recommend the distribution of any interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

10. TRADE AND NOTES RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	3,629,894	1,445,710
Notes receivable	622	–
	<hr/> 3,630,516	<hr/> 1,445,710
Impairment	(143,155)	(73,404)
	<hr/> 3,487,361 <hr/>	<hr/> 1,372,306 <hr/>

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 3 months	2,336,129	1,356,412
Over 3 months but within 6 months	861,109	10,275
Over 6 months but within 12 months	285,744	4,562
Over 1 year	4,379	1,057
	<hr/> 3,487,361 <hr/>	<hr/> 1,372,306 <hr/>

11. TRADE PAYABLES

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 3 months	4,338,871	3,509,520
Over 3 months but within 6 months	36,427	362,519
Over 6 months but within 12 months	942	155,897
Over 1 year	296	26,329
	<hr/> 4,376,536 <hr/> <hr/>	<hr/> 4,054,265 <hr/> <hr/>

12. EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 30 June 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING ENVIRONMENT

In the first half of 2022, the continuous spread of the COVID-19 pandemic, the global supply chain disruptions and geopolitical conflicts had a continued impact on the global economy, thus inflation has become a global concern. According to the latest Global Economic Prospects published by the World Bank, the global economic growth expectations for 2022 has been lowered again. The fluctuation in the shipping market was intensified by repeated outbreaks of the COVID-19 pandemic, supply chain congestion and geopolitics.

In the second half of 2022, the international economic and political situation became increasingly complicated and serious, coupled with the emergence of various uncertainties. Geopolitical situations, the high inflation in major European and American countries and the impact of the COVID-19 pandemic on the global economy will exert influence on the supply and demand and the operation efficiency of the global shipping industry. Despite many uncertainties in the external environment, the fundamentals of China's long-term economic development remain sound and unchanged and steady growth is still the main focus of the domestic economic development in the second half of 2022. Meanwhile, the global shipping industry is still at a historical high level in spite of the adjustment over the previous period.

DEVELOPMENT STRATEGY OF THE COMPANY

1. Strategic Position

COSCO SHIPPING Development will integrate shipping logistics-related resources including cargo source, capital, information and equipment, and fully leverage its advantages in the shipping industry to serve and empower the shipping logistics industry, expand the capital flow value of the shipping logistics ecosystem, and develop into an excellent world-class financial operator in the shipping industry with characteristics of COSCO SHIPPING.

2. Development Goals

With a focus on integrated logistics industry, the Company will develop container manufacturing, container leasing and shipping leasing business as the core business, with a view to pursuing industry-finance integrated development underpinned by investment. Leveraging the advantage of its container industry chain, the Company will explore container-based fintech integrating the flow of goods, capital and information, empower its shipping logistics ecosystem, enhance the loyalty of industry chain customers and create value for customers. With market-oriented approaches, professional strengths and an international vision, the Company aspires to grow into an excellent world-class financial operator in the shipping industry with COSCO SHIPPING's characteristics.

3. Development Plans

(1) *Shipping Leasing Business*

The vessel leasing business focuses on the operating lease or finance lease of various vessels, such as container vessels and dry bulk cargo vessels. The Company will, based on its existing business, gradually set up a high-level professional investment and financing team and strengthen the synergy between “leasing and manufacturing, leasing and trading, and leasing and shipping”, so as to become a first-class domestic ship owner leasing enterprise. In the short term, the Company will optimize the current business model of industry-finance integration for the fleet, explore asset-light vessel investment and financing mode and build a leading management platform for shipping equipment leasing within the Group. In the long run, it will gradually increase the proportion of external business and work out a “one-stop” business model leveraging COSCO SHIPPING’s advantages of full industrial chain deployment, in an attempt to establish a unique competitive edge in the industry.

The container leasing business, as an integral part of the container industry chain, mainly involves container leasing and trading of various kinds. The Company will strive to develop as a leading world-class leasing company with unique competitive edges on the basis of the current leasing business of Florens International Limited. In the short term, the Company will follow the guideline of “consolidating core businesses while seizing market opportunities”, strengthen the development on special container and reefer container business, study smart container leasing, improve the coordination between “manufacturing and leasing” and between “leasing and shipping”, promote the dual model of lease and sale, leverage the cyclical supply of and demand for containers to tap profits externally and generate synergy internally. In the long term, the Company will strive to seize market opportunities, actively enhance asset quality, prepare for seizing consolidation opportunities in the industry, optimize its contract portfolios, explore ways to optimize the structure of shareholders and improve corporate governance, and intensify independent development ability so as to enhance the rate of return and long-term core competitiveness.

(2) *Container Manufacturing Business*

In respect of container manufacturing, the Company will focus on industry collaboration, intelligent manufacturing and diversified development, guarantee the container supply security of the principal shipping business, and coordinate with the industry-finance platform while creating value for the industry, in a drive to achieve high-quality development of the container manufacturing segment. The Company will enhance the integrated management of entrusted assets and improve quality and efficiency, prepare for assets consolidation, improve the synergy in the container industry chain, strengthen dry container manufacturing, enhance the development of special container and reefer container business, explore the research and development of smart containers, and branch out into peripheral equipment of containers relating to the application scenarios of containers. We will improve and maintain the industry’s healthy operating environment, with an aim to develop ourselves into a world-class container manufacturing company with strong technological edge and high capacity efficiency and profitability.

(3) *Investment Management Business*

We will give equal weight to strategic value and financial returns, adhere to the principal business of shipping logistics, aim at integration of industry and finance utilizing investment measures, continuously focus on investment areas, optimize investment portfolios, strengthen asset operation, gradually exit non-core financial investments strategically, reduce the fluctuation risks of portfolios and increase investment gains to smooth out the shipping business cycle. The Company will maintain its investment focus and make full use of capital to attract and integrate high-quality assets, intellectual property and resources based on the application scenarios of shipping, port and logistics industries, and provide intelligence and capital injection services for the “digitalised, networked and intelligent” development of the shipping logistics industry, in an effort to boost industry upgrading.

OPERATION REVIEW OF THE GROUP

Since 2022, COSCO SHIPPING Development has fully implemented new development philosophies and established a new development pattern to deepen the reform, while improving quality and efficiency and continuously enhancing its competitiveness. COSCO SHIPPING Development also strengthened internal coordination based on the integration of industry and finance to promote supply chain services, and ensured the steady growth and quality improvement of operation efficiency while devoting efforts to prevent and control the pandemic.

The Group recorded revenue of RMB13,107,007,000 for the Period, representing a decrease of 12.3% as compared with the restated revenue of RMB14,948,584,000 for the same period of last year; profit before tax from continuing operations amounted to RMB3,365,609,000, representing a decrease of 11.6% as compared with the restated profit of RMB3,805,467,000 for the same period of last year; profit attributable to owners of the parent for the Period amounted to RMB2,695,009,000, representing a decrease of 11.2% as compared with the profit of RMB3,036,529,000 for the same period of last year.

Analysis of segment results is as follows:

Unit: RMB'000

Segment	Revenue			Cost		
	For the six months ended 30 June 2022	For the six months ended 30 June 2021 (Restated)	Change	For the six months ended 30 June 2022	For the six months ended 30 June 2021 (Restated)	Change
Shipping leasing business	3,979,893	2,752,687	44.6%	2,196,826	1,363,201	61.2%
Container manufacturing business	12,713,369	14,505,143	(12.4%)	10,688,194	11,430,558	(6.5%)
Investment management business	79,061	100,429	(21.3%)	25,365	24,196	4.8%
Offset amount	(3,665,316)	(2,409,675)	52.1%	(2,994,448)	(1,803,987)	66.0%
Total	13,107,007	14,948,584	(12.3%)	9,915,937	11,013,968	(10.0%)

1. ANALYSIS OF SHIPPING LEASING BUSINESS

1) *Operating Revenue*

The Group recorded revenue from the leasing business of RMB3,979,893,000 for the six months ended 30 June 2022, representing an increase of 44.6% as compared with the restated revenue of RMB2,752,687,000 for the same period of last year, which accounted for 30.4% of the total revenue of the Group.

Revenue from the vessel leasing business amounted to RMB1,173,456,000, representing an increase of 21.7% as compared with the restated revenue of RMB964,297,000 for the same period of last year. The increase was mainly due to the year-on-year increase of the scale of fleet under operating leases. As at 30 June 2022, the total vessel assets of the Group under operating leases increased by 88.2% year on year.

Revenue from leasing, management and sales of containers amounted to RMB2,806,437,000, representing an increase of 56.9% as compared with the restated revenue of RMB1,788,390,000 for the same period of last year. The increase was mainly due to the year-on-year increases in sales volume and the unit selling price of retired and trading containers as a result of the disposal of old and retired containers at a higher price by seizing the opportunity of the favorable market condition and the increased efforts on the trade of second-hand containers to improve the asset efficiency for the Period.

2) *Operating Costs*

Operating costs of the leasing business mainly include the depreciation and maintenance costs of self-owned vessels and containers, net carrying value of sale of containers returned upon expiry and interest costs of finance lease business. Operating costs of the leasing business for the six months ended 30 June 2022 amounted to RMB2,196,826,000, representing a year-on-year increase of 61.2% as compared with the restated costs of RMB1,363,201,000 for the same period of last year, which was mainly due to a year-on-year increase in line with the increase in the volume of shipping leasing business.

2. ANALYSIS OF CONTAINER MANUFACTURING BUSINESS

1) *Operating Revenue*

For the six months ended 30 June 2022, the Group recorded operating revenue from the container manufacturing business of RMB12,713,369,000, representing a year-on-year decrease of 12.4% as compared with the restated revenue of RMB14,505,143,000 for the same period of last year, primarily attributable to the declined demand for new containers as a result of the increase in the number of containers on the market and gradual recovery of the container turnover rate. The Group's container sales amounted to 575,866 TEU for the Period, representing a year-on-year decrease of 20.2% as compared with 721,873 TEU for the same period of last year. Although the price of new containers dropped from a higher level at the beginning of the year, the average unit selling price of the Company's containers rose over the same period of last year by virtue of its increasing efforts in the development of special containers and the solicitation of high-priced container orders from ship owners.

2) Operating Costs

Operating costs of the container manufacturing business mainly consist of raw material costs, employee compensation and depreciation expenses. The operating costs for the six months ended 30 June 2022 amounted to RMB10,688,194,000, representing a year-on-year decrease of 6.5% as compared with the restated costs of RMB11,430,558,000 for the same period of last year. Such decrease was mainly due to the decrease in production costs such as materials and labor as the sales volume decreased.

3. ANALYSIS OF INVESTMENT MANAGEMENT BUSINESS

1) Operating Revenue

For the six months ended 30 June 2022, the Group recorded revenue from the investment management business of RMB79,061,000, representing a decrease of 21.3% as compared with the restated revenue of RMB100,429,000 for the same period of last year.

2) Operating Costs

Operating costs for the six months ended 30 June 2022 amounted to RMB25,365,000, representing an increase of 4.8% as compared with the restated costs of RMB24,196,000 for the same period of last year.

3) Net Investment Income

For the six months ended 30 June 2022, the Group recorded net income from the investment management business of RMB920,680,000, representing a decrease of 25.2% as compared with the restated income of RMB1,231,517,000 for the same period of last year. The decrease in income was mainly attributable to the decrease in profit of associates in which the Group held investments and a year-on-year decrease in income from change in fair value of financial assets held.

GROSS PROFIT

Due to the above reasons, the Group recorded a gross profit of RMB3,191,070,000 for the six months ended 30 June 2022 (the restated gross profit for the same period of last year was RMB3,934,616,000).

SIGNIFICANT SECURITIES INVESTMENT

For the six months ended 30 June 2022, the Company's equity investments in associates and joint ventures generated a profit of RMB1,012,514,000, which was mainly attributable to the profits from China Everbright Bank Co., Ltd., Haifa Baocheng Financial Leasing Co., Ltd. (海發寶誠融資租賃有限公司) and China Bohai Bank Co., Ltd. for the Period.

1. Shareholdings in Other Listed Companies

Stock code	Company name	Shareholding			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
		Initial investment cost (RMB)	at the beginning of the Period (%)	Shareholding at the end of the Period (%)							
09668	China Bohai Bank Co., Ltd.	1,975,315,000	11.12	11.12	9,865,393,000	437,258,000	172,000	-	171,852,000	Investment in associates	Purchase
000039/ 02039	China International Marine Containers (Group) Co., Ltd	809,380,000	3.61	2.66	1,322,187,000	87,917,000	5,445,000	18,885,000	-	Investment in associates	Purchase
601818	China Everbright Bank Co., Ltd.	3,398,255,000	1.34	1.34	5,064,952,000	280,074,000	(24,495,000)	-	145,524,000	Investment in associates	Purchase
600643	Shanghai AJ Group Co., Ltd.	25,452,000	0.22	0.22	20,962,000	(2,687,000)	-	-	778,000	Financial assets at fair value through profit or loss	Purchase
000617	CNPC Capital Company Limited	240,000,000	0.33	0.27	163,727,000	(236,904,000)	-	2,741,000	-	Financial assets at fair value through profit or loss	Purchase
600390	Minmetals Capital Co., Ltd.	1,155,438,000	3.17	3.17	697,868,000	(35,880,000)	-	-	-	Financial assets at fair value through profit or loss	Purchase
Total		<u>7,603,840,000</u>	<u>/</u>	<u>/</u>	<u>17,135,089,000</u>	<u>529,778,000</u>	<u>(18,878,000)</u>	<u>21,626,000</u>	<u>318,154,000</u>		

2. Shareholdings in Financial Enterprises

Name of investee	Initial investment cost (RMB)	Shareholding		Book value at the end of the Period (RMB)	Gain during the Period (RMB)	Changes in other reserve during the Period (RMB)	Dividends received during the Period (RMB)	Accounting ledger	Sources of the shareholding
		at the beginning of the Period (%)	Shareholding at the end of the Period (%)						
Bank of Kunlun Co., Ltd.	1,077,153,000	3.74	3.74	1,469,905,000	61,648,000	1,757,000	13,077,000	Investment in associates	Purchase
CIB Fund Management Co., Ltd	100,000,000	10.00	10.00	413,373,000	18,273,000	-	5,000,000	Investment in associates	Purchase
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd.	125,000,000	25.00	25.00	99,034,000	(30,558,000)	(385,000)	-	Investment in associates	Purchase
Chinese Enterprise Elephant Financial Information Services Company Limited	20,000,000	14.29	14.29	21,912,000	(34,000)	-	-	Investment in associates	Purchase
Shanghai COSCO SHIPPING Microfinance Company Limited	90,000,000	45.00	45.00	99,136,000	2,949,000	-	-	Investment in associates	Purchase
COSCO SHIPPING Finance Company Limited	1,934,677,000	23.38	23.38	2,223,662,000	91,809,000	1,622,000	-	Investment in associates	Purchase
Haifa Baocheng Financial Leasing Co., Ltd.	3,575,320,000	49.70	47.55	3,748,756,000	196,024,000	(14,273,000)	111,514,000	Investment in associates	Purchase
Total	6,922,150,000	/	/	8,075,778,000	340,111,000	(11,279,000)	129,591,000		

(a) Summary of principal business of the investees in the investments

Name of investee	Exchange	Principal business
China Bohai Bank Co., Ltd.	Hong Kong Stock Exchange	Bank business
Bank of Kunlun Co., Ltd.	/	Bank business
Haifa Baocheng Financial Leasing Co., Ltd.	/	Leasing business
CIB Fund Management Co., Ltd.	/	Fund management business
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd.	/	Leasing business
Chinese Enterprise Elephant Financial Information Services Company Limited	/	Financial information service
Shanghai COSCO SHIPPING Microfinance Company Limited	/	Loan extending and other business
COSCO SHIPPING Finance Company Limited	/	Bank business
China International Marine Containers (Group) Co., Ltd. ("CIMC")	Shenzhen Stock Exchange/ Hong Kong Stock Exchange	Manufacturing and sales of containers
Shanghai AJ Group Co., Ltd.	Shanghai Stock Exchange	Investment in industries and other financial business
China Everbright Bank Co., Ltd.	Shanghai Stock Exchange	Bank business
Minmetals Capital Co., Ltd.	Shanghai Stock Exchange	Integrated financial business
CNPC Capital Company Limited	Shenzhen Stock Exchange	Integrated financial business

The stock market was volatile during the six months ended 30 June 2022. The Company expects the investment portfolio of the Group (including the above significant investments) will be subject to the fluctuations of interest rates, market factors and macroeconomic factors, etc. Moreover, the market value of individual shares will be affected by the financial results, development plans as well as industry prospects of the relevant companies. To mitigate the relevant risks, the Group will take appropriate measures in due course and adjust its investment strategies in response to market circumstances.

INCOME TAX

For the six months ended 30 June 2022, 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 are subject to applicable CIT when dividends are declared by such offshore subsidiaries. The Company uses an applicable tax rate in accordance with relevant regulations to pay CIT on profits of the offshore subsidiaries.

SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

For the six months ended 30 June 2022, the Group’s selling, administrative and general expenses amounted to RMB666,568,000, representing an increase of 28.8% as compared with the restated expenses for the same period of last year.

OTHER GAINS

For the six months ended 30 June 2022, other gains of the Group amounted to RMB804,736,000, representing an increase of approximately RMB673,559,000 as compared with the restated other gains of RMB131,177,000 for the same period of last year, mainly attributable to the increase in exchange gain as a result of fluctuation of USD against RMB during the Period.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT FOR THE PERIOD

The profit attributable to owners of the parent of the Company for the six months ended 30 June 2022 was RMB2,695,009,000, representing a decrease of 11.2% as compared with the profit of RMB3,036,529,000 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, construction of new vessels, procurement of containers, and the Group’s financial leasing business. During the Period, the Group’s net operating cash inflow was RMB4,747,780,000. As at 30 June 2022, the Group’s cash and cash equivalents amounted to RMB14,136,947,000.

As at 30 June 2022, the Group's total bank and other borrowings amounted to RMB75,125,885,000, with RMB35,991,762,000 repayable within one year. The Group's long-term bank and other borrowings are mainly used for the procurement of vessels and containers, equity acquisitions and replenishment of liquidity.

As at 30 June 2022, the Group's RMB-denominated corporate bonds payables amounted to RMB15,500,000,000, which were used for the purchase of financial lease assets, repayment of loans and replenishment of liquidity.

The Group's RMB-denominated borrowings at fixed interest rates amounted to RMB14,146,000,000. USD-denominated borrowings at fixed interest rates amounted to USD1,344,836,000 (equivalent to approximately RMB9,025,734,000), RMB-denominated borrowings at floating interest rates amounted to RMB5,831,309,000, and USD-denominated borrowings at floating interest rates amounted to USD6,872,313,000 (equivalent to approximately RMB46,122,842,000). The Group's borrowings are settled in RMB or USD while its cash and cash equivalents are primarily denominated in RMB and USD.

The Group expects that capital needs for regular working capital 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 2022, the Group's net current liabilities amounted to RMB26,678,809,000. Current assets mainly included inventories of RMB5,611,740,000, trade and notes receivables of RMB3,487,361,000, prepayments and other receivables of RMB1,609,189,000, the current portion of finance lease receivables of RMB3,340,173,000, cash and cash equivalents of RMB14,136,947,000, and restricted deposits of RMB178,508,000. Current liabilities mainly included trade payables of RMB4,376,536,000, other payables and accruals of RMB5,978,300,000, contract liabilities of RMB1,706,984,000, tax payable of RMB520,238,000, short-term bank borrowings of RMB15,654,015,000, current portion of long-term borrowings of RMB20,337,747,000, corporate bonds of RMB7,500,000,000, and current portion of lease liabilities of RMB47,173,000.

Cash Flows

For the six months ended 30 June 2022, the Group's net cash inflow generated from operating activities was RMB4,747,780,000, denominated principally in RMB and USD, representing an increase of RMB3,121,125,000 as compared with the net cash inflow generated from operating activities of RMB1,626,655,000 for the corresponding period of 2021. The cash inflow generated from financing activities of the Group for the Period was mainly derived from bank and other borrowings and such funds were used mainly for short-term operation and the purchase and construction of vessels and containers. The balance of cash and cash equivalents as at 30 June 2022 decreased by RMB3,734,200,000 as compared with that at the beginning of the Period, mainly because the net cash outflow generated from financing activities exceeded the net cash inflow generated from investing activities and operating activities.

The following table provides the information regarding the Group's cash flows for the six months ended 30 June 2022 and 30 June 2021:

	<i>Unit: RMB</i>	
	30 June 2022	30 June 2021
Net cash generated from operating activities	4,747,780,000	1,626,655,000
Net cash generated from/(used in) investing activities	15,698,000	(10,295,549,000)
Net cash (used in)/generated from financing activities	(9,209,673,000)	7,564,464,000
Impact of exchange rate movement on cash	711,995,000	(54,216,000)
	<u>4,747,780,000</u>	<u>1,626,655,000</u>

Net Cash Generated from Operating Activities

For the six months ended 30 June 2022, the net cash inflow generated from operating activities was RMB4,747,780,000, representing an increase of RMB3,121,125,000 as compared with the net cash inflow generated from operating activities of RMB1,626,655,000 for the same period of last year. The cash flow generated from operating activities of the Group continued to remain stable growth.

Net Cash Generated from Investing Activities

For the six months ended 30 June 2022, the net cash inflow generated from investing activities was RMB15,698,000, representing an increase of RMB10,311,247,000 as compared with the net cash outflow used in investing activities of RMB10,295,549,000 for the same period of last year. The increase in the Group's net cash generated from investing activities was mainly due to the deconsolidation of Haifa Baocheng Financial Leasing Co., Ltd. (海發寶誠融資租賃有限公司) (formerly known as COSCO SHIPPING Leasing Co., Ltd. (中遠海運租賃有限公司)) for the six months ended 30 June 2022 and the slow down of the investment in vessels and container leasing business according to market conditions.

Net Cash Used in Financing Activities

For the six months ended 30 June 2022, the net cash outflow used in financing activities was RMB9,209,673,000, representing a decrease of RMB16,774,137,000 as compared with the net cash inflow generated from financing activities of RMB7,564,464,000 for the same period of last year. The decrease was mainly because that the Company strengthened its efforts on debts management and arranged investments appropriately which reduced the external financing needs. For the six months ended 30 June 2022, the Group's bank and other borrowings amounted to RMB17,017,905,000, repayment of bank and other borrowings amounted to RMB27,007,126,000, and proceeds from new issuance of bonds amounted to RMB9,000,000,000.

Use of Proceeds and Future Plans

Upon consideration at the 30th meeting of the sixth session of the Board and the 36th meeting of the sixth session of the Board of the Company and approved by the 2021 first extraordinary general meeting, 2021 first A shareholders class meeting and 2021 first H shareholders class meeting, and the Approval on the Acquisition of Assets through Issuance of Shares of COSCO SHIPPING Development Co., Ltd. to COSCO SHIPPING Investment Holdings Co., Ltd. and Raising Ancillary Funds (Zheng Jian Xu Ke [2021] No.3283) (《關於核准中遠海運發展股份有限公司向中遠海運投資控股有限公司發行股份購買資產並募集配套資金申請的批覆》(證監許可[2021]3283號)) issued by the China Securities Regulatory Commission, the Company completed the acquisition of assets through issuance of Shares and raising ancillary funds through non-public issuance of A shares in 2021. Under the transactions related to non-public issuance of A shares, the Company issued 530,434,782 RMB ordinary shares to 8 eligible investors, including China Shipping Group Company Limited, at the issue price of RMB2.76 per share by inquiry (the “**Non-public Issuance of A Shares**”). Total proceeds from the issuance were RMB1,463,999,998.32 and actual net proceeds were RMB1,460,904,954.84, net of issue cost of RMB3,095,043.48. Such proceeds were fully received on 16 December 2021 and were verified by ShineWing Certified Public Accountants LLP, who issued a Capital Verification Report (No. XYZH/2021BJAA131539) in this regard on 17 December 2021.

To regulate the management, storage and use of proceeds and protect the legitimate rights and interests of investors, the Company has formulated the Proceeds Management Policies according to the Measures for the Administration of the Funds Raised by Listing Companies on the Shanghai Stock Exchange (《上海證券交易所上市公司募集資金管理辦法》) and the Regulatory Guidelines for Listed Companies No.2 – Regulatory Requirements for the Management and Use of Funds Raised by Listed Companies (《上市公司監管指引第2號 – 上市公司募集資金管理和使用的監管要求》) and other laws and regulations. According to the Proceeds Management Policies, the Company implemented special account placement for proceeds from the Non-public Issuance of A Shares. A special bank account has been opened with China Development Bank Shanghai Branch for the exclusive deposit, management and utilization of the proceeds from the Non-public Issuance of A Shares. A Tripartite Supervision Agreement for the Designated Accounts for Proceeds was entered among the Company, China International Capital Corporation Limited and China Development Bank Shanghai Branch in January 2022. In addition, the subsidiaries of project implementation entities of the Company have opened up a special account for the proceeds with Bank of China Limited, Shanghai Branch for the exclusive deposit, management and utilization of the proceeds. In February 2022, they entered into the Quadripartite Supervision Agreement for Proceeds with the Company, China International Capital Corporation Limited and Bank of China Limited, Shanghai Branch.

As of 31 December 2021, the use of proceeds from the Non-public Issuance of A Shares is as follows:

	<i>Unit: RMB</i>
	Amount of proceeds
Item	
Net proceeds	1,460,904,954.84
Less: accumulated expenditure for 2021	–
Less: bank charges	–
Plus: equity registration fees not deducted	503,043.48
Plus: interest income recorded in the special account	61,162.84
Balance in the special account for proceeds as of 31 December 2021	<u>1,461,469,161.16</u>

As of 31 December 2021, the use of proceeds from the Non-public Issuance of A Shares is as follows:

	<i>Unit: RMB0'000</i>				
	Total committed investment of proceeds	Total investment of proceeds after adjustment	Proceeds utilized	Proceeds unutilized	Date of project reaching the scheduled usable status
Item					
Production lines technology transformation project	19,400.00	19,400.00	–	19,400.00	May 2023
Container production lines technology transformation project	20,000.00	20,000.00	–	20,000.00	July 2023
Logistics equipment transformation project	9,200.00	9,200.00	–	9,200.00	May 2024
Information system upgrade and setup project	8,800.00	8,800.00	–	8,800.00	May 2023
Replenishment of the working capital of the Company	89,000.00	88,690.50	–	88,690.50	N/A
	<u>146,400.00</u>	<u>146,090.50</u>	<u>–</u>	<u>146,090.50</u>	<u>–</u>
Total					

As of 31 December 2021, the use and intended use of proceeds from the Non-public Issuance of A Shares are in line with the use of proceeds as previously disclosed.

As of 30 June 2022, the use of proceeds from the Non-public Issuance of A Shares is as follows:

	<i>Unit: RMB</i>
Item	Amount of proceeds
Net proceeds	1,460,904,954.84
Less: total accumulated proceeds used	1,130,887,210.06
Including: amount of projects financed by the proceeds in the first half of 2022	900,076,135.32
Utilized amount in previous years	–
Portion of replacement of the pre-invested internal funds with the proceeds	230,811,074.74
Less: bank charges	351.19
Plus: interest income recorded in the special account	805,999.48
Balance in the special account for proceeds as of 30 June 2022	<u>330,823,393.07</u>

In order to ensure the implementation of the project construction, the subsidiaries of project implementation entities of the Company have invested in the proceeds-funded projects with self-raised funds in advance according to the actual situation of the project progress before receiving the proceeds. The details are as follows:

		<i>Unit: RMB</i>	
No.	Proceeds-funded project	Implementation entity	Pre-invested amount
1	Production lines technology transformation project	Dong Fang International Container (Qidong) Co., Ltd. (寰宇東方國際集裝箱(啟東)有限公司)	108,621,990.97
2	Container production lines technology transformation project	Dong Fang International Container (Qingdao) Co., Ltd. (寰宇東方國際集裝箱(青島)有限公司)	96,058,931.10
3	Logistics equipment transformation project	Dong Fang International Container (Ningbo) Co., Ltd. (寰宇東方國際集裝箱(寧波)有限公司)	6,274,409.57
4	Information system upgrade and setup project	Shanghai Universal Logistics Technology Co., Ltd. (上海寰宇物流科技有限公司)	19,855,743.10
Total			<u>230,811,074.74</u>

Pursuant to the Special Audit Report on the Replacement of Self-raised Funds Pre-invested in Investment Projects with the Proceeds by COSCO SHIPPING Development Co., Ltd. (No. XYZH/2022BJAA130022) (《中遠海運發展股份有限公司以募集資金置換預先投入募投項目自籌資金的專項審核報告》) (XYZH/2022BJAA130022號) issued by ShineWing Certified Public Accountants LLP, the Company replaced self-raised funds pre-invested in investment projects of RMB230,811,074.74 with the proceeds on 18 February 2022, including production lines technology transformation project of RMB108,621,990.97, container production lines technology transformation project of RMB96,058,931.10, logistics equipment transformation project of RMB6,274,409.57 and information system upgrade and setup project of RMB19,855,743.10. According to the opinions expressed by the independent financial adviser, the supervisory committee and independent directors of the Company on the aforesaid replacement of self-raised funds pre-invested in investment projects with the proceeds, the relevant legal procedures of the above matter are believed to be performed to comply with the relevant requirements under the Regulatory Guidelines for Listed Companies No. 2 – Regulatory Requirements for the Management and Use of Funds Raised by Listed Companies (Revision 2022) (《上市公司監管指引第2號 – 上市公司募集資金管理和使用的監管要求》(二零二二年修訂)) and the Guidelines of Shanghai Stock Exchange for Self-Regulatory Supervision by Listed Companies (No. 1) – Standardized Operations (《上海證券交易所上市公司自律監管指引第1號 – 規範運作》).

As of 30 June 2022, the use of proceeds from the Non-public Issuance of A Shares is as follows:

Unit: RMB0'000

Item	Total committed investment of proceeds	Total investment of proceeds after adjustment	Proceeds utilized	Proceeds unutilized	Date of project reaching the scheduled usable status
Production lines technology transformation project	19,400.00	19,400.00	11,211.56	8,188.44	May 2023
Container production lines technology transformation project	20,000.00	20,000.00	10,030.22	9,969.78	July 2023
Logistics equipment transformation project	9,200.00	9,200.00	785.39	8,414.61	May 2024
Information system upgrade and setup project	8,800.00	8,800.00	2,371.06	6,428.94	May 2023
Replenishment of the working capital of the Company	89,000.00	88,690.50	88,690.50	0.00	N/A
Total	146,400.00	146,090.50	113,088.72	33,001.77	–

As of 30 June 2022, the use and intended use of proceeds from the Non-public Issuance of A Shares are in line with the use of proceeds as previously disclosed. For the details of intended use of proceeds from the Non-public Issuance of A Shares, please refer to the circular of the Company dated 24 May 2021 and the overseas regulatory announcements.

Average Turnover Days of Trade and Notes Receivables

As at 30 June 2022, the Group's net amount of trade and notes receivables was RMB3,487,361,000, representing an increase of RMB2,115,055,000 as compared with that for the same period of last year, of which notes receivables increased by RMB622,000 and trade receivables increased by RMB2,114,433,000, which was mainly due to the decrease in orders of containers and slight increase in credit term of collection of sales proceeds from external customers as compared to the end of last year.

Gearing Ratio

As at 30 June 2022, the Company's net gearing ratio (i.e. net debts over shareholders' equity) was 275%, which was higher than that of 223% as at 31 December 2021. The increase in net gearing ratio was mainly due to an increase in net liabilities as a result of the increase in interest-bearing liabilities and the decrease in monetary capitals as at the end of the Period, coupled with a slight decrease in shareholders' equity.

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 2022, the Group recorded an exchange gain of RMB877,971,000, which was mainly due to fluctuations of the USD exchange rate during the Period; the increase in exchange difference which was charged to equity attributable to shareholders of the parent amounted to RMB356,778,000. The Group will continue to monitor the exchange rate fluctuation of RMB and major international settlement currencies, reduce the loss arising from exchange rate fluctuation, and take appropriate measures to mitigate the Group's foreign exchange risk when necessary.

Capital Expenditures

For the six months ended 30 June 2022, the Group's expenditures on the acquisition of containers, machinery and equipment and other expenditures amounted to RMB1,998,244,000, expenditures on the acquisition of finance lease assets amounted to RMB3,857,029,000.

Capital Commitments

As at 30 June 2022, the Group had RMB1,407,664,000 in capital commitment to fixed assets which had been contracted but not provided for, and RMB217,363,000 in equity investment commitment.

Pledge

As at 30 June 2022, certain container vessels and containers with net carrying value of approximately RMB20,397,621,000 (31 December 2021: RMB18,672,682,000), finance lease receivables of RMB14,242,360,000 (31 December 2021: RMB12,497,828,000) and restricted deposits of RMB42,926,000 (31 December 2021: RMB57,775,000) of the Group were pledged for the grant of bank borrowings and issuance of corporate bonds.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

References are made to the announcement and the circular of the Company respectively dated 19 May 2022 and 9 June 2022, in relation to the shareholding restructuring and the capital increase agreement of COSCO SHIPPING Finance Company Limited (“**COSCO SHIPPING Finance**”).

Pursuant to the shareholding restructuring, the following agreements were entered into by relevant parties on 19 May 2022:

- (1) the equity transfer agreement entered into by COSCO SHIPPING Holdings Co., Ltd. (“**COSCO SHIPPING Holdings**”), COSCO International Freight Co., Ltd., COSCO (Tianjin) Co., Ltd., COSCO (Qingdao) Co., Ltd., COSCO (Xiamen) Co., Ltd., China Marine Bunker (Petro China) Co., Ltd., COSCO Shipbuilding Industry Company Ltd. and COSCO Shipyard Group Co., Ltd., pursuant to which COSCO SHIPPING Holdings conditionally agreed to purchase an aggregate of 15.1258% of the equity interests of COSCO SHIPPING Finance from other parties thereto;
- (2) the equity transfer agreement entered into by China Ocean Shipping Company Limited (“**COSCO**”) and the Company, pursuant to which the Company conditionally agreed to sell and COSCO conditionally agreed to purchase 10.0000% of the equity interests of COSCO SHIPPING Finance;
- (3) the equity transfer agreement entered into by COSCO SHIPPING Logistics Co., Ltd. (“**COSCO SHIPPING Logistics**”), China Ocean Shipping Agency Co., Ltd. (“**China Agency**”) and China Ocean Shipping Tally Co., Ltd. (“**China Tally**”), pursuant to which COSCO SHIPPING Logistics conditionally agreed to purchase, China Agency and China Tally conditionally agreed to sell an aggregate of 4.8018% of the equity interests of COSCO SHIPPING Finance; and
- (4) the equity transfer agreement entered into by COSCO SHIPPING Specialized Carriers Co., Ltd. (“**COSCO SHIPPING Specialized**”) and Guangzhou Ocean Shipping Co., Ltd. (“**Guangzhou Ocean**”), pursuant to which COSCO SHIPPING Specialized conditionally agreed to purchase and Guangzhou Ocean conditionally agreed to sell 3.5214% of the equity interests of COSCO SHIPPING Finance.

In addition to the shareholding restructuring, in order to increase the capital adequacy ratio for COSCO SHIPPING Finance to further develop its business and enhance its overall profitability, on 19 May 2022, each of the post-restructuring shareholders (including (1) the Company, (2) COSCO SHIPPING Lines Co., Ltd., (3) China COSCO Shipping Corporation Ltd., (4) COSCO, (5) COSCO SHIPPING Holdings, (6) COSCO SHIPPING Energy Transportation Co., Ltd., (7) COSCO SHIPPING Specialized and (8) COSCO SHIPPING Logistics) entered into the capital increase agreement, pursuant to which the post-restructuring shareholders conditionally agreed to increase the registered capital of COSCO SHIPPING Finance by an aggregate of RMB13,500,000,000 (equivalent to approximately HK\$16,200,000,000) in proportion to their respective ++1shareholdings of COSCO SHIPPING Finance after completion of the shareholding restructuring. Accordingly, the Company agreed to contribute RMB1,806,840,000 (equivalent to approximately HK\$2,168,208,000) pursuant to the capital increase agreement. Upon completion of the shareholding restructuring and the capital increase, the registered capital of COSCO SHIPPING Finance will be increased from RMB6,000,000,000 to RMB19,500,000,000, while the shareholding by the Company in COSCO SHIPPING Finance will remain at 13.3840%.

For further details, please refer to the announcement dated 19 May 2022, the circular dated 9 June 2022 and the announcement on poll results of the 2021 annual general meeting of the Company dated 30 June 2022.

SUBSEQUENT EVENTS

There were no significant subsequent events for the Group after 30 June 2022.

CONTINGENT LIABILITIES

As at 30 June 2022, there were no significant contingent liabilities for the Group.

EMPLOYEES, TRAINING AND BENEFITS

As at 30 June 2022, the Group had 11,748 employees, and the total staff costs for the Period (including staff remuneration, welfare and social insurance) amounted to approximately RMB1,352,788,000 (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 “contractual management, differential compensation”, the senior management of the Company has introduced and implemented the professional manager system and strengthened the incentive and restraint mechanism based on performance management. The Company’s comprehensive remuneration system applicable to the employees of the Company mainly consists of: 1. salaries, including position/title salary, performance salary, special incentives and allowances; 2. benefits, including mandatory social insurance, provident housing fund and corporate welfares.

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

DIVIDEND

The Board did not recommend the distribution of any interim dividend for the six months ended 30 June 2022.

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

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

AUDIT COMMITTEE

The Audit Committee 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 interim results of the Company for the Period and agreed to the accounting treatment adopted by the Company.

CORPORATE GOVERNANCE CODE

The Company was in full compliance with all the applicable 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. Having made specific enquiry by the Company of all directors and supervisors, the directors and supervisors have each confirmed their compliance 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.

DISCLOSURE OF INFORMATION

This announcement is published on the website of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) at <http://www.hkexnews.hk> and the Company’s website at <http://development.coscoshipping.com>. The interim report of the Company for the six months ended 30 June 2022, which includes the relevant financial information as required by Appendix 16 to the Listing Rules, will be despatched by the Company to its shareholders and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
COSCO SHIPPING Development Co., Ltd.
Cai Lei
Joint Company Secretary

Shanghai, the People’s Republic of China
30 August 2022

As at the date of this announcement, the Board comprises Mr. Liu Chong and Mr. Zhang Mingwen, being executive directors of the Company, Mr. Huang Jian, Mr. Liang Yanfeng and Mr. Ip Sing Chi, being non-executive directors of the Company, and Mr. Cai Hongping, Mr. Lu Jianzhong, Ms. Zhang Weihua and Mr. Shao Ruiqing, being independent non-executive directors of the Company.

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