



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

INTERIM REPORT 2022



SHIPPING FINANCIAL SERVICE PLATFORM



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Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Liu Chong (*Chairman of the Board*)
Mr. Zhang Mingwen

NON-EXECUTIVE DIRECTORS

Mr. Huang Jian
Mr. Liang Yanfeng
Mr. Ip Sing Chi

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cai Hongping
Mr. Lu Jianzhong
Ms. Zhang Weihua
Mr. Shao Ruiqing

SUPERVISORS

Mr. Ye Hongjun (*Chairman*)
Ms. Zhu Mei
Mr. Zhao Xiaobo

EXECUTIVE COMMITTEE

Mr. Liu Chong (*Chairman*)
Mr. Zhang Mingwen

INVESTMENT STRATEGY COMMITTEE

Mr. Liu Chong (*Chairman*)
Mr. Zhang Mingwen
Mr. Huang Jian
Mr. Liang Yanfeng
Mr. Ip Sing Chi
Mr. Cai Hongping
Mr. Shao Ruiqing

RISK CONTROL COMMITTEE

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Mr. Cai Hongping (*Chairman*)
Ms. Zhang Weihua
Mr. Shao Ruiqing

NOMINATION COMMITTEE

Mr. Shao Ruiqing (*Chairman*)
Mr. Liu Chong
Mr. Cai Hongping

CHIEF ACCOUNTANT

Mr. Lin Feng

JOINT COMPANY SECRETARIES

Mr. Cai Lei
Ms. Ng Sau Mei

AUTHORISED REPRESENTATIVES

Mr. Liu Chong
Mr. Cai Lei

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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

SHINEWING (HK) CPA Limited

DOMESTIC AUDITOR

ShineWing Certified Public Accountants LLP

LEGAL ADVISERS

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
China Merchants Bank
The Export-Import Bank of China
ING Bank N.V.
Bank of Communications
Shanghai Pudong Development Bank
China Construction 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 "Hong Kong Stock Exchange")

LISTING DATE

16 June 2004

NUMBER OF H SHARES IN ISSUE

3,676,000,000 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

9,910,477,301 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 RMB13,107,007,000
- Profit attributable to owners of the parent for the six months ended 30 June 2022 (the “**Period**”) amounted to RMB2,695,009,000
- Basic earnings per share amounted to RMB0.1994



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 Co., Ltd. (the “**Company**” or “**COSCO SHIPPING Development**”, together with its subsidiaries collectively referred to as the “**Group**”) 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.



Management Discussion and Analysis

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		Change	Cost		Change
	For the six months ended 30 June 2022	For the six months ended 30 June 2021 (Restated)		For the six months ended 30 June 2022	For the six months ended 30 June 2021 (Restated)	
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%)



Management Discussion and Analysis

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.



3) Details of the Company's finance leasing business

The Group entered into finance lease arrangements with leased assets for certain vessels, machinery, equipment and facilities used in shipping, transportation and logistics industries, etc. The terms of finance leases entered into mainly range from one to ten years. The interest rate of finance leases mainly ranges from 1.91% to 11.18%. Finance lease receivables of the Group are secured over the assets leased. As of 31 December 2021 and 30 June 2022, the total present value of minimum finance lease receivables of the Company amounted to RMB35,075,510,000 and RMB37,072,427,000, respectively.

As of 31 December 2021 and 30 June 2022, the balance of finance lease transactions for the largest single client of the Group accounted for approximately 11.23% and 11.66% of the total assets of the Group, respectively, while the balance of finance lease transactions for the largest single group client accounted for approximately 17.86% and 18.47% of the total assets of the Group, respectively.

The following table sets forth the degree of concentration of single client and single group client of the Group as at 31 December 2021:

Concentration indicator	Balance of finance lease transactions as of 31 December 2021 (RMB)	Balance of finance lease transactions as a percentage of the total assets of the Group
Degree of concentration of single client financing	14,886,773,000	11.23%
Degree of concentration of single group client financing	23,682,097,000	17.86%

The following table sets forth the degree of concentration of single client and single group client of the Group as at 30 June 2022:

Concentration indicator	Balance of finance lease transactions as of 30 June 2022 (RMB)	Balance of finance lease transactions as a percentage of the total assets of the Group
Degree of concentration of single client financing	15,353,082,000	11.66%
Degree of concentration of single group client financing	24,318,711,000	18.47%

Management Discussion and Analysis

The following table sets forth details of the financing amount raised by the top ten single clients of the Group as of 31 December 2021:

Name of the client	Business segment	Financing amount (RMB)	Percentage of finance lease related assets before allowance for impairment losses
Client A ⁽¹⁾	Ship leasing	14,886,773,000	42.44%
Client B ⁽¹⁾	Ship leasing	5,051,627,000	14.40%
Client C ⁽¹⁾	Ship leasing	3,743,697,000	10.67%
Client D	Ship leasing	756,999,000	2.16%
Client E	Ship leasing	577,109,000	1.65%
Client F	Ship leasing	565,716,000	1.61%
Client G	Ship leasing	550,062,000	1.57%
Client H	Ship leasing	401,566,000	1.14%
Client I	Container leasing	326,335,000	0.93%
Client J	Ship leasing	314,539,000	0.90%
Total	–	27,174,423,000	77.47%

Note:

- (1) Client A, Client B and Client C are subsidiaries of the same holding company, as such, they are companies of the same group.

Management Discussion and Analysis

The following table sets forth details of the financing amount raised by the top ten single clients of the Group as of 30 June 2022:

Name of the client	Business segment	Financing amount (RMB)	Percentage of finance lease related assets before allowance for impairment losses
Client A ⁽¹⁾	Ship leasing	15,353,082,000	41.41%
Client B ⁽¹⁾	Ship leasing	5,181,536,000	13.98%
Client C ⁽¹⁾	Ship leasing	3,784,093,000	10.21%
Client D	Container leasing	2,428,063,000	6.55%
Client E	Ship leasing	770,254,000	2.08%
Client F	Ship leasing	580,433,000	1.57%
Client G	Ship leasing	562,383,000	1.52%
Client H	Ship leasing	405,445,000	1.09%
Client I	Ship leasing	288,691,000	0.78%
Client J	Ship leasing	288,691,000	0.78%
Total	–	29,642,671,000	79.96%

Note:

- (1) Client A, Client B and Client C are subsidiaries of the same holding company, as such, they are companies of the same group.

The following table sets forth the industrial distribution of net amount of finance lease receivables of the Group as at 31 December 2021:

Business segment	Balance of finance lease transactions at 31 December 2021 (RMB in 100 millions)	Percentage of finance lease related assets before allowance for impairment losses
Ship leasing	334.49	95.36%
Transportation and logistics	11.34	3.23%
Container leasing	4.95	1.41%
Total	350.78	100.00%

Management Discussion and Analysis

The following table sets forth the industrial distribution of net amount of finance lease receivables of the Group as at 30 June 2022:

Business segment	Balance of finance lease transactions at 30 June 2022 (RMB in 100 millions)	Percentage of finance lease related assets before allowance for impairment losses
Ship leasing	334.50	90.15%
Transportation and logistics	10.10	2.72%
Container leasing	26.44	7.13%
Total	371.04	100.00%

The Group has implemented the following internal control measures in terms of loan collection:

- (1) the shipping leasing division (航運租賃事業部) of the Company has implemented an asset management policy to proactively manage potential risks in connection with the Company's leased assets;
- (2) the asset management department (資產管理部門) of the Company's shipping leasing division conducts regular inspections of the leased assets to identify any potential risks in the lessees' operations and to ensure that the leased assets are in satisfactory condition. On-site inspections shall be carried out immediately in the event of emergency (including but not limited to serious accidents, seizure of the leased assets by authorities, or bankruptcy of the lessees);
- (3) in the event of non-payment of rent, the asset management department will attempt to collect the unpaid amount and any interests thereof from the lessee by making telephone or written demand, or carry out onsite collection from the lessees, depending on the number of day(s) such payment is overdue and the circumstances of the lessees;
- (4) depending on factors such as the value of the leased assets, business operations and creditworthiness of the lessees and how the Company monitors the assets, the asset management department categorizes the leased assets into five classes and takes appropriate monitoring/collection actions according to the classes assigned to specific assets from time to time; and
- (5) for leased assets the rental payment of which is overdue for more than 30 days, the shipping leasing division may further attempt to collect from the lessees, bring legal or arbitral proceedings against the lessees, or apply for seizure of property or specific performance from the court, depending on the circumstances.



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 year-on-year 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).

Management Discussion and Analysis

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. (海發實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	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
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		7,603,840,000	/	/	17,135,089,000	529,778,000	(18,878,000)	21,626,000	318,154,000		

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)	Dividends received during the Period (RMB)	Accounting ledger	Sources of the shareholding
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.



Management Discussion and Analysis

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 of directors (the "Board") of the Company 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:

Unit: RMB

	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)

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.

Management Discussion and Analysis

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:

Unit: RMB

Item	Amount of proceeds
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	1,461,469,161.16

Management Discussion and Analysis

As of 31 December 2021, 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	–	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
Total	146,400.00	146,090.50	–	146,090.50	–

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:

Unit: RMB

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	330,823,393.07

Management Discussion and Analysis

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:

Unit: RMB

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			230,811,074.74

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.



Management Discussion and Analysis

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 AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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 shareholdings 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.

Save as disclosed in this report, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during the Period and there was no future plan for material investments or addition of capital assets approved by the Board as at the date of this report.

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.

Management Discussion and Analysis

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.

SHARE CAPITAL

As at 30 June 2022, the share capital of the Company was as follows:

Types of shares	Number of issued shares	Percentage (%)
A shares	9,910,477,301	72.94
H shares	3,676,000,000	27.06
Total	13,586,477,301	100.00

INTERESTS OR SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE(S) IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, 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 were required to be notified to the Company and the Hong Kong 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) were taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to 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 (%)
Liu Chong	Chairman of the Board	A shares	Beneficial owner	1,490,100(L) (Note 2)	0.02	0.01
		H shares	Other	1,112,903(L) (Notes 3 and 4)	0.03	0.01

Notes:

- “L” means long position in the shares.
- Such interests relate to share options granted to the directors on 30 March 2020 pursuant to A Share Option Incentive Scheme of the Company.
- 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 2022, 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.
- 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 of 30 June 2022. 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 of 30 June 2022. As of 30 June 2022, Mr. Liu Chong does not hold any shares.

Management Discussion and Analysis

Save as disclosed above, as at 30 June 2022, 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 were required to be notified to the Company and the Hong Kong 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) are taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

As at 30 June 2022, 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 Hong Kong 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 Hong Kong 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 Limited ("China Shipping")	A shares	Beneficial owner	4,628,015,690 (L)	46.70	34.06
	A shares	Interest of controlled corporation	1,447,917,519 (L) (Note 2)	14.61	10.66
	H shares	Interest of controlled corporation	100,944,000 (L) (Note 3)	2.75	0.74
China COSCO SHIPPING Corporation Limited	A shares	Interest of controlled corporation	6,075,933,209 (L)	61.30	44.72
	A shares	Beneficial owner	47,570,789 (L)	0.48	0.35
	H shares	Interest of controlled corporation	100,944,000 (L) (Note 3)	2.75	0.74
COSCO SHIPPING Investment Holdings Co., Limited	A shares	Beneficial owner	1,447,917,519 (L) (Note 2)	14.61	10.66



Notes:

1. "L" means long position in the shares.
2. Such 1,447,917,519 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 2022, 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 Hong Kong 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 Hong Kong 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 2021 annual report of the Company are set out as follows:

Name	Position	Change
Wang Daxiong	Chairman of the Board	Resigned
	Executive director	Resigned
	Chairman of the executive committee of the Company (the " Executive Committee ")	Resigned
	Chairman of the investment strategy committee of the Company (the " Investment Strategy Committee ")	Resigned
Xu Hui	Member of the nomination committee of the Company (the " Nomination Committee ")	Resigned
	Executive director	Resigned
Liu Chong	Member of the Executive Committee	Resigned
	Chairman of the Board	Appointed
	Chairman of the Executive Committee	Appointed
Zhang Mingwen	Chairman of the Investment Strategy Committee	Appointed
	Member of the Nomination Committee	Appointed
	Executive director	Appointed
	Member of the Executive Committee	Appointed
	Member of the Investment Strategy Committee	Appointed

Management Discussion and Analysis

A SHARE OPTION INCENTIVE SCHEME

On 5 March 2020, the A Share Option Incentive Scheme was approved by the shareholders of the Company at the extraordinary general meeting and the class meetings of the Company. The total number of the share options to be granted under the A Share Option Incentive Scheme is 88,474,448 (inclusive of 8,847,445 reserved share options) and the underlying A shares in relation thereto are 88,474,448 A shares, representing approximately 0.7622% of the then total issued share capital of the Company and 1.1154% of the then A share capital of the Company.

As set out in the section headed “Employees, Training and Benefits” of this report, the purpose of the A Share Option Incentive Scheme is to, among other things, facilitate the establishment and improvement of the incentive systems of the Company and incentivize the senior management and core management and business personnel of the Group, thereby tying the interests of the Company, the shareholders and the management together and facilitating the achievement of the development targets of the Company.

On 30 March 2020 (the “**First Date of Grant**”), an aggregate of 78,220,771 share options was granted to 124 participants, which comprises nine directors and senior management of the Company and 115 core management and business personnel of the Group. The closing price of A shares on the First Date of Grant was RMB1.99 per A Share. Pursuant to the Administrative Measures on Share Incentives of Listed Companies (《上市公司股權激勵管理辦法》), the Listing Rules and other regulations, and the authorization by the 2020 first extraordinary general meeting, the 2020 first A Shares class meeting and the 2020 first H Shares class meeting, the Board determined 6 May 2021 to be the date of grant for the reserved share options (the “**Reserved Share Options**”) (the “**Second Date of Grant**”, together with the First Date of Grant, each hereinafter referred to as the “**Date of Grant**”) on which the remaining 8,847,445 share options, being the Reserved Share Options, were granted to 19 participants determined by the Board, who are other core management and business personnel of the Group (excluding directors and senior management). The closing price of A shares on the Second Date of Grant was RMB2.94 per A Share.

The vesting period of the A Share Option Incentive Scheme is two years from the respective Date of Grant and the exercise period of the share options shall be a term of seven years commencing from the respective Date of Grant. The exercise price of the share options is RMB2.52 per A share. The exercise price of share options could be adjusted according to rights, dividend issuance or other similar changes in the share capital of the Company. A resolution was approved by the Board on 29 April 2022, the exercise price of share options was adjusted to RMB2.419 per share according to the A Share Option Incentive Scheme. For details, please refer to the overseas regulatory announcement of the Company dated 29 April 2022. Subject to the satisfaction of the conditions of exercise, the share options granted under the A Share Option Incentive Scheme will be exercisable in three tranches after the expiration of the vesting period in accordance with the following arrangement:

Exercise period	Duration	Proportion of share options exercisable to the total number of share options granted
First exercise period	Commencing on the first trading day after the expiration of the 24-month period from the Date of Grant and ending on the last trading day of the 36-month period from the Date of Grant.	1/3
Second exercise period	Commencing on the first trading day after the expiration of the 36-month period from the Date of Grant and ending on the last trading day of the 48-month period from the Date of Grant.	1/3
Third exercise period	Commencing on the first trading day after the expiration of the 48-month period from the Date of Grant and ending on the last trading day of the 84-month period from the Date of Grant.	1/3

Details of movement of the share options granted under the A Share Option Incentive Scheme during the Period were as follows:

Category	Number of share options					Outstanding as at 30 June 2022	Percentage of total issued A share capital of the Company (%)	Percentage of total issued share capital of the Company (%)
	Outstanding as at 1 January 2022	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period			
Directors								
Wang Daxiong (Retired)	1,500,000	-	-	1,500,000	-	-	-	-
Liu Chong	1,490,100	-	-	-	-	1,490,100	0.0150	0.0110
Xu Hui (Retired)	1,490,100	-	496,700	-	-	993,400	0.01002	0.0073
Senior management of the Company	6,662,300	-	1,168,099	-	-	5,494,201	0.0554	0.0404
Other core management and business personnel of the Group	75,925,656	-	18,895,613	7,886,917	-	49,143,126	0.4959	0.3617
Total	87,068,156	-	20,560,412	9,386,917	-	57,120,827	0.5764	0.4204

The Group exercised the first batch of share options granted on 23 May 2022. A total of 20,560,412 A shares were exercised at the exercise price of RMB2.419. The weighted average closing price of A shares of the Company before the date of exercise was RMB3.14.

As at 27 April 2022 (i.e., the date of the Company's 2021 annual report), the Company had 87,068,156 share options (including options held by employees of Haifa Baocheng Financial Leasing Co., Ltd.) outstanding under the A Share Option Incentive Scheme. Pursuant to the terms of the A Share Option Incentive Scheme, the exercise in full of the outstanding share options would result in the transfer of a total of 78,220,711 A Shares held as treasury shares or repurchased from the secondary market to the option grantees, and the transfer of 8,847,445 A Shares of the Company directionally issued to the option grantees. The 87,068,156 A Shares which would be transferred to the option grantees upon the full exercise of the outstanding share options represented approximately 0.88% of the total issued A Shares of the Company and approximately 0.64% of the total issued Shares of the Company, as at 27 April 2022.

As at 30 June 2022, the Company had 57,120,827 share options outstanding under the A Share Option Incentive Scheme. Pursuant to the terms of the A Share Option Incentive Scheme, the exercise in full of the outstanding share options would result in the transfer of a total of 48,273,382 A Shares held as treasury shares or repurchased from the secondary market to the option grantees, and the transfer of 8,847,445 A Shares of the Company directionally issued to the option grantees. The 57,120,827 A Shares which would be transferred to the option grantees upon the full exercise of the outstanding share options represented approximately 0.58% of the total issued A Shares of the Company and approximately 0.42% of the total issued Shares of the Company, as at 30 June 2022.

Further details of the A Share Option Incentive Scheme are set out in Note 15 to the interim condensed consolidated financial information of this report.



Management Discussion and Analysis

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.

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

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

Report on Review of Condensed Consolidated Interim Financial Statements



SHINEWING (HK) CPA Limited
17/F, Chubb Tower, Windsor House,
311 Gloucester Road,
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣告士打道311號
皇室大廈安達人壽大樓17樓

TO THE BOARD OF DIRECTORS OF COSCO SHIPPING DEVELOPMENT CO., LTD

中遠海運發展股份有限公司

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

INTRODUCTION

We have reviewed the condensed consolidated interim financial statements of COSCO SHIPPING Development Co., Ltd (the "Company") and its subsidiaries set out on pages 33 to 60, which comprise the condensed consolidated statement of financial position as of 30 June 2022 and the related condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and other 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 financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review, and to report our conclusion 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 HKICPA. A review of these condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Report on Review of Condensed Consolidated Interim Financial Statements (continued)

CONCLUSION

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

OTHER MATTER

The comparative condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period ended 30 June 2021 and the relevant explanatory notes included in these condensed consolidated interim financial statements were extracted from the interim financial information of the Group for the six-month period ended 30 June 2021 reviewed by another auditor who expressed an unmodified conclusion on that interim financial information on 30 August 2021, for which certain comparative financial information has been adjusted by the directors of the Company as described in note 2.3 to these condensed consolidated interim financial statements.

The comparative condensed consolidated statement of financial position as at 31 December 2021 and the relevant explanatory notes included in these condensed consolidated interim financial statements were extracted from the consolidated financial statements of the Group for the year ended 31 December 2021 audited by the same auditor who expressed an unmodified opinion on those consolidated financial statements on 30 March 2022.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Chan Wing Kit

Practising Certificate Number: P03224

Hong Kong

30 August 2022

Condensed Consolidated Statement of Profit or Loss

FOR THE SIX MONTHS ENDED 30 JUNE 2022

		FOR THE SIX MONTHS ENDED 30 JUNE	
	Notes	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited) (Restated)
CONTINUING OPERATIONS			
Revenue	4	13,107,007	14,948,584
Cost of sales		(9,915,937)	(11,013,968)
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 results of:			
Associates		1,041,031	1,144,849
Joint ventures		(28,517)	4,521
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	3,365,609	3,805,467
Income tax expense	8	(670,600)	(785,094)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		2,695,009	3,020,373
DISCONTINUED OPERATION			
Profit for the period from discontinued operations		–	16,156
PROFIT FOR THE PERIOD		2,695,009	3,036,529
Attributable to owners of the parent		2,695,009	3,036,529
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (expressed in RMB per share)			
Basic			
– For profit for the period	9	0.1994	0.2515
– For profit for the period from continuing operations		0.1994	0.2501
Diluted			
– For profit for the period		0.1993	0.2514
– For profit for the period from continuing operations		0.1993	0.2500

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) (Restated)
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
Net other 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)
Net other comprehensive income/(expense) that may not to be reclassified to profit or loss in subsequent periods	12,487	(2,855)
OTHER COMPREHENSIVE INCOME 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

Condensed Consolidated Statement of Financial Position

30 JUNE 2022

	<i>Notes</i>	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	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	12	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
Total non-current assets		102,201,333	99,048,643
CURRENT ASSETS			
Inventories		5,611,740	6,901,763
Trade and notes receivables	13	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	12	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
Total current assets		29,442,184	33,567,680
Total assets		131,643,517	132,616,323

Condensed Consolidated Statement of Financial Position (continued)

30 JUNE 2022

	<i>Notes</i>	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
CURRENT LIABILITIES			
Trade and notes payables	14	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	16	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	16	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

Condensed Consolidated Statement of Financial Position (continued)

30 JUNE 2022



	30 June 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
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

Liu Chong

Director

Zhang Mingwen

Director

Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Share capital	Share premium	Treasury shares	Other equity instruments	Share option reserves	Other capital reserves	Share of other comprehensive income using the equity method	Cash flow hedge reserves	Exchange fluctuation reserves	Special reserves	Surplus reserves (a)	Retained profits	Total equity
Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022 (audited)	13,586,477	20,054,374	(233,428)	5,000,000	12,778	(21,447,846)	(198,013)	(6,159)	(2,598,706)	-	1,951,184	16,568,236	32,688,897
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	2,695,009	2,695,009
Other comprehensive income (expense) for the period:													
Share of other comprehensive expense of associates	-	-	-	-	-	(36,947)	-	-	-	-	-	-	(36,947)
Share of other comprehensive expense of joint ventures	-	-	-	-	-	(385)	-	-	-	-	-	-	(385)
Effective portion of changes in fair value of hedging instruments, net of tax	-	-	-	-	-	-	-	71,312	-	-	-	-	71,312
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	356,778	-	-	-	356,778
Total comprehensive income for the period	-	-	-	-	-	-	(37,332)	71,312	356,778	-	-	2,695,009	3,085,767
Proceeds from exercise of share options	-	(4,312)	60,273	-	(6,225)	-	-	-	-	-	-	-	49,736
Equity-settled share option arrangements	-	-	-	-	3,324	-	-	-	-	-	-	-	3,324
Repayment of other equity instruments	-	-	-	(5,000,000)	-	-	-	-	-	-	-	-	(5,000,000)
Share of other capital reserves using the equity method	-	-	-	-	-	111	-	-	-	-	-	-	111
Share of other capital reserves using the equity method reclassified to profit or loss upon disposal	-	-	-	-	-	(19,039)	-	-	-	-	-	-	(19,039)
Dividends declared	-	-	-	-	-	-	-	-	-	-	-	(3,057,195)	(3,057,195)
Transfer from retained profits	-	-	-	-	-	-	-	-	-	21,002	-	(21,002)	-
Utilisation of reserve funds	-	-	-	-	-	-	-	-	-	(16,388)	-	16,388	-
At 30 June 2022 (unaudited)	13,586,477	20,050,062	(173,155)	-	9,877	(21,466,774)	(235,345)	65,153	(2,241,928)	4,614	1,951,184	16,201,436	27,751,601

Condensed Consolidated Statement of Changes in Equity (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Other equity instruments RMB'000	Share option reserves RMB'000	Other capital reserves RMB'000	Share of other comprehensive income using the equity method RMB'000	Cash flow hedge reserves RMB'000	Exchange fluctuation reserves RMB'000	Special reserves RMB'000	Surplus reserves (a) RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2021 (audited)	11,608,125	17,009,944	(233,428)	6,000,000	5,528	(17,843,663)	135,982	(22,660)	(2,603,057)	1,360	1,607,282	11,740,277	27,405,690
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	3,036,529	3,036,529
Other comprehensive income (expense) for the period:													
Share of other comprehensive income of associates	-	-	-	-	-	-	48,725	-	-	-	-	-	48,725
Share of other comprehensive expense of joint ventures	-	-	-	-	-	-	(102)	-	-	-	-	-	(102)
Effective portion of changes in fair value of hedging instruments, net of tax	-	-	-	-	-	-	-	21,756	-	-	-	-	21,756
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	63,183	-	-	-	63,183
Total comprehensive income for the period	-	-	-	-	-	-	48,623	21,756	63,183	-	-	3,036,529	3,170,091
Equity-settled share option arrangements	-	-	-	-	4,236	-	-	-	-	-	-	-	4,236
Share of other capital reserves using the equity method	-	-	-	-	-	(97)	-	-	-	-	-	-	(97)
Share of other capital reserves using the equity method reclassified to profit or loss upon disposal	-	-	-	-	-	(605)	-	-	-	-	-	-	(605)
Dividends declared	-	-	-	-	-	-	-	-	-	-	-	(645,596)	(645,596)
Dividends to holders of the other equity instruments	-	-	-	-	-	-	-	-	-	-	-	(273,171)	(273,171)
Transfer from retained profits	-	-	-	-	-	-	-	-	-	5,549	-	(5,549)	-
Utilisation of reserve funds	-	-	-	-	-	-	-	-	-	(6,384)	-	6,384	-
At 30 June 2021 (unaudited)	11,608,125	17,009,944	(233,428)	6,000,000	9,764	(17,844,265)	184,605	(904)	(2,539,874)	525	1,607,282	13,858,874	29,660,648

(a) In accordance with the PRC regulations and the articles of association of the companies of the Group, before distributing the net profit of each year, companies of the Group registered in the PRC are required to set aside 10% of their statutory net profit for the year after offsetting any prior year's losses as determined under relevant PRC accounting standards to the statutory surplus reserve fund. When the balance of this reserve reaches 50% of each PRC entity's share capital, any further appropriation is optional. The statutory surplus reserve fund can be utilised to offset prior years' losses or to issue bonus shares.

Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited) (Restated)
OPERATING ACTIVITIES		
Cash generated from operations	5,486,120	2,042,697
Income tax paid	(738,340)	(416,042)
Net cash generated from operating activities	4,747,780	1,626,655
INVESTING ACTIVITIES		
Dividends received from associates	275,115	85,454
Purchases of items of property, plant and equipment and right-of-use assets	(1,997,081)	(8,264,386)
Proceeds from disposal of items of property, plant and equipment	24,676	30,917
Purchases of intangible assets	(1,163)	(9,947)
Proceeds from disposal of investments in an associate	456,445	18,585
Increase of capital in a joint venture	–	(61,525)
Disposal of a subsidiary	–	1,052,930
Purchases of financial assets at fair value through profit or loss	(142,206)	(207,000)
Proceeds from disposals of financial assets at fair value through profit or loss	1,124,928	1,114,284
Dividends received from financial assets at fair value through profit or loss	1,178	39,204
Increase in finance lease receivables	(302,267)	(3,653,151)
Decrease/(increase) in factoring receivables	605,824	(597,140)
(Decrease)/increase in other cash movement related to investing activities	(29,751)	156,226
Net cash generated from/(used in) investing activities	15,698	(10,295,549)

Condensed Consolidated Statement of Cash Flows (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2022



	FOR THE SIX MONTHS ENDED	
	30 JUNE	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
FINANCING ACTIVITIES		
New bank and other borrowings	17,017,905	42,510,865
Repayment of bank and other borrowings	(27,007,126)	(31,019,120)
New corporate bonds	9,000,000	3,780,000
Repayment of corporate bonds	(2,000,000)	(6,618,024)
Payment of principal portion of lease liabilities	(21,005)	(48,971)
Payment of other equity instrument	(5,000,000)	–
Interest paid	(990,042)	(1,576,670)
Dividends paid for other equity instruments	(226,438)	(226,371)
Dividends paid to former shareholders of acquired subsidiaries under common control	–	(9,947)
Capital contribution from non-controlling interests	–	1,000,000
Proceeds from the equity incentive exercise payment	49,736	–
(Decrease) increase in other cash movement related to financing activities	(47,555)	1,830
Decrease/(increase) in pledge deposits	14,852	(229,128)
Net cash (used in)/generated from financing activities	(9,209,673)	7,564,464
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,446,195)	(1,104,430)
Cash and cash equivalents at beginning of period	17,871,147	12,789,494
Effect of foreign exchange rate changes, net	711,995	(54,216)
Cash and cash equivalents at end of period	14,136,947	11,630,848



Notes to the Condensed Consolidated Interim 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 interim condensed consolidated financial information of the company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirement of appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). 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 annual consolidated financial statements for the year ended 31 December 2021.

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

Going concern

The Group had net current liabilities of RMB26,678,809,000 as at 30 June 2022. The directors of the company 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 of the company are of the opinion that it is appropriate to prepare the interim condensed consolidated financial information on a going concern basis.

Notes to the Condensed Consolidated Interim Financial Information (continued)

30 JUNE 2022



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 2021, except for the adoption of the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 cycle

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.

2.3 BUSINESS COMBINATION UNDER COMMON CONTROL

During the year ended 31 December 2021, the Company and COSCO SHIPPING Investment Holdings Co., Ltd. ("COSCO SHIPPING Investment") entered into the acquisition agreement, pursuant to which the Company has conditionally agreed to purchase and COSCO SHIPPING Investment has conditionally agreed to sell 100% of the equity interests in Dong Fang International Container (Ningbo) Co., Ltd., Dong Fang International Container (Qidong) Co., Ltd., Dong Fang International Container (Qingdao) Co., Ltd. and Shanghai Universal Logistics Technology Co., Ltd. (hereinafter collectively referred to as the "Target Assets"), at consideration of RMB3,561,877,100. The consideration was satisfied by the allotment and issuance of the 1,447,918,000 A Shares (the "Consideration Shares") by the Company to COSCO SHIPPING Investment, at the issue price of RMB2.46 per share.

Simultaneously with the acquisition of Target Assets, the Board of Directors approved the issuance of A shares to raise ancillary funds from no more than 35 specific target subscribers.

The acquisition of Target Assets and the raising of ancillary funds through issuance of shares of the Company have been approved by the China Securities Regulatory Commission on 20 October 2021. The acquisition was subsequently completed on November 2021.

The Group and the Target Assets were under common control of the ultimate holding company before and after those acquisitions. Therefore, these transactions are accounted for as business combination involving entities under common control.

Notes to the Condensed Consolidated Interim Financial Information (continued)

30 JUNE 2022

2.3 BUSINESS COMBINATION UNDER COMMON CONTROL (Continued)

The results previously reported by the Group for the six months ended 30 June 2021 have been restated to include the result of Target Assets as set out below:

	The Group (as previously reported) <i>RMB'000</i>	Acquired business under common control <i>RMB'000</i>	The Group (as restated) <i>RMB'000</i>
Operating profit:			
Revenue	12,919,177	2,029,407	14,948,584
Profit before taxation from continuing operations	2,900,064	905,403	3,805,467
Profit for the period	2,420,306	616,223	3,036,529
Total comprehensive income for the period	2,549,898	620,193	3,170,091

The cash flows previously reported by the Group for the six months ended 30 June 2021 have been restated to include the cash flows of the Target Assets as set out below:

	The Group (as previously reported) <i>RMB'000</i>	Acquired business under common control <i>RMB'000</i>	The Group (as restated) <i>RMB'000</i>
Net cash generated from operating activities	3,902,747	(2,276,092)	1,626,655
Net cash used in investing activities	(10,218,253)	(77,296)	(10,295,549)
Net cash generated from financing activities	5,037,951	2,526,513	7,564,464
Net decrease in cash and cash equivalents	(1,277,555)	173,125	(1,104,430)

Notes to the Condensed Consolidated Interim Financial Information (continued)

30 JUNE 2022

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 RMB'000 (Unaudited)	Container manufacturing RMB'000 (Unaudited)	Investment management service RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Shipping leasing RMB'000 (Unaudited) (Restated)	Container manufacturing RMB'000 (Unaudited) (Restated)	Investment management service RMB'000 (Unaudited) (Restated)	Total RMB'000 (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	3,979,893	12,713,369	79,061	16,772,323	2,752,687	14,505,143	100,429	17,358,259
Segment results								
Elimination of intersegment results	1,204,934	1,912,528	733,042	3,850,504 (420,844)	745,819	2,671,127	1,170,788	4,587,734 (607,388)
Unallocated administrative and general expenses				(42,108)				(47,087)
Unallocated finance costs				(21,943)				(127,792)
Profit before tax from continuing operations				3,365,609				3,805,467

Notes to the Condensed Consolidated Interim Financial Information (continued)

30 JUNE 2022

3. OPERATING SEGMENT INFORMATION (Continued)

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2022 and 31 December 2021, respectively:

	30 June 2022				31 December 2021			
	Shipping leasing RMB'000 (Unaudited)	Container manufacturing RMB'000 (Unaudited)	Investment management service RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Shipping leasing RMB'000 (Audited)	Container manufacturing RMB'000 (Audited)	Investment management service RMB'000 (Audited)	Total RMB'000 (Audited)
Segment assets	85,326,760	19,233,317	36,325,873	140,885,950	83,678,208	21,514,573	34,273,707	139,466,488
Elimination of intersegment assets				(9,242,433)				(6,850,165)
Total assets				131,643,517				132,616,323
Segment liabilities	61,400,627	12,495,105	28,548,047	102,443,779	60,809,408	13,337,523	24,419,506	98,566,437
Unallocated liabilities				6,496,971				6,458,230
Elimination of intersegment liabilities				(5,048,834)				(5,097,241)
Total liabilities				103,891,916				99,927,426

Notes to the Condensed Consolidated Interim Financial Information (continued)

30 JUNE 2022

4. REVENUE

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (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 RMB'000 (Unaudited)	2021 RMB'000 (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

Notes to the Condensed Consolidated Interim Financial Information (continued)

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5. OTHER INCOME

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

6. OTHER GAINS/(LOSSES), NET

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited) (Restated)
Gain on disposal of items of property, plant and equipment	22,695	3,827
Gain on disposal of investment 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
	804,736	131,177

7. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited) (Restated)
Depreciation of property, plant and equipment	1,060,690	988,480
Depreciation of investment properties	286	286
Amortisation of intangible assets	5,740	4,432
Depreciation of right-of-use assets	34,651	22,793
Impairment of finance lease receivables and factoring receivables, net	98,337	7,409
Impairment of trade receivables	57,894	80,840
Reversal of impairment of other receivables	(4,988)	(15,421)
Foreign exchange (gain)/loss, net	(877,971)	149,394

Notes to the Condensed Consolidated Interim Financial Information (continued)

30 JUNE 2022



8. 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 RMB'000 (Unaudited)	2021 RMB'000 (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
Total tax charge for the period from continuing operations	670,600	785,094
Total tax charge for the period from discontinued operations	–	68,127
	670,600	853,221

Notes to the Condensed Consolidated Interim Financial Information (continued)

30 JUNE 2022

9. EARNINGS PER ATTRIBUTABLE 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 RMB'000 (Unaudited)	2021 RMB'000 (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
	2,695,009	2,899,277
Interest on perpetual debts*	–	137,252
Profit attributable to equity holders of the parent before interest on perpetual debts	2,695,009	3,036,529
Attributable to:		
From continuing operations	2,695,009	3,020,373
From a discontinued operation	–	16,156
	2,695,009	3,036,529
Number of shares for the six months ended		
	2022 '000	2021 '000
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	5,673	5,173
	13,519,491	11,533,671

Notes to the Condensed Consolidated Interim Financial Information (continued)

30 JUNE 2022



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

* 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.

For the six months period ended 30 June 2021, basic and diluted earnings per share from discontinued operation were RMB0.0014 (2022: nil), based on profit for the period from discontinued operation of RMB16,156,000 and the denominations detailed above for both basic and diluted earnings per share.

10. DIVIDENDS

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Final declared -RMB0.226 (2021: RMB0.056) per ordinary share	3,057,195	645,596

Final dividend of RMB0.226 per share in respect of the year ended 31 December 2021 was approved by shareholders at the annual general meeting held on 30 June 2022 and no amount was paid during the current interim period. 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).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired items of property, plant and equipment with a cost of RMB3,504,448,000 (six months ended 30 June 2021: RMB7,599,888,000). Depreciation for items of property, plant and equipment was RMB1,060,690,000 during the period (six months ended 30 June 2021: RMB988,480,000).

The Group disposed of items of property, plant and equipment with a carrying amount of RMB630,386,000 during the six months ended 30 June 2022 (six months ended 30 June 2021: RMB25,498,775,000).

Notes to the Condensed Consolidated Interim Financial Information (continued)

30 JUNE 2022

12. FINANCE LEASE RECEIVABLES

The total future lease payment receivables under finance leases and their present values were as follows:

	30 June 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within one year	4,942,613	4,691,663
After one year but within two years	5,179,047	4,454,250
After two years but within three years	3,984,392	4,226,644
After three years but within four years	4,647,397	3,812,861
After four years but within five years	3,124,591	3,510,153
After five years	24,826,946	23,282,156
Total minimum finance lease receivables	46,704,986	43,977,727
Unearned finance income	(9,632,559)	(8,902,217)
Total present value of minimum finance lease receivables	37,072,427	35,075,510
Impairment	(1,083,796)	(926,321)
Total net finance lease receivables	35,988,631	34,149,189
Current portion	(3,340,173)	(3,217,218)
Non-current portion	32,648,458	30,931,971

	30 June 2022	31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within one year	3,469,014	3,247,969
After one year but within two years	3,870,840	3,226,960
After two years but within three years	2,877,480	3,137,639
After three years but within four years	3,686,590	2,846,809
After four years but within five years	2,316,429	2,682,581
After five years	20,852,074	19,933,552
Total present value of minimum finance lease receivables	37,072,427	35,075,510

Notes to the Condensed Consolidated Interim Financial Information (continued)

30 JUNE 2022

13. TRADE AND NOTES RECEIVABLES

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

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

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

14. 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 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
Within 3 months	4,338,871	3,509,520
over 3 months but less than 6 months	36,427	362,519
over 6 months but less than 12 months	942	155,897
Over 1 year	296	26,329
	4,376,536	4,054,265

Notes to the Condensed Consolidated Interim Financial Information (continued)

30 JUNE 2022

15. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

Under the Scheme, share options were granted on 30 March 2020 and on 6 May 2021 respectively.

On 30 March 2020, 11,142,500 and 67,078,211 share options were granted to the Company's directors and senior management and the Group's other employees, respectively. On 6 May 2021, 8,847,445 options were granted to other employees.

The following share options were outstanding during the period:

	2022 Number of options '000	2021 Number of options '000
At 1 January 2022	87,068	78,221
Granted during the period	–	8,847
Lapsed during the period	(9,387)	–
Exercised during the period	(20,560)	–
At 30 June 2022/31 December 2021	57,121	87,068

Exercise period:	Exercise price* RMB per share	30 June 2022 Number of options '000
1 April 2022 to 30 March 2023	2.419	2,384
1 April 2023 to 30 March 2024	2.419	22,945
1 April 2024 to 30 March 2027	2.419	22,945
7 May 2023 to 6 May 2024	2.419	2,949
7 May 2024 to 6 May 2025	2.419	2,949
7 May 2025 to 6 May 2028	2.419	2,949
		57,121

Notes to the Condensed Consolidated Interim Financial Information (continued)

30 JUNE 2022

15. SHARE OPTION SCHEME (Continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

Exercise period:	Exercise price* RMB per share	31 December 2021
		Number of options '000
1 April 2022 to 30 March 2023	2.52	26,074
1 April 2023 to 30 March 2024	2.52	26,074
1 April 2024 to 30 March 2027	2.52	26,073
7 May 2023 to 6 May 2024	2.52	2,949
7 May 2024 to 6 May 2025	2.52	2,949
7 May 2025 to 6 May 2028	2.52	2,949
		87,068

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** A board resolution was passed on 29 April 2022, the exercise price was adjusted from RMB2.52 to RMB2.419 per share as a result of implementation of 2019 and 2020 profit distribution plans of the Company, pursuant to the share option incentive scheme.

No share options were granted during the six months ended 30 June 2022.

The option holders exercised the first batch of stock options granted on 30 March 2020 at an exercise price of RMB2.4190. A total of approximately 20,560,000 options were exercised, and the total proceeds from exercise of share options for the current period was RMB49,736,000. In respect of the share options exercised during the six months ended 30 June 2022, the weighted average share price at the dates of exercise is RMB3.14. The exercise of share options has resulted in a decrease in reserves of treasury shares, and share premium and share option reserve of RMB60,273,000 (six months ended 30 June 2021: nil), RMB4,312,000 (six months ended 30 June 2021: nil) and RMB6,225,000 (six months ended 30 June 2021: nil) respectively.

For the six months ended 30 June 2022, the Group has recognised share based compensation expense of RMB3,324,000 in profit or loss and resulted in an increase in share option reserve (six months ended 30 June 2021: RMB4,236,000).

Notes to the Condensed Consolidated Interim Financial Information (continued)

30 JUNE 2022

16. BANK AND OTHER BORROWINGS

	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
Current		
Bank loans – secured	4,207,085	4,320,887
Bank loans – unsecured	27,163,866	31,526,128
Borrowings from related parties – unsecured	4,620,811	6,037,070
	35,991,762	41,884,085
Non-current		
Bank loans – secured	13,699,125	17,547,482
Bank loans – unsecured	20,568,200	18,999,701
Borrowings from related parties – unsecured	4,866,798	3,798,000
	39,134,123	40,345,183
	75,125,885	82,229,268

As at 30 June 2022 and 31 December 2021, the Group's secured bank loans disclosed above are secured by the Group's certain property, plant and equipment, finance lease receivables, and restricted and pledged deposits.

17. COMMITMENTS

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

	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
Contracted, but not provided for:		
Equity investments	217,363	314,170
Property, plant and equipment	1,407,664	2,550,828
	1,625,027	2,864,998

Notes to the Condensed Consolidated Interim Financial Information (continued)

30 JUNE 2022

18. SIGNIFICANT RELATED PARTY TRANSACTIONS

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest income from:		
An associate	38,788	21,343
Fellow subsidiaries	286	688
Interest expenses to:		
Immediate holding company	–	10,860
An associate	178,996	124,671
Sales of goods to:		
Fellow subsidiaries	301,896	852,571
Purchases of goods from:		
Fellow subsidiaries	193,548	533,475
Purchases of items of property, plant and equipment from:		
Fellow subsidiaries	251,679	2,983,914
Rendering of services to fellow subsidiaries:		
Vessel chartering and container leasing	1,409,046	1,301,798
Management fee income	10,000	5,170
Others	7,361	2,682
Receiving of services from:		
Fellow subsidiaries	367,436	398,867

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 Condensed Consolidated Interim Financial Information (continued)

30 JUNE 2022

19. 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 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
Bank and other borrowings	39,134,123	40,345,183	38,186,056	40,336,447
Corporate bonds	8,000,000	5,000,000	8,069,768	4,916,094
Other long-term payables	519,049	569,619	477,559	548,337
	47,653,172	45,914,802		

Management has assessed that the fair values of cash and cash equivalents, restricted and pledged deposits, trade and notes receivables, financial assets included in other receivables, the current portion of finance lease receivables, the current portion of factoring receivables, trade and notes payables, financial liabilities included in other payables and accruals, the current portion of bank and other borrowings, the current portion of corporate bonds, 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 factoring receivables of the Group approximate to their fair values since their carrying amounts are present value and the 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.

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.

Notes to the Condensed Consolidated Interim Financial Information (continued)

30 JUNE 2022

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

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 2022

	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	927,580	3,069,642	–	3,997,222
Derivative financial instruments	–	67,154	–	67,154
	927,580	3,136,796	–	4,064,376

31 December 2021

	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	1,045,625	3,034,753	1,005,648	5,086,026

Financial liabilities measured at fair value

30 June 2022

	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	–	–	–	–

31 December 2021

	Fair value measurement categorised into			Total RMB'000 (Audited)
	Level 1 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Level 3 RMB'000 (Audited)	
Derivative financial instruments	–	4,157	–	4,157



Notes to the Condensed Consolidated Interim Financial Information (continued)

30 JUNE 2022

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value hierarchy *(Continued)*

Financial liabilities measured at fair value (Continued)

For all the financial assets with fair value measurement categorised into Level 2, the Group estimates their fair values using market approach. For investments in private funds, the fair values are calculated in accordance with net asset value prepared by the fund manager. For the other investments, if there is a recent deal regarding these investments, the fair values are estimated based on the deal price. If there is no such deal to be referenced, the directors of the company will determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by net assets or net profit. The trading multiple is then discounted for considerations such as illiquidity based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding net assets or net profit of the unlisted equity investments to measure the fair value. The directors of the company believe that the estimated fair values resulting from the valuation technique, which are recorded in the interim condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

All financial assets at fair value through profit or loss categorised into Level 3 represented wealth management products issued by banks in Mainland China. The Group has estimated their fair value by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

20. EVENT AFTER THE REPORTING PERIOD

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

21. 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 2022.