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

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

**ANNOUNCEMENT OF THE UNAUDITED INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

**FINANCIAL HIGHLIGHTS (UNDER HKFRSs)**

- Revenue amounted to RMB5,706,842,000
- Profit attributable to owners of the parent for the Period amounted to RMB1,103,339,000
- Basic earnings per share amounted to RMB0.0815

The board of directors (the “**Board**”) of COSCO SHIPPING Development Co., Ltd. (the “**Company**” or “**COSCO SHIPPING Development**”) hereby announces the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2023 (the “**Period**”) prepared under Hong Kong Accounting Standard 34, “Interim Financial Reporting”, which has been reviewed by the audit committee of the Company (the “**Audit Committee**”). The Company’s auditor, SHINEWING (HK) CPA Limited, has reviewed the unaudited condensed consolidated interim financial information of the Group for the Period in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

During the Period, the Group recorded revenue of RMB5,706,842,000, representing a decrease of 56.5% as compared with the revenue of RMB13,107,007,000 for the same period of last year; profit attributable to owners of the parent for the Period amounted to RMB1,103,339,000, representing a decrease of 59.1% as compared with the restated profit of RMB2,695,360,000 for the same period of last year. Basic earnings per share amounted to RMB0.0815.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2023**

		<b>FOR THE SIX MONTHS ENDED 30 JUNE</b>	
	<i>Notes</i>	<b>2023 RMB'000 (Unaudited)</b>	<b>2022 RMB'000 (Unaudited) (Restated)</b>
<b>REVENUE</b>	4	<b>5,706,842</b>	13,107,007
Cost of sales		<u><b>(3,872,153)</b></u>	<u>(9,915,937)</u>
<b>Gross profit</b>		<b>1,834,689</b>	3,191,070
Other income	5	<b>249,291</b>	146,638
Other gains, net	6	<b>635,423</b>	804,736
Selling, administrative and general expenses		<b>(589,195)</b>	(666,568)
Expected credit losses, net		<b>(89,089)</b>	(151,243)
Finance costs		<b>(1,859,611)</b>	(971,538)
Share of results of:			
Associates		<b>1,052,098</b>	1,041,031
Joint ventures		<u><b>1,772</b></u>	<u>(28,517)</u>
<b>PROFIT BEFORE TAX</b>		<b>1,235,378</b>	3,365,609
Income tax expense	7	<u><b>(132,039)</b></u>	<u>(670,249)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>1,103,339</b></u>	<u>2,695,360</u>
Profit attributable to owners of the parent		<u><b>1,103,339</b></u>	<u>2,695,360</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
(expressed in RMB per share)			
Basic	8		
– For profit for the period		<u><b>0.0815</b></u>	<u>0.1995</u>
Diluted			
– For profit for the period		<u><b>0.0815</b></u>	<u>0.1994</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2023**

	<b>FOR THE SIX MONTHS ENDED 30 JUNE</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited) (Restated)</b>
<b>PROFIT FOR THE PERIOD</b>	<b>1,103,339</b>	<b>2,695,360</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Associates:		
Share of other comprehensive income/(expense)	52,435	(45,941)
Reclassification to profit or loss	—	(3,493)
	<u>52,435</u>	<u>(49,434)</u>
Share of other comprehensive income/(expense) of joint ventures	1,272	(385)
Effective portion of cash flow hedges	(37,628)	71,312
Exchange differences on translation of foreign operations	329,799	356,778
	<u>345,878</u>	<u>378,271</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>345,878</u>	<u>378,271</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income of associates	16,578	12,487
	<u>16,578</u>	<u>12,487</u>
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	<u>16,578</u>	<u>12,487</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<b>362,456</b>	<b>390,758</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1,465,795</b>	<b>3,086,118</b>
Total comprehensive income attributable to owners of the parent	<u>1,465,795</u>	<u>3,086,118</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AS AT 30 JUNE 2023*

	<b>30 June 2023</b>	31 December 2022
<i>Notes</i>	<b><i>RMB'000</i></b> <b>(Unaudited)</b>	<b><i>RMB'000</i></b> <b>(Audited)</b> <b>(Restated)</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	<b>46,198,562</b>	43,162,536
Investment properties	<b>107,094</b>	103,529
Right-of-use assets	<b>675,518</b>	613,206
Intangible assets	<b>115,554</b>	116,877
Investments in joint ventures	<b>98,606</b>	93,813
Investments in associates	<b>24,977,524</b>	24,407,843
Financial assets at fair value through profit or loss	<b>2,651,950</b>	2,852,534
Finance lease receivables	<b>29,430,342</b>	31,111,935
Factoring receivables	–	16,180
Derivative financial instruments	<b>43,055</b>	45,553
Deferred tax assets	<b>119,956</b>	116,142
Other long-term prepayments	<b>424,960</b>	616,489
	<hr/>	<hr/>
<b>Total non-current assets</b>	<b>104,843,121</b>	103,256,637
<b>CURRENT ASSETS</b>		
Inventories	<b>3,161,265</b>	4,049,879
Trade and notes receivables	<b>810,138</b>	556,145
Prepayments and other receivables	<b>675,765</b>	527,972
Financial assets at fair value through profit or loss	<b>619,742</b>	639,606
Finance lease receivables	<b>2,962,803</b>	3,170,009
Factoring receivables	<b>47,114</b>	329,380
Restricted and pledged deposits	<b>165,206</b>	120,443
Cash and cash equivalents	<b>8,085,717</b>	15,440,560
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<b>Total current assets</b>	<b>16,527,750</b>	24,833,994
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<b>Total assets</b>	<b>121,370,871</b>	128,090,631
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
*AS AT 30 JUNE 2023*

	<i>Notes</i>	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited) (Restated)
<b>CURRENT LIABILITIES</b>			
Trade and notes payables	<i>11</i>	<b>2,192,679</b>	2,479,634
Other payables and accruals		<b>3,746,088</b>	2,968,317
Contract liabilities		<b>1,333,716</b>	304,062
Derivative financial instruments		<b>35,130</b>	–
Bank and other borrowings		<b>24,036,061</b>	35,925,365
Lease liabilities		<b>49,168</b>	39,089
Tax payable		<b>282,275</b>	303,090
<b>Total current liabilities</b>		<b>31,675,117</b>	42,019,557
<b>NET CURRENT LIABILITIES</b>		<b>(15,147,367)</b>	(17,185,563)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>89,695,754</b>	86,071,074
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings		<b>51,887,368</b>	48,519,715
Corporate bonds		<b>8,000,000</b>	8,000,000
Lease liabilities		<b>101,647</b>	36,369
Deferred tax liabilities		<b>18,311</b>	6,001
Government grants		<b>68,684</b>	63,710
Other long-term payables		<b>607,766</b>	552,652
<b>Total non-current liabilities</b>		<b>60,683,776</b>	57,178,447
<b>Net assets</b>		<b>29,011,978</b>	28,892,627
<b>EQUITY</b>			
Share capital		<b>13,575,939</b>	13,586,477
Treasury shares		<b>(84,206)</b>	(173,155)
Other reserves		<b>15,520,245</b>	15,479,305
<b>Total equity</b>		<b>29,011,978</b>	28,892,627

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 1. CORPORATE INFORMATION

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

During the six months ended 30 June 2023, the principal activities of the Group were as follows:

- (a) Operating leasing and financial leasing;
- (b) Manufacture and sale of containers; and
- (c) Investment management.

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

## 2.1 BASIS OF PREPARATION

The condensed consolidated interim financial information of the Company and its subsidiaries for the six months ended 30 June 2023 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 requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The condensed consolidated interim 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 2022.

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 RMB15,147,367,000 as at 30 June 2023. 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 2023, 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 condensed consolidated interim financial information on a going concern basis.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

### Application of new and amendments to the Hong Kong Financial Reporting Standards (“HKFRSs”)

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and amendments to the HKFRSs issued by the HKICPA which are effective for the first time for the current period’s financial information.

HKFRS 17 and related amendments	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Except as described below, the application of the new and 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.

### Impact on application of Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments to HKAS 12 narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations.

The Group previously applied HKAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption. Upon application of the amendments, the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022. The Group also, as at 1 January 2022, has recognised a separate deferred tax asset and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities. The Group recognises the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings at the beginning of the earliest period presented.

The application of the amendments has had the impact on the Group’s financial position and performance as follow:

- (i) the related deferred tax liabilities as at 1 January 2022 have increased by RMB2,379,000 from originally stated at RMB39,177,000 to RMB41,556,000;
- (ii) the related profit for the six months ended 30 June 2022 has increased by RMB351,000 from originally stated at RMB2,695,009,000 to RMB2,695,360,000;
- (iii) the related deferred tax liabilities as at 31 December 2022 have increased by RMB1,680,000 from originally stated at RMB4,321,000 to RMB6,001,000;
- (iv) the opening retained earnings as at 1 January 2022 and 1 January 2023 have been decreased by RMB2,379,000 and RMB1,680,000 respectively.

### 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 2023 and 2022, respectively:

	For the six months ended 30 June 2023				For the six months ended 30 June 2022			
	Shipping and industry-related leasing <i>RMB'000</i> (Unaudited)	Container manufacturing <i>RMB'000</i> (Unaudited)	Investment management services <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)	Shipping and industry-related leasing <i>RMB'000</i> (Unaudited)	Container manufacturing <i>RMB'000</i> (Unaudited)	Investment management services <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
<b>Segment revenue:</b>								
Sales of containers	-	2,000,915	-	2,000,915	-	9,052,963	-	9,052,963
Fee and commission income	-	-	25,279	25,279	-	-	20,218	20,218
Subtotal revenue from contracts with external customers	-	2,000,915	25,279	2,026,194	-	9,052,963	20,218	9,073,181
Other revenue from external customers	3,664,441	-	16,207	3,680,648	3,979,893	-	53,933	4,033,826
Subtotal revenue from external customers	3,664,441	2,000,915	41,486	5,706,842	3,979,893	9,052,963	74,151	13,107,007
Intersegment revenue from contracts with customers	-	1,553,543	-	1,553,543	-	3,660,406	4,910	3,665,316
Total revenue	<u>3,664,441</u>	<u>3,554,458</u>	<u>41,486</u>	<u>7,260,385</u>	<u>3,979,893</u>	<u>12,713,369</u>	<u>79,061</u>	<u>16,772,323</u>
<b>Segment results</b>	422,816	100,182	1,193,195	1,716,193	1,204,934	1,912,528	733,042	3,850,504
Elimination of intersegment results				(183,188)				(420,844)
Unallocated selling, administrative and general expenses				(56,259)				(42,108)
Unallocated finance costs				(241,368)				(21,943)
Profit before tax				<u>1,235,378</u>				<u>3,365,609</u>

### 4. REVENUE

	For the six months ended 30 June	
	2023 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)
Revenue from contracts with customers	2,026,194	9,073,181
Other revenue	3,680,648	4,033,826
	<u>5,706,842</u>	<u>13,107,007</u>

#### 4. REVENUE (CONTINUED)

The disaggregation of the Group's revenue from contracts with customers, including sales of goods and rendering of services above, for the six months ended 30 June 2023 and 2022 is as follows:

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Type of goods or services</b>		
Sales of containers	2,000,915	9,052,963
Fee and commission income	25,279	20,218
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>2,026,194</b>	<b>9,073,181</b>
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<b>Geographical markets</b>		
Mainland China	782,368	2,267,318
United States	523,911	3,468,396
Hong Kong	333,043	882,438
Asia (excluding Hong Kong and Mainland China)	250,947	1,192,756
Europe	122,150	1,059,500
Others	13,775	202,773
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>2,026,194</b>	<b>9,073,181</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	2,000,915	9,052,963
Services transferred over time	25,279	20,218
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>2,026,194</b>	<b>9,073,181</b>
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#### 5. OTHER INCOME

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Interest income	75,435	46,223
Government grants	162,520	64,840
Others	11,336	35,575
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	<b>249,291</b>	<b>146,638</b>
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## 6. OTHER GAINS, NET

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Gain on disposal of property, plant and equipment	17,561	22,695
Gain on disposal of investment in an associate	–	14,008
Gain on disposal of financial assets at fair value through profit or loss	79,869	5,684
Dividend income from financial assets at fair value through profit or loss	1,118	1,178
Gain/(loss) from changes in fair value of financial assets at fair value through profit or loss	178,537	(112,712)
Government grants not related to the ordinary course of business	265	115
Donation expenditures for public interest	(2,208)	(5,332)
Net foreign exchange gains	358,320	877,971
Others	1,961	1,129
	<u>635,423</u>	<u>804,736</u>

## 7. INCOME TAX EXPENSE

According to the Corporate Income Tax (“CIT”) Law of the PRC, which was effective from 1 January 2008, the CIT rate applicable to the Company and its subsidiaries established in the PRC was 25% for the six months ended 30 June 2023 and 2022.

Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits of the Group’s subsidiaries operating in Hong Kong for the six months ended 30 June 2023 (six months ended 30 June 2022: 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:

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>(Restated)</b>
Current income tax		
– PRC	113,057	648,378
– Hong Kong	4,650	12,617
– elsewhere	5,721	35,510
Deferred income tax	8,611	(26,256)
	<u>132,039</u>	<u>670,249</u>

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

Basic and diluted earnings per share amounts are calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period as follows:

	<b>For the six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
		<b>(Restated)</b>
<b>Earnings</b>		
Profit for the period attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<b>1,103,339</b>	<b>2,695,360</b>
	<b>13,529,818</b>	<b>13,513,818</b>
	<b>4,344</b>	<b>5,673</b>
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	<b>13,534,162</b>	<b>13,519,491</b>

## 9. DIVIDENDS

The Board did not recommend the distribution of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

## 10. TRADE AND NOTES RECEIVABLES

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Trade receivables	854,218	596,383
Notes receivables	20,882	14,285
	<u>875,100</u>	<u>610,668</u>
Impairment	(64,962)	(54,523)
	<u><b>810,138</b></u>	<u><b>556,145</b></u>

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

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Within 3 months	797,811	532,896
3 to 6 months	7,211	11,621
6 to 12 months	5,038	11,340
Over one year	78	288
	<u><b>810,138</b></u>	<u><b>556,145</b></u>

## 11. TRADE AND NOTES PAYABLES

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

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Within 3 months	2,161,043	2,418,433
3 to 6 months	12,066	43,554
6 to 12 months	8,402	6,212
Over one year	11,168	11,435
	<u><b>2,192,679</b></u>	<u><b>2,479,634</b></u>

## 12. EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 30 June 2023.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OPERATING ENVIRONMENT**

In the first half of 2023, the global economic and trade situation was complex and volatile. Due to the superimposed influence of factors including high overseas inflation and continuous tightening of the USD monetary policy, the shipping industry underwent cyclical adjustments. The container shipping market continued to face the test of increasing supply, but with some new opportunities brought about by macro policy adjustments and green environmental protection trends, the relationship between supply and demand in the market is expected to remain at a rational range.

In terms of the container leasing and manufacturing market, the overall demand for dry containers has slowed down, while the special container market was active, with strong demand for new container types including energy storage containers and folding containers. In terms of the shipping leasing market, the green and low-carbonization process of shipping equipment was accelerating, and the demand for ship owners to order green energy ships has increased significantly, and the layout of the green energy supply chain has been carried out. However, in recent years, the financial condition of shipowners in the shipping market has improved, attracting various capital parties, and making the competition in the ship financing market relatively fierce.

Although there are many uncertainties in the external environment, the positive fundamentals of China's long-term economic growth have not changed. Steady growth is still the main line of domestic economic development in the second half of the year. Meanwhile, although the shipping industry is characterized by cyclical fluctuations, the market as a whole is relatively strong in terms of its support base and resilience. The Company focuses on the shipping industry chain, upgrades industrial coordination, enhances lean management, accelerates digital transformation and technology innovation, and continues to promote high-quality development of the Company.

### **DEVELOPMENT STRATEGY OF THE COMPANY**

#### **1. Strategic Position**

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

#### **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 IOT technology integrating the flow of goods, capital and information, empower its shipping logistics ecosystem, enhance the loyalty of industry chain 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 industry-finance 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, strengthen investment in low-carbon fuel vessels and vessels related to green industry supply chain, serve the green and low-carbon transformation of the fleet of major countries, explore asset-light vessel investment and financing mode and build a platform for the operation of shipping assets within the Group. In the long run, by gradually increasing the proportion of external business and utilizing COSCO SHIPPING advantages in the deployment of the entire industry chain, the Group will design a “one-stop” business model to establish a unique competitive edge in the industry.

The container leasing business, as an integral part of the container industry chain, mainly involves container leasing and trading of various kinds. The Company will strive to develop as a leading world-class leasing company with unique competitive edges on the basis of the current leasing business of Florens International Limited. In the short term, the Company will follow the guideline of “consolidating core businesses while seizing market opportunities”, strengthen the development on special container and reefer container business, study energy storage container and smart container leasing, improve the synergy between “leasing and manufacturing” and between “leasing and shipping”, promote the dual model of lease and sale, leverage the cyclical supply and demand for containers to tap profits externally and generate synergy internally. In the long term, the Company will seize market opportunities, actively enhance asset quality and optimize contract business model 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 promote the transformation of intelligent plant, 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 energy storage 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, high capacity efficiency and profitability.

### (3) *Investment management business*

The Company 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, 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 resource exchange based on the application scenarios of shipping, port and logistics industries, explore venture capital, 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.

## FINANCIAL REVIEW OF THE GROUP

The Group recorded revenue of RMB5,706,842,000 during the Period, representing a decrease of 56.5% as compared with the revenue of RMB13,107,007,000 for the same period of last year; profit before income tax amounted to RMB1,235,378,000, representing a decrease of 63.3% as compared with the profit of RMB3,365,609,000 for the same period of last year; profit attributable to owners of the parent of the Company for the period amounted to RMB1,103,339,000, representing a decrease of 59.1% as compared with the restated profit of RMB2,695,360,000 for the same period of last year.

Analysis of segment businesses is as follows:

*Unit: RMB'000*

Segment	Revenue			Cost		
	For the six months ended 30 June 2023	For the six months ended 30 June 2022	Change	For the six months ended 30 June 2023	For the six months ended 30 June 2022	Change
Shipping leasing business	3,664,441	3,979,893	(7.9%)	1,899,997	2,196,826	(13.5%)
Container manufacturing business	3,554,458	12,713,369	(72.0%)	3,339,485	10,688,194	(68.8%)
Investment management business	41,486	79,061	(47.5%)	1,909	25,365	(92.5%)
Offset amount	(1,553,543)	(3,665,316)	(57.6%)	(1,369,238)	(2,994,448)	(54.3%)
<b>Total</b>	<b>5,706,842</b>	<b>13,107,007</b>	<b>(56.5%)</b>	<b>3,872,153</b>	<b>9,915,937</b>	<b>(61.0%)</b>

## **1. Analysis of Shipping Leasing Business**

### **1) Operating Revenue**

The Group recorded revenue from the leasing business of RMB3,664,441,000 for the six months ended 30 June 2023, representing a decrease of 7.9% as compared with the revenue of RMB3,979,893,000 for the same period of last year, which was mainly due to the decrease in revenue from the container leasing segment during the Period.

Revenue from the vessel leasing business amounted to RMB1,241,070,000, representing an increase of 5.8% as compared with the revenue of RMB1,173,456,000 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 2023, the operating ship leasing volume of the Group increased by 7.1% year-on-year.

Revenue from leasing, management and sales of containers amounted to RMB2,423,371,000, representing a decrease of 13.6% as compared with the revenue of RMB2,806,437,000 for the same period of last year, which was mainly due to the decrease in sales of container business of the Company affected by the decline in market demand.

### **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 2023 amounted to RMB1,899,997,000, representing a year-on-year decrease of 13.5% as compared with the costs of RMB2,196,826,000 for the same period of last year, which was mainly due to the decrease in sales of container business.

## **2. Analysis of Container Manufacturing Business**

### **1) Operating Revenue**

For the six months ended 30 June 2023, the Group's container manufacturing business realized operating revenue of RMB3,554,458,000, representing a year-on-year decrease of 72.0% as compared with the revenue of RMB12,713,369,000 for the same period of last year, mainly due to the year-on-year decrease in the sales volume and sales price of new containers in the Period resulted from the decline in market demand for new containers under the impact of the downturn in the container transportation market. During the Period, the aggregate container sales was 185,100 TEU, representing a year-on-year decrease of 67.9% as compared with 575,900 TEU for the same period of last year.

## **2) *Operating Costs***

Operating costs of the container manufacturing business mainly consist of raw material costs, transportation costs, employee compensation and depreciation expenses. The operating costs amounted to RMB3,339,485,000 for the six months ended 30 June 2023, representing a year-on-year decrease of 68.8% as compared with the costs of RMB10,688,194,000 for the same period of last year. Such decrease was mainly due to the decrease in production costs such as materials and labor costs as the sales volume of containers decreased.

## **3. Analysis of Investment Management Business**

### **1) *Operating Revenue***

For the six months ended 30 June 2023, the investment management business realized revenue of RMB41,486,000, representing a year-on-year decrease of 47.5% as compared with the revenue of RMB79,061,000 for the same period of last year, primarily due to the decrease in the factoring business.

### **2) *Operating Costs***

For the six months ended 30 June 2023, the operating costs were RMB1,909,000, representing a decrease of 92.5% as compared with the costs of RMB25,365,000 for the same period of last year, mainly due to the decrease in the factoring business.

## **GROSS PROFIT**

Due to the above reasons, the Group recorded gross profit of RMB1,834,689,000 for the six months ended 30 June 2023 (gross profit for the same period of last year was RMB3,191,070,000).

## SIGNIFICANT INVESTMENT IN EQUITY

As at 30 June 2023, the carrying value of the Group's external equity investments accounted for using the equity method amounted to RMB25,076,130,000, representing an increase of RMB574,474,000, or 2.3%, as compared with that as at the beginning of the period, which was mainly attributable to the increase in investment income from associates.

As at 30 June 2023, the carrying value of the Group's financial assets at fair value through profit or loss amounted to RMB3,271,692,000, representing a decrease of RMB220,448,000, or 6.3%, as compared with that as at the beginning of the period, which was mainly due to the disposal of certain shares.

For the six months ended 30 June 2023, the Group's share of results of associates and joint ventures amounted to RMB1,053,870,000, representing an increase of 4.1% as compared to RMB1,012,514,000 for the corresponding period of the previous year, which was mainly attributable to the increase in operating results of associates and joint ventures.

For the six months ended 30 June 2023, the Group realised a gain or loss of RMB178,537,000 on changes in fair value, representing an increase of 258.4% as compared with RMB-112,712,000 for the corresponding period of last year, which was mainly attributable to the year-on-year increase in the fair value of the financial assets held by it during the Period.

### 1. Shareholdings in Other Listed Companies

Stock code	Company name	Initial	Shareholding	Shareholding	Book value at	Gain during	Changes	Gain from	Dividends	Sources of	
		investment	at the beginning	at the end of	the end of		in other		received		Accounting
		cost	of the Period	the Period	the Period	the Period	reserve during	disposal	during	shareholding	
		(RMB)	(%)	(%)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	ledger	
09668	China Bohai Bank Co., Ltd.	1,975,315,000	11.12	11.12	10,399,105,000	403,441,000	19,185,000	-	-	Investment in associates	Purchase
601818/06818	China Everbright Bank Co., Ltd.	3,398,255,000	1.34	1.23	5,266,498,000	279,204,000	(170,323,000)	-	-	Investment in associates	Purchase
000039/02039	China International Marine Containers (Group) Co., Ltd.	788,244,000	1.53	1.53	570,286,000	(53,714,000)	-	-	-	Financial assets at fair value through profit or loss	Purchase
600643	Shanghai AJ Group Co., Ltd.	25,451,000	0.22	0.22	17,675,000	(1,838,000)	-	-	-	Financial assets at fair value through profit or loss	Purchase
600390	Minmetals Capital Co., Ltd.	662,459,000	3.17	1.74	421,363,000	96,276,000	-	79,760,000	-	Financial assets at fair value through profit or loss	Purchase
Total		6,849,724,000	/	/	16,674,927,000	723,369,000	(151,138,000)	79,760,000	-		

## 2. Shareholdings in Financial Enterprises

Name of investee	Initial investment cost (RMB)	Shareholding at the beginning of the Period (%)	Shareholding at the end of the Period (%)	Book value at the end of the Period (RMB)	Gain during the Period (RMB)	Changes in other reserve during the Period (RMB)	Gain from disposal (RMB)	Dividends received during the Period (RMB)	Accounting ledger	Sources of the shareholding
Bank of Kunlun Co., Ltd.	1,077,153,000	3.74	3.74	1,536,208,000	62,599,000	7,060,000	-	16,538,000	Investment in associates	Purchase
CIB Fund Management Co., Ltd.	100,000,000	10.00	10.00	455,132,000	26,683,000	-	-	5,000,000	Investment in associates	Purchase
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd.	19,098,000	25.00	25.00	32,958,000	(35,000)	-	-	-	Investments in joint ventures	Purchase
COSCO SHIPPING Finance Company Limited	2,914,166,000	13.38	13.38	3,167,475,000	71,092,000	(200,000)	-	-	Investment in associates	Purchase
Powchan Financial Group Co., LTD.	3,575,320,000	40.81	40.81	3,894,915,000	208,953,000	-	-	181,973,000	Investment in associates	Purchase
<b>Total</b>	<b>7,685,737,000</b>	<b>/</b>	<b>/</b>	<b>9,086,688,000</b>	<b>369,292,000</b>	<b>6,860,000</b>	<b>-</b>	<b>203,511,000</b>		

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

Name of Investee	Exchange	Principal businesses
China Bohai Bank Co., Ltd.	The Stock Exchange of Hong Kong Limited (“ <b>Hong Kong Stock Exchange</b> ”)	Bank business
Bank of Kunlun Co., Ltd.	/	Bank business
Powchan Financial Group Co., LTD.	/	Leasing business
CIB Fund Management Co., Ltd.	/	Fund management business
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd.	/	Leasing business
COSCO SHIPPING Finance Company Limited	/	Bank business
China International Marine Containers (Group) Co., Ltd	Shenzhen Stock Exchange/ Hong Kong Stock Exchange	Manufacturing and sales of containers
Shanghai AJ Group Co., Ltd.	Shanghai Stock Exchange	Investment in industries and other financial business
China Everbright Bank Co., Ltd.	Shanghai Stock Exchange/ Hong Kong Stock Exchange	Bank business
Minmetals Capital Co., Ltd.	Shanghai Stock Exchange	Integrated financial business

The capital market was volatile in 2023. The Company expects that the investment portfolio of the Group (including the above major investments) will be subject to, among other things, the movement of interest rates, market factors and overall economic performance. Moreover, the market value of individual shares will be affected by relevant companies' financial results, development plan as well as the prospects of the industry where they operate. To mitigate relevant risks, the Group will take appropriate measures in due course and adjust its investment strategies in response to the changes in market conditions.

## **INCOME TAX**

According to the Corporate Income Tax 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 2023 and 2022.

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 subsidiaries operating in Hong Kong for the six months ended 30 June 2023 (six months ended 30 June 2022: 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 was effective from 1 January 2008 and applied 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.

## **SELLING, ADMINISTRATIVE AND GENERAL EXPENSES**

For the six months ended 30 June 2023, the Group's selling, administrative and general expenses were RMB589,195,000, representing a decrease of 11.6% as compared with the expenses for the same period of last year.

## **Other gains, net**

For the six months ended 30 June 2023, other gains of the Group were RMB635,423,000, representing a decrease of RMB169,313,000 as compared with other gains of RMB804,736,000 for the same period of last year, which was mainly due to the smaller increase in the exchange rate of the USD against RMB during the Period as compared to the same period last year.

## **PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT FOR THE PERIOD**

For the six months ended 30 June 2023, the profit attributable to owners of the parent of the Company for the period was RMB1,103,339,000, representing a decrease of 59.1% as compared with the restated profit of RMB2,695,360,000 for the same period of last year.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

### **ANALYSIS OF LIQUIDITY AND BORROWINGS**

The Group's principal sources of liquidity are cash flow from operating business and short-term bank borrowings. The Group's cash is mainly used for expenses of operating cost, repayment of borrowings, procurement of containers, and support of the Group's financial leasing business. During the Period, the Group's net operating cash inflow was RMB3,487,353,000. As at 30 June 2023, the Group's cash and cash equivalents were RMB8,085,717,000.

As at 30 June 2023, the Group's total bank and other borrowings amounted to RMB75,923,429,000, with RMB24,036,061,000 repayable within one year, RMB15,680,267,000 repayable within the second year, RMB29,644,174,000 repayable within the third to fifth year and RMB6,562,927,000 repayable after five years. The Group's long-term bank loans were mainly used for carrying out finance leasing business, acquisition of vessel, purchase of containers and acquisition of equity interests. As at 30 June 2023, the Group's long-term bank and other loans were secured by certain containers and vessels with an aggregate value of RMB20,511,122,000.

As at 30 June 2023, the Group held corporate bonds payable totalling RMB8,000,000,000 and the proceeds raised from the bonds were used for the repayment of debts as they matured.

The Group's RMB-denominated borrowings at fixed interest rates amounted to RMB10,495,000,000. USD-denominated borrowings at fixed interest rates amounted to USD1,058,664,000 (equivalent to approximately RMB7,649,692,000), RMB-denominated borrowings at floating interest rates amounted to RMB8,191,000,000, and USD-denominated borrowings at floating interest rates amounted to USD6,862,595,000 (equivalent to approximately RMB49,587,737,000). 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 liquidity and capital expenditure can be funded by the internal cash flow of the Group or external financing. The Board will review the operating cash flow of the Group from time to time. It is the intention of the Group to maintain an appropriate composition of equity and debt to ensure an effective capital structure.

## Net Current Liabilities

As at 30 June 2023, the Group's net current liabilities amounted to RMB15,147,367,000. Current assets mainly included inventories of RMB3,161,265,000; trade and notes receivables of RMB810,138,000; prepayments and other receivables of RMB675,765,000; financial assets at fair value through profit or loss of RMB619,742,000; the current portion of finance lease receivables of RMB2,962,803,000; cash and cash equivalents of RMB8,085,717,000; restricted deposits of RMB165,206,000; and factoring receivables of RMB47,114,000. Current liabilities mainly included trade and notes payables of RMB2,192,679,000; other payables and accruals of RMB3,746,088,000; derivative financial instruments of RMB35,130,000; contract liabilities of RMB1,333,716,000; tax payable of RMB282,275,000; bank and other borrowing of RMB24,036,061,000; and current portion of lease liabilities of RMB49,168,000.

## Cash Flows

For the six months ended 30 June 2023, the Group's net cash inflow generated from operating activities was RMB3,487,353,000, denominated principally in RMB and USD, representing a decrease of RMB1,260,427,000 as compared with the net cash inflow generated from operating activities of RMB4,747,780,000 for the corresponding period of 2022. 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 2023 decreased by RMB7,354,843,000 as compared with that at the beginning of the Period, mainly due to optimization of the capital structure and reduction in the scale of liabilities.

The following table provides the information regarding the Group's cash flows for the six months ended 30 June 2023 and 2022:

	<i>Unit: RMB</i>	
	<b>For the six months ended 30 June 2023</b>	For the six months ended 20 June 2022
Net cash generated from operating activities	<b>3,487,353,000</b>	4,747,780,000
Net cash generated from investing activities	<b>1,724,001,000</b>	15,698,000
Net cash used in financing activities	<b>(12,695,215,000)</b>	(9,209,673,000)
Impact of exchange rate movement on cash	<b>129,018,000</b>	711,994,000
Net decrease in cash and cash equivalents	<b><u>(7,354,843,000)</u></b>	<b><u>(3,734,201,000)</u></b>

## Net Cash Generated from Operating Activities

For the six months ended 30 June 2023, the net cash inflow generated from operating activities was RMB3,487,353,000, representing a decrease of RMB1,260,427,000 as compared with RMB4,747,780,000 of net cash inflow generated from operating activities for the same period of last year. The decrease in the Group's cash flow generated from operating activities was mainly due to the decrease in the business volume of the container segment.

## Net Cash Generated from Investing Activities

For the six months ended 30 June 2023, the net cash inflow generated from investing activities was RMB1,724,001,000, representing an increase of RMB1,708,303,000 as compared with the net cash inflow generated from investing activities of RMB15,698,000 for the same period of last year. The increase in the Group's net cash generated from investing activities was mainly due to the 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 2023, the net cash outflow used in financing activities was RMB12,695,215,000, representing a decrease of RMB3,485,542,000 as compared with the net cash outflow generated from financing activities of RMB9,209,673,000 for the same period of last year. For the six months ended 30 June 2023, the Group's new bank and other borrowings amounted to RMB21,718,644,000, repayment of bank and other borrowings amounted to RMB32,313,991,000. The main reason of such decrease was that the Group continued to promote "reducing leverage and liabilities", fully optimized the Company's capital structure, reduced the scale of liabilities, strictly controlled the costs of funding and rewarded shareholders with dividends.

## 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 (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 (including value-added tax). Such proceeds were fully received on 16 December 2021 and receipt of proceeds from the non-public issuance of A shares was verified by ShineWing Certified Public Accountants LLP, who issued a Capital Verification Report on the Proceeds from the Non-public Issuance of Shares of COSCO SHIPPING Development Co., Ltd. (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 30 June 2023, the use of proceeds from the Non-public Issuance of A Shares is as follows:

*Unit: RMB*

<b>Item</b>	<b>Amount of proceeds</b>
Net proceeds	1,460,904,954.84
Less: total accumulated proceeds used	1,383,709,755.19
Including: amount of projects financed by the proceeds in the first half year of 2023	30,946,963.45
Utilized amount in previous years	1,121,951,717.00
Portion of replacement of the pre-invested internal funds with the proceeds	230,811,074.74
Less: bank charges	4,976.03
Plus: interest income recorded in the special account	1,356,821.98
Balance in the special account for proceeds as of 30 June 2023	<u>78,547,045.60</u>

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

*Unit: RMB*

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

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

As of 30 June 2023, the use of proceeds from the Non-public Issuance of A Shares is as follows:

*Unit: RMB0'000*

Item	Total committed investment of proceeds	Investment committed as of the end of the Period	Investment accumulated as of the end of the Period	Difference between the investment accumulated and the investment committed as of the end of the Period	Date of project reaching the scheduled usable status
Production lines technology transformation project	19,400.00	19,400.00	19,412.99	12.99	May 2023
Container production lines technology transformation project	20,000.00	20,000.00	17,672.49	(2,327.51)	July 2023
Logistics equipment transformation project	9,200.00	9,200.00	5,383.55	(3,816.45)	May 2024
Information system upgrade and setup project	8,800.00	8,800.00	7,211.45	(1,588.55)	May 2023
Replenishment of the working capital of the Company	89,000.00	88,690.50	88,690.50	–	N/A
<b>Total</b>	<b>146,400.00</b>	<b>146,090.50</b>	<b>138,370.98</b>	<b>(7,719.52)</b>	<b>–</b>

As of 30 June 2023, 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 relevant overseas regulatory announcements.

## **Average Turnover Days of Trade and Notes Receivables**

As at 30 June 2023, the Group's net amount of trade and notes receivables was RMB810,138,000, representing an increase of RMB253,993,000 as compared with that as at 31 December 2022, of which notes receivables increased by RMB6,597,000 and trade receivables increased by RMB247,396,000, which was mainly due to the increase in the outstanding receivables for leasing under the impact of collection credit period.

## **Gearing Ratio Analysis**

As at 30 June 2023, the Company's net gearing ratio (i.e. net debts over shareholders' equity) was 261%, which was lower than that of 266% as at 31 December 2022. The decrease in net gearing ratio was mainly due to the reduction in the scale of liabilities during the Period.

## **Foreign Exchange Risk Analysis**

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 2023, the Group recorded an exchange gain of RMB358,320,000, 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 company amounted to RMB329,799,000. The Group will continue to closely monitor the exchange rate fluctuation of RMB and major international settlement currencies in the future to minimise the impact of exchange rate fluctuation and thus reduce exchange rate risks.

## **Capital Expenditures**

As of 30 June 2023, the Group's expenditures on the acquisition of containers, machinery and equipment and other expenditures amounted to RMB2,193,556,000, expenditures on the acquisition of finance lease assets amounted to RMB222,023,000.

## **Capital Commitments**

As at 30 June 2023, the Group had RMB34,800,000 in capital commitment to fixed assets which had been contracted but not provided for, and RMB67,113,000 in equity investment commitment.

## **Pledge**

As at 30 June 2023, certain container vessels and containers with net carrying value of approximately RMB20,511,122,000 (31 December 2022: RMB18,611,895,000), finance lease receivables of RMB6,255,808,000 (31 December 2022: RMB12,969,610,000) and restricted deposits of RMB165,206,000 (31 December 2022: RMB120,443,000) 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**

There were no relevant matters for the Group during the Period.

## **SUBSEQUENT EVENTS**

There were no significant subsequent events for the Group after 30 June 2023.

## **CONTINGENT LIABILITIES**

As at 30 June 2023, there were no significant contingent liabilities for the Group.

## **EMPLOYEES, TRAINING AND BENEFITS**

As at 30 June 2023, the Group had 9,398 employees, and the total staff costs for the Period (including staff remuneration, welfare and social insurance) amounted to approximately RMB911,923,100 (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 based 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 individual attributes.

In accordance with the Regulations Governing Share Incentives for Listed Companies and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), and after being reviewed and approved at the Fifth Meeting of the Seventh Session of the Board and the Fourth Meeting of the Seventh Session of the Supervisory Board of the Company, the conditions for the exercise of the Second Exercise Period of the Initial Grant of Options and the First Exercise Period of the Reserved Grant of Options under the Share Option Incentive Plan of A Shares of the Company were fulfilled, and approval was given to the eligible Incentive Participants to carry out the exercise of the share options and the exercise price was RMB2.193 per share. A total of 106 incentive targets of the Company exercised a total of 19,803,610 share options. Please refer to the announcement of the Company dated 12 June 2023 for further details.

## **DIVIDEND**

The Board did not recommend the distribution of any interim dividend for the six months ended 30 June 2023.

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

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

## **AUDIT COMMITTEE**

The Audit Committee is comprised of two independent non-executive Directors, namely Mr. Lu Jianzhong and Mr. Chan Kwok Leung, and one non-executive Director, namely Mr. Huang Jian.

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

## **CORPORATE GOVERNANCE CODE**

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

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

## DISCLOSURE OF INFORMATION

This announcement is published on the website of Hong Kong Stock Exchange at <http://www.hkexnews.hk> and the Company's website at <http://development.coscoshipping.com>. The interim report of the Company for the six months ended 30 June 2023, which includes the relevant financial information as required by Appendix 16 to the Listing Rules, will be despatched by the Company to its shareholders and published on the websites of Hong Kong Stock Exchange and the Company in due course.

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

Shanghai, the People's Republic of China  
30 August 2023

*As at the date of this announcement, the Board comprises Mr. Liu Chong and Mr. Zhang Mingwen, being executive Directors, Mr. Huang Jian, Mr. Liang Yanfeng and Mr. Ip Sing Chi, being non-executive Directors, and Mr. Lu Jianzhong, Ms. Zhang Weihua, Mr. Shao Ruiqing and Mr. Chan Kwok Leung being independent non-executive Directors.*

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