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

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

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

FINANCIAL HIGHLIGHTS (UNDER HKFRSs)

- Revenue amounted to RMB34,914,585,000
- Profit before tax from continuing operations amounted to RMB7,830,582,000
- Profit attributable to owners of the parent of the Company for the year amounted to RMB6,089,321,000
- Basic earnings per share attributable to ordinary equity holders of the parent of the Company amounted to RMB0.4978
- The Board proposed the payment of a final dividend of RMB0.226 per share (inclusive of applicable tax)

The board of directors (the “**Board**”) of COSCO SHIPPING Development Co., Ltd. (the “**Company**” or “**COSCO SHIPPING Development**”) is pleased to announce the consolidated financial information of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021 (or the “**Period**”) prepared under Hong Kong Financial Reporting Standards (“**HKFRSs**”), together with the comparative figures for the year ended 31 December 2020.

CHAIRMAN’S STATEMENT

In 2021, the world witnessed repeated outbreaks of the COVID-19 pandemic and the acceleration of COVID-19 variations. However, the research and development and widespread vaccination of COVID-19 vaccines as well as the implementation of economic stimulus policies in various economies boosted the recovery of global economy and the strong rebound of global trade, leading to sustained strong shipping demand. The congestion in major ports of the world, insufficient container capacity, shortage of containers and other factors posed pressure on the smooth flow of the global supply chain.

Faced with the pressure from the delayed and stagnated global supply chain, the Company took various measures to improve quality and efficiency, and achieved new breakthroughs in economic benefits.

In 2021, the Company recorded a revenue of RMB34.915 billion, an increase of 172% from 2020, and a net profit attributable to owners of the parent of RMB6.089 billion, a significant increase of 185% from 2020. The basic earnings per share amounted to RMB0.4978.

The Board proposed a final dividend of RMB0.226 per share.

REVIEW OF OPERATIONS

In 2021, the Company made an overall plan on principal shipping and logistics business to continuously improve service capabilities, expand business sectors, accelerate the construction of a new development dynamic, and integrate core competitive advantages, with a view to achieve a good start for the high-quality development during the “14th Five-Year Plan” period.

I. THE SHIPPING LEASING SEGMENT DEEPENED IN-HOUSE SYNERGY TO MAKE FULL USE OF INDUSTRIAL CHAIN ADVANTAGES

1. *Vessel Leasing Business Actively Implemented Industrial Chain Coordination, Steadily Expanded Business Areas*

Focusing on the strategic core of the integration of industry and finance, the Company actively promoted the development of its principal shipping business and made breakthroughs in the extension of shipping industrial chain services. In 2021, on the basis of continuously launching 10 pulp vessels of COSCO SHIPPING Specialized Carriers and 16 bulk carriers of COSCO SHIPPING Bulk, we actively sought cooperation opportunities, promoted leasing projects of LNG vessels and roll-on/roll-off vessels, and replenished new forces for the Company’s leasing fleet to facilitate the development of its principal shipping business. At the same time, the Company paid attention to both internal and external virtues, steadily expanded its business to external market, and achieved historical breakthroughs in external vessel leasing and major transportation leasing business.

2. *Container Leasing Business Exerted In-house Synergy, Effectively Improved the Efficiency of Assets*

The Company gave full play to its advantages in the synergy of leasing and manufacturing, adhered to the key customer strategy, carried out the whole process of customer relationship management to improve customer satisfaction and enhance customer stickiness, and achieved a substantial increase in the number of contracted containers throughout the year. At the same time, the Company continued to expand its business in the field of reefer containers and achieved a significant breakthrough in reefer leasing business. While steadily advancing the container leasing business, the Company effectively grasped the business opportunities of new and old container trade, and expanded the container trade business worldwide to effectively enhance the asset efficiency and realize the improvement of quality and efficiency.

II. CONTAINER MANUFACTURING SEGMENT IMPROVED CORE COMPETITIVENESS TO MEET MARKET DEMAND

In 2021, the Company completed the issuance of shares to purchase related container manufacturing assets, making it to become the world's second largest container manufacturer. At the same time, the Company successfully raised RMB1.464 billion by issuing additional shares at the price of RMB2.76 per share. The implementation of the project further integrated the Group's container manufacturing assets, optimized the layout of production capacity, improved the content of science and technology, and promoted the linkage of leasing and manufacturing. In addition, the effective decrease in gearing ratio laid a foundation for high-quality development.

In 2021, the container market experienced a structural shortage of containers. The Company closely followed market dynamics and made active use of industrial chain synergies to overcome the raw material supply tension and shortage of labors on the premise of the implementation of pandemic prevention and control measures. The Company improved the production efficiency through various proactive measures, provided strong support for the smooth operation of supply chains and significantly improved its own benefits. At the same time, the Company established a sound whole-process quality management system to create excellent quality with originality, constantly promoted technological innovation and the implementation of "oil to water" technology, spread the concept of green environmental protection to the industry and led the healthy and sustainable development of the industry.

III. INTEGRATION OF INDUSTRY AND FINANCE IN INVESTMENT MANAGEMENT SEGMENT TO OPTIMIZE THE LAYOUT AND BOOST INDUSTRIAL UPGRADING

The Company maintained its investment focus and made full use of capital to attract and integrate high-quality resources based on the application scenarios of shipping, port and logistics industries to optimize the investment portfolio. At the same time, it actively implemented the dual-carbon strategy, explored zero-carbon green and intelligent technologies, and promoted the development of new shipping technologies, new industries and green shipping.

IV. PROMOTING AN ACTIVE DIVIDEND DISTRIBUTION POLICY TO SAFEGUARD THE INTERESTS OF INVESTORS

The Company is dedicated to safeguarding the interests of the majority of investors and promoting its long-term and sustainable development. It has paid cash dividends for three consecutive years and the proportion of dividends has increased year by year, aiming to share the development achievements of the Company with shareholders. In 2021, the Company completed the dividend distribution to A share and H share investors for 2020 by distributing a total cash dividend of approximately RMB646 million to all shareholders, positively rewarding investors.

V. STRENGTHENING THE RISK MANAGEMENT SYSTEM UNDER THE COVID-19 PANDEMIC TO IMPROVE INTERNAL CONTROL CAPABILITIES

The Company closely followed the industry attributes and the risk pressure of its business sector under the COVID-19 pandemic, adopted more prudent risk management policies, continuously promoted the construction of the rule of law, deepened and strengthened risk management, optimized the risk quota index system, improved the level of compliance management, and completed the second phase of the construction of a comprehensive risk management system. In 2021, all business segments of the Company were operating soundly with controllable risks.

VI. PROMOTING DIGITAL TRANSFORMATION TO IMPROVE QUALITY AND EFFICIENCY

The Company actively carried out digital transformation and built a digital platform in the container leasing business sector. The Company achieved a number of key technological breakthroughs in the container manufacturing business sector and also upgraded its financial management system to promote quality and efficiency in multiple aspects.

VII. PRACTICING SOCIAL RESPONSIBILITY AND PROMOTING SUSTAINABLE DEVELOPMENT

In 2021, the Company made full use of the scale advantage, the synergistic effect of the shipping industrial chain and the innovative idea of industry and technology to strengthen the integration of industry and finance and ensure the smooth operation of supply chains. It continued to improve the corporate governance level of its own and affiliated units and strengthened clean management and risk prevention and control to contribute to building a socially responsible shipping industrial chain. It actively embraced the era of big data, used technological, financial and digital means to serve upstream and downstream enterprises along the shipping industrial chain. It integrated the concept of green development into all aspects of the Company's production and operation and explored the layout in green industries such as new energy. It adhered to the responsibility to boost regional economic and social development and support targeted assistance projects. By firmly believing that the concept of sustainable development is the compass of global development, the Company integrated the concept of sustainable development into its core strategy, management mode, corporate culture and business operations, and was committed to making positive contributions to the common prosperity of the industry, ecological friendliness and social harmony.

OUTLOOK

In 2022, the global economic development will face the challenges of uncertainties, such as COVID-19 pandemic, monetary policy adjustment in various economies, inflation and geopolitical events, and its overall growth is expected to slow down as compared to the previous period. In the coming period, the shipping market will potentially maintain better prosperity while the turnover efficiency of the supply chain will be affected during a period of time. With the active investment and upgrade of various aspects of the shipping industrial chain, the shipping market will gradually return to rationality, and digitalization, green low carbonization and intelligence will create a new pattern of the shipping industrial chain and boost a new development of the shipping industrial chain.

The Company will continue to make active layout toward the new development direction of its principal shipping and logistics business. The Company will be well prepared and maintain its strategic focus, improve its ability to go through ups and downs of the market, make plans to develop into a first-class enterprise, take the road of sustainable development and strive to promote the high-quality development of the Company.

For the shipping leasing segment, the Company will further make innovation in business model, and explore asset-light solutions and environment-friendly ship projects. The Company will adhere to technology empowerment, strengthen digital construction, pay attention to both internal and external virtues and seek innovative development. The Company will also further strengthen the synergy of vessel leasing and manufacturing, enhance the market influence of container leasing and trade of containers, and continuously improve its ability to create value.

For the container manufacturing segment, the Company will continue to focus on responsibility, give play to the advantages of container manufacturing resource integration, and strive to specialize on efficiency and improve the ability to create efficiency, and vigorously expand the business fields of high value-added products such as reefer containers and special containers. In the meantime, the Company will actively promote the innovative integration of digital and information technology in the fields of energy saving and clean energy, and explore the application of the environmental protection and energy saving technology in the field of the container manufacturing.

For investment and management segment, the Company will closely follow the guidance of national policy and the “14th Five-Year Plan”, further strengthen the post-investment management, take accurate control of risks, and take measures in risk alert and prevention to increase investment returns and boost industrial upgrading.

In addition, the Company will continuously improve the construction of the risk management system and boost the optimization of the risk management system constantly. In the meantime, the Company will further improve the construction of the safety production system, and strengthen pandemic prevention and control measures, thereby creating a good and safe environment for its production and operation.

2021 is the beginning of the new voyage of the “14th Five-Year Plan”. We got off to a good start. In 2022, we will carry forward the cause and forge ahead into the future, strictly judge the situation, create opportunity, keep steady progress, break the waves along the high-quality development direction and move forward bravely towards the goal of development and value creation, and strive to develop into an outstanding financial service provider in the shipping industry with COSCO SHIPPING characteristics.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021

	<i>Notes</i>	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2020 RMB'000 (Restated)
CONTINUING OPERATIONS			
REVENUE	5	34,914,585	12,853,145
Cost of sales		<u>(24,944,934)</u>	<u>(10,324,027)</u>
Gross profit		9,969,651	2,529,118
Other income	6	257,439	257,524
Other gains, net	7	313,566	106,095
Selling, administrative and general expenses		(2,116,767)	(1,449,369)
Finance costs		(1,770,906)	(2,220,953)
Share of profits of associates		1,172,848	1,985,148
Share of profits/(losses) of joint ventures		4,751	(4,774)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		7,830,582	1,202,789
Income tax expense	8	<u>(1,757,417)</u>	<u>(197,769)</u>
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		6,073,165	1,005,020
DISCONTINUED OPERATION			
Profit for the year from a discontinued operation		<u>16,156</u>	<u>1,134,382</u>
PROFIT FOR THE YEAR		<u>6,089,321</u>	<u>2,139,402</u>
Attributable to:			
Owners of the parent		<u>6,089,321</u>	<u>2,139,402</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (expressed in RMB per share)	10		
Basic			
– For profit for the year		0.4978	0.1575
– For profit from continuing operations		<u>0.4964</u>	<u>0.0591</u>
Diluted			
– For profit for the year		0.4973	0.1575
– For profit from continuing operations		<u>0.4959</u>	<u>0.0591</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2020 <i>RMB'000</i> (Restated)
PROFIT FOR THE YEAR	6,089,321	2,139,402
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Associates:		
Share of other comprehensive income/(loss)	45,713	(173,894)
Reclassification to profit or loss	(1,470)	(168,459)
	<u>44,243</u>	<u>(342,353)</u>
Share of other comprehensive income/(loss) of joint ventures	223	(12)
Cash flow hedges		
Effective portion of changes in fair value of hedging instruments arising during the year	(2,601)	(15,578)
Reclassification adjustments for gains included in the consolidated statement of profit or loss	19,102	3,827
	<u>16,501</u>	<u>(11,751)</u>
Exchange differences on translation of foreign operations	4,351	684,783
	<u>65,318</u>	<u>330,667</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		
Other comprehensive loss that may not be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of associates	(378,461)	(13,390)
	<u>(378,461)</u>	<u>(13,390)</u>
Net other comprehensive loss that may not be reclassified to profit or loss in subsequent periods		
	<u>(378,461)</u>	<u>(13,390)</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	(313,143)	317,277
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>5,776,178</u>	<u>2,456,679</u>
Attributable to:		
Owners of the parent	<u>5,776,178</u>	<u>2,456,679</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER 2021

	<i>Notes</i>	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		38,432,202	56,745,640
Investment properties		95,338	113,221
Right-of-use assets		530,466	550,134
Intangible assets		181,563	184,595
Investments in joint ventures		185,701	180,727
Investments in associates		24,285,370	20,841,847
Financial assets at fair value through profit or loss		4,012,295	3,932,754
Finance lease receivables		30,931,971	27,564,743
Factoring receivables		194,870	365,032
Deferred tax assets		41,154	284,670
Other long term prepayments		157,713	91,149
		<hr/>	<hr/>
Total non-current assets		99,048,643	110,854,512
CURRENT ASSETS			
Inventories		6,901,763	1,964,858
Trade and notes receivables	<i>11</i>	1,372,306	4,629,180
Prepayments and other receivables		1,503,818	2,371,779
Financial assets at fair value through profit or loss		1,073,731	654,224
Finance lease receivables		3,217,218	18,296,935
Factoring receivables		1,479,284	1,083,635
Restricted and pledged deposits		148,413	590,266
Cash and cash equivalents		17,871,147	12,789,494
		<hr/>	<hr/>
Total current assets		33,567,680	42,380,371
		<hr/>	<hr/>
Total assets		132,616,323	153,234,883
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
31 DECEMBER 2021

	<i>Notes</i>	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated)
CURRENT LIABILITIES			
Trade and notes payables	12	4,054,265	4,031,742
Other payables and accruals		2,519,119	5,258,717
Contract liabilities		1,313,944	175,785
Derivative financial instruments		3,934	8,654
Bank and other borrowings		41,884,085	49,952,731
Corporate bonds		3,500,000	9,272,114
Lease liabilities		47,226	105,036
Tax payable		562,072	205,823
Total current liabilities		53,884,645	69,010,602
NET CURRENT LIABILITIES		(20,316,965)	(26,630,231)
TOTAL ASSETS LESS CURRENT LIABILITIES		78,731,678	84,224,281
NON-CURRENT LIABILITIES			
Bank and other borrowings		40,345,183	45,527,948
Corporate bonds		5,000,000	8,287,546
Lease liabilities		66,466	59,992
Derivative financial instruments		223	12,285
Deferred tax liabilities		39,177	104,888
Government grants		22,113	20,372
Other long term payables		569,619	2,805,560
Total non-current liabilities		46,042,781	56,818,591
Net assets		32,688,897	27,405,690
EQUITY			
Share capital		13,586,477	11,608,125
Treasury shares		(233,428)	(233,428)
Special reserves		-	1,360
Other reserves		570,490	779,091
Other equity instruments		5,000,000	6,000,000
Retained profits		16,568,236	11,740,277
Other comprehensive loss		(2,802,878)	(2,489,735)
Total equity		32,688,897	27,405,690

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2021

1. CORPORATE AND GROUP INFORMATION

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

During the year, the principal activities of the Group were as follows:

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

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

2. BASIS OF PREPARATION

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

The financial statements have been prepared on the going concern basis notwithstanding that the Group had net current liabilities of RMB20,316,965,000 as at 31 December 2021. The directors of the Company are of opinion that based on the available unutilised banking facilities and unutilised quota for the issuance of corporate bonds as at 31 December 2021, the Group will have the necessary liquid funds to finance its working capital and to meet its capital expenditure requirements. Accordingly, the directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2. BASIS OF PREPARATION (CONTINUED)

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

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

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

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

3. BUSINESS COMBINATION UNDER COMMON CONTROL

In 2021, the Company and COSCO SHIPPING Investment Holdings Co., Ltd. ("COSCO SHIPPING Investment") entered into the acquisition agreement, pursuant to which both parties reached agreement to purchase and 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"), in consideration of RMB3,561,877,100. The consideration was satisfied by the allotment and issuance of the 1,447,918,519 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 approved the issuance of A shares to raise ancillary funds from no more than 35 specific target subscribers.

On 20 October 2021, the Company received the "Approval on the Acquisition of Assets Through Issuance of Shares of COSCO SHIPPING Development Co., Ltd. to COSCO SHIPPING Investment Holding Co., Ltd. and Raising Ancillary Funds" (Zheng Jian Xu Ke [2021] No. 3283) issued by the CSRC. The acquisition of Target Assets and raising ancillary funds through issuance of shares of the Company has been approved by the CSRC. The acquisition was completed in November 2021. The Group and the Target Assets are under common control before and after those acquisitions. Therefore, these transactions are accounted for as business combination involving entities under common control.

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16
Amendment to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

*Covid-19-Related Rent Concessions beyond 30 June 2021
(early adopted)*

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in United States dollars based on the London Interbank Offered Rate (“LIBOR”) as at 31 December 2021. The Group also had an interest rate swap whereby the Group pays interest at a fixed rate of 1.37% to 2.93% and receives interest at a variable rate based on LIBOR on the notional amount. Since the interest rates of these instruments were not replaced by RFRs during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings and interest rate swap are replaced by RFRs in a future period, the Group will apply the above-mentioned practical expedient upon the modification of these instruments provided that the “economically equivalent” criterion is met. Additional information about the transition and the associated risks is disclosed in note 48 to the financial statements.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

5. OPERATING SEGMENT INFORMATION

During the year ended 31 December 2021, the Group is organised into business units based on their products and services and has four reportable operating segments as follow:

- (a) The shipping and industry-related leasing segment, which renders vessel chartering, container leasing and finance lease services;
- (b) The container manufacturing segment, which manufactures and sells containers;
- (c) The investment and financial services segment, which focuses on equity or debt investment and insurance brokerage services; and
- (d) The “others” segment comprises, principally, cargo and liner agency services, which has been ended during the year ended 31 December 2021.

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

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

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

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

	For the year ended 31 December 2021				
	Shipping and industry- related leasing <i>RMB’000</i>	Container manufacturing <i>RMB’000</i>	Investment and financial services <i>RMB’000</i>	Others <i>RMB’000</i>	Total <i>RMB’000</i>
Segment revenue					
Sales of containers	–	26,616,196	–	–	26,616,196
Fee and commission income	–	–	49,838	–	49,838
Total revenue from contracts with external customers	–	26,616,196	49,838	–	26,666,034
Other revenue from external customers	8,043,308	–	205,243	–	8,248,551
Total revenue from external customers	8,043,308	26,616,196	255,081		34,914,585
Intersegment revenue from contracts with customers	–	4,659,440	6,716	–	4,666,156
Total revenue	<u>8,043,308</u>	<u>31,275,636</u>	<u>261,797</u>	<u>–</u>	<u>39,580,741</u>
Segment results	1,346,593	6,605,458	1,048,631	281,926	9,282,608
Elimination of intersegment results					(869,452)
Unallocated selling, administrative and general expenses					(265,224)
Unallocated finance costs					(317,350)
Profit before tax from continuing operations					<u>7,830,582</u>

5. OPERATING SEGMENT INFORMATION (CONTINUED)

	For the year ended 31 December 2020				
	Shipping and industry- related leasing <i>RMB '000</i> (Restated)	Container manufacturing <i>RMB '000</i> (Restated)	Investment and financial services <i>RMB '000</i> (Restated)	Others <i>RMB '000</i> (Restated)	Total <i>RMB '000</i> (Restated)
Segment revenue					
Sales of containers	–	7,632,566	–	–	7,632,566
Fee and commission income	–	–	41,359	–	41,359
Total revenue from contracts with external customers	–	7,632,566	41,359	–	7,673,925
Other revenue from external customers	5,037,154	–	142,066	–	5,179,220
Total revenue from external customers	5,037,154	7,632,566	183,425	–	12,853,145
Intersegment revenue from contracts with customers	–	4,337,042	7,396	–	4,344,438
Total revenue	5,037,154	11,969,608	190,821	–	17,197,583
Segment results	(73,419)	312,132	1,736,999	(26,592)	1,949,120
Elimination of intersegment results					(97,363)
Unallocated selling, administrative and general expenses					(180,948)
Unallocated finance costs					(468,020)
Profit before tax from continuing operations					1,202,789

6. OTHER INCOME

	For the year ended 31 December 2021 <i>RMB '000</i>	For the year ended 31 December 2020 <i>RMB '000</i> (Restated)
Interest income	66,249	128,045
Government grants related to assets	3,230	1,550
Government subsidies	106,838	101,083
Sale of scrap materials	49,884	10,504
Others	31,238	16,342
	257,439	257,524

7. OTHER GAINS, NET

	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2020 RMB'000 (Restated)
Gain on disposal of items of property, plant and equipment	7,548	25,766
Gain on disposal of investments in associates	236,292	219,313
Gain on derecognition of financial assets measured at amortised cost	52,847	–
Changes in fair value of financial assets at fair value through profit or loss	500,848	26,585
Government grants not related to the ordinary course of business	169	38,250
Donation expenditures for public interest	(109,278)	–
Net foreign exchange losses	(366,164)	(214,436)
Others	(8,696)	10,617
	313,566	106,095

8. INCOME TAX

According to the Corporate Income Tax (“CIT”) Law of the PRC, which was effective from 1 January 2008, the CIT rate applicable to the Company and its subsidiaries established in the PRC was 25% for the years ended 31 December 2021 and 2020.

Hong Kong profits tax was provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits of the Group’s companies operating in Hong Kong during the year.

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

	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2020 RMB'000 (Restated)
Current income tax:		
Mainland China	1,705,580	120,352
Hong Kong	32,538	22,746
Elsewhere	46,683	15,139
	1,784,801	158,237
Deferred income tax	(27,384)	39,532
	1,757,417	197,769

9. DIVIDENDS

	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2020 RMB'000
Proposed final dividend – RMB0.226 (2020: RMB0.056) per ordinary share	<u>3,052,548</u>	<u>645,596</u>

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

The Board proposed the payment of a final dividend of RMB0.226 (2020: RMB0.056) per share (inclusive of applicable tax), totaling approximately RMB3,052,548,000 (2020: RMB645,596,000) calculated based on 13,506,850,000 shares, being the number of issued shares of the Company of 13,586,477,000 as at 30 March 2022 deducting 79,627,000 A shares repurchased by the Company, for the year ended 31 December 2021.

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

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

	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2020 RMB'000 (Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation		
From continuing operations	5,800,005	681,475
From a discontinued operation	16,156	1,134,382
	<u>5,816,161</u>	<u>1,815,857</u>
Interest on perpetual debts*	273,160	323,545
	<u>6,089,321</u>	<u>2,139,402</u>
Profit attributable to equity holders of the parent before interest on perpetual debts		
Attributable to:		
From continuing operations	6,073,165	1,005,020
From a discontinued operation	16,156	1,134,382
	<u>6,089,321</u>	<u>2,139,402</u>

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

	For the year ended 31 December 2021 '000	For the year ended 31 December 2020 '000 (Restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	11,684,385	11,528,498
Effect of dilution-weighted average number of ordinary shares:		
Share options	<u>11,122</u>	<u>–</u>
	<u>11,695,507</u>	<u>11,528,498</u>

* The Company issued perpetual debts during the years ended 31 December 2021 and 2020. The dividend distribution and repurchase of shares of the Company triggered the mandatory interest payment event of perpetual debts. For the purpose of calculating basic earnings per ordinary share in respect of the years 2021 and 2020, RMB273,160,000 (2020: RMB323,545,000) attributable to perpetual debts was deducted from profits attributable to equity holders of the Company.

11. TRADE AND NOTES RECEIVABLES

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

	31 December 2021 RMB '000	31 December 2020 RMB '000 (Restated)
Within 3 months	1,356,412	3,795,125
3 to 6 months	10,275	316,036
6 to 12 months	4,562	124,612
Over 1 year	<u>1,057</u>	<u>1,503</u>
	<u>1,372,306</u>	<u>4,237,276</u>

12. TRADE PAYABLES

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

	31 December 2021 RMB'000	31 December 2020 RMB'000 (Restated)
Within 3 months	3,509,520	3,488,576
3 to 6 months	362,519	374,716
6 to 12 months	155,897	145,657
1 to 2 years	26,329	22,793
	4,054,265	4,031,742

13. EVENTS AFTER THE REPORTING PERIOD

On 30 March 2022, the Board proposed the payment of a final dividend of RMB0.226 per share (inclusive of applicable tax), totaling approximately RMB3,052,548,000 calculated based on 13,506,850,000 shares, being the number of issued shares of the Company of 13,586,477,000 as at 30 March 2022 deducting 79,627,000 A shares repurchased by the Company, for the year ended 31 December 2021, which is subject to the approval of shareholders of the Company at the forthcoming annual general meeting of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING ENVIRONMENT

In 2022, the global economy will face various challenges, and the global economy and trade will be affected by uncertainties, such as repeated outbreaks of the COVID-19 pandemic, sustained supply chain challenges, inflationary pressures and geopolitical events. The International Monetary Fund expects that the global economic growth will slow down and the development trend of major economies will diverge. The momentum of economic recovery in the US and Europe tends to slow down, and the recovery rate will vary in emerging economies. Benefited from favorable conditions for sustainable development in various aspects, the fundamentals sustaining China's sound economic development remain unchanged.

In 2022, the global shipping market demand still will experience a sluggish recovery. According to the forecast of Alphaliner, the growth rate of shipping capacity will be slightly lower than that of demand. In the coming period of time, the shipping market is expected to maintain good prosperity. However, the development of the COVID-19 pandemic, the operation situation of ports and other factors will affect the efficiency of the supply chain. With the digital, low-carbon and green, and intelligent development of the shipping and logistics industry, enterprises involved in various aspects along the shipping industrial chain will face new challenges and opportunities.

FUTURE DEVELOPMENT STRATEGY OF THE COMPANY

1. *Strategic Position*

COSCO SHIPPING Development will integrate shipping logistics-related resources including cargo source, capital, information, 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 industrial finance operator with COSCO SHIPPING characteristics.

2. *Development Goals*

With a focus on integrated logistics industry, the Company will develop container manufacturing, container leasing, shipping leasing business as the core business and shipping logistics industry finance services as auxiliary 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, in an effort to 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 financial operator in the shipping industry with COSCO SHIPPING characteristics.

3. Development Plans

(1) Shipping leasing business

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

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

(2) Container manufacturing business

In respect of container manufacturing, the Company will focus on industrial collaboration, intelligent manufacturing and diversified development, guarantee the container supply security of the principal shipping business, and coordinate with the shipping finance business of 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 improve the synergy in the container industry chain, strengthen dry container manufacturing, enhance the development on special container and reefer container business, explore the research and development of smart containers, and branch out into peripheral equipment of containers centering on 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 utilization and profitability.

(3) Investment management

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.

MAJOR RISKS AND COUNTERMEASURES

1. *Macroeconomic Risks*

At present, the world is undergoing seismic changes at an accelerated pace, with increased fluctuation sources and risk triggers, sudden and perplexing changes, complicated and sensitive surrounding environment, arduous and onerous tasks of reform, development and stabilization, and more and greater predictable and unpredictable risks and challenges. As the Company transforms into an integrated financial service platform that leverages its experience in the shipping industry to focus on shipping and other industrial leasing businesses, with an extensive business network at home and abroad, it has broad exposure to macroeconomic environment both domestically and globally. To tackle the macroeconomic uncertainties, the Company has built and kept improving its risk monitoring and management system to guarantee operation and asset security.

2. *Credit Risk*

Credit risk refers to the risk of the Company suffering unexpected losses arising from any failure or delay of a counterparty to perform its contractual obligations or from any unfavorable change of a counterparty’s credit standing. The Company’s credit risk is mainly from operating lease, factoring, container production and sales, and investment in fixed-income financial products. The Company has established and implements a sound credit risk management system, including setting annual credit risk limits based on the Company’s risk appetite, dynamically monitoring the implementation of credit risk limits and giving early warnings as needed, and establishing and implementing a series of credit management measures.

3. *Market Risk*

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

4. *Capital Liquidity Risk*

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

5. *Strategy Risk*

Strategy risk refers to the risk that the actual results of the selection and implementation of the strategy may deviate from the expected goal of the strategy due to uncertainties in the internal and external environment of the Company. The Company has set up and continually improved its working procedures for strategy risk management to identify, analyze and monitor strategy risk. The Company makes strategic planning after taking full consideration of factors such as market environment, its risk appetite and capital position, regularly reviews the strategic planning to strengthen its implementation.

6. *Company-wide Concentration Risk*

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

7. *Risk of Industry Competition*

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

FINANCIAL REVIEW OF THE GROUP

The Group recorded operating revenue of RMB34,914,585,000 for 2021, representing an increase of 171.6% as compared with the restated revenue of RMB12,853,145,000 of last year; total profit before income tax from continuing operations amounted to RMB7,830,582,000, representing an increase of 551.0% as compared with the restated total profit of RMB1,202,789,000 of last year; profit attributable to owners of the parent of the Company for the year amounted to RMB6,089,321,000, representing an increase of 184.6% as compared with the restated profit of RMB2,139,402,000 of last year.

Analysis of segment results is as follows:

Unit: RMB' 000

Segment	Revenue			Cost		
	2021	2020 <i>(Restated)</i>	Change <i>(%)</i>	2021	2020 <i>(Restated)</i>	Change <i>(%)</i>
Shipping and industry-related leasing business	8,043,308	5,037,154	59.7	5,265,024	3,517,141	49.7
Container manufacturing business	31,275,636	11,969,608	161.3	23,707,551	10,720,786	121.1
Investment and financial service business	261,797	190,821	37.2	50,318	43,494	15.7
Offset amount	(4,666,156)	(4,344,438)	7.4	(4,077,959)	(3,957,394)	3.0
Total	<u>34,914,585</u>	<u>12,853,145</u>	<u>171.6</u>	<u>24,944,934</u>	<u>10,324,027</u>	<u>141.6</u>

1. ANALYSIS OF SHIPPING AND INDUSTRY-RELATED LEASING BUSINESS

1) Operating Revenue

The Group recorded leasing revenue of RMB8,043,308,000 for 2021, representing an increase of 59.7% compared with the restated revenue of RMB5,037,154,000 of last year, which accounted for 23.0% of the total revenue of the Group. The increase was mainly due to the conversion of 74 ships of the Group from operating lease to financial leasing during the year, and the change from the time charter business to the bare charter business.

Revenue from the vessel leasing business amounted to RMB2,066,578,000, representing an increase of 206.4% as compared with the restated revenue of RMB674,560,000 of last year. Revenue from vessel operating leasing amounted to RMB541,865,000 while revenue from vessel finance leasing and other shipping finance leasing amounted to approximately RMB1,524,713,000.

Revenue from leasing, management and sale of containers amounted to RMB5,976,730,000, representing an increase of 37.0% as compared with the restated revenue of RMB4,362,594,000 of last year. The increase was mainly due to the increase in the leasing prices of containers due to a more prosperous container market in 2021, meanwhile, the increase in the revenue from the container leasing segment as the Company leveraged the synergy between leasing and manufacturing to proactively explore the market and seized the market opportunities of shortage in repositioned containers in shipping routes across Europe and the USA to strengthen sales of second-hand containers.

2) Operating Costs

Operating costs of the leasing business mainly include depreciation of self-owned containers, net carrying value of sale of containers returned upon expiry and financing costs of leased-in vessels and containers. Operating costs of the leasing business for 2021 amounted to RMB5,265,024,000, representing an increase of 49.7% as compared with the restated costs of RMB3,517,141,000 of last year, which was primarily due to increases in the depreciation and disposal cost of containers arising from increased number of new containers and disposed obsolete containers.

2. ANALYSIS OF CONTAINER MANUFACTURING BUSINESS

1) Operating Revenue

In 2021, the Group's container manufacturing business realized operating revenue of RMB31,275,636,000, representing an increase of 161.3% as compared with the restated revenue of RMB11,969,608,000 of last year, which accounted for 89.6% of the total revenue of the Group. Such substantial increase was mainly due to the increase in both sales volume and price of containers as a result of shortage in repositioned containers in shipping routes across Europe and the USA and buoyant demands in the domestic container market caused by the COVID-19 pandemic. During the year, the aggregate container sales was 1,645,000 TEU, representing an increase of 89.9% as compared with 866,100 TEU of last year.

2) *Operating Costs*

The operating costs of the container manufacturing business mainly consist of raw material costs, employee compensation and depreciation expenses. The operating costs amounted to RMB23,707,551,000 in 2021, representing an increase of 121.1% as compared with the restated costs of RMB10,720,786,000 of last year. Such year-on-year increase in costs was mainly due to the increase in production costs such as materials and labor as the sales volume of containers increased during the year.

3. ANALYSIS OF INVESTMENT AND FINANCIAL SERVICE BUSINESS

1) *Operating Revenue*

In 2021, the financial services business realized revenue of RMB261,797,000, representing an increase of 37.2% as compared with the restated revenue of RMB190,821,000 of last year and accounting for 0.7% of the Group's total revenue.

2) *Operating Costs*

The operating costs in 2021 were RMB50,318,000, representing an increase of 15.7% as compared with the restated costs of RMB43,494,000 of last year.

3) *Investment Income*

In 2021, the income from investment business was RMB1,420,835,000, representing a decrease of 41.7% as compared with the restated income of RMB2,436,705,000 of last year. Such decrease in income was mainly due to the decline in the efficiency of some associates and joint ventures.

GROSS PROFIT

Due to the above reasons, the Group recorded gross profit of RMB9,969,651,000 for 2021 (2020: the restated gross profit of RMB2,529,118,000).

SIGNIFICANT SECURITIES INVESTMENT

During the year ended 31 December 2021, the Company's equity investments in associates and joint ventures generated a profit of RMB1,177,599,000 which was mainly attributable to the profits from China Everbright Bank Co., Ltd., China International Marine Containers (Group) Co., Ltd. and China Bohai Bank Co., Ltd. for the year.

1. Shareholdings in Other Listed Companies

Stock code	Company name	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)	Sources of the shareholding
09668	China Bohai Bank Co., Ltd.	5,749,379,000	11.12	11.12	9,599,815,000	854,063,000	(317,139,000)	-	167,902,000	Investment in Purchase
000039/02039	China International Marine Containers (Group) Co., Ltd.	823,619,000	4.69	3.61	1,702,194,000	318,681,000	(3,007,000)	236,292,000	45,813,000	Investment in associates Purchase
601818	China Everbright Bank Co., Ltd.	3,398,255,000	1.34	1.34	4,954,897,000	517,615,000	23,571,000	-	152,040,000	Investment in associates Purchase
600643	Shanghai AJ Group Co., Ltd.	25,452,000	0.22	0.22	23,896,000	(2,687,000)	-	-	-	Financial assets at fair value through profit or loss Purchase
000617	CNPC Capital Company Limited	493,270,000	0.06	0.06	217,761,000	(236,904,000)	-	-	-	Financial assets at fair value through profit or loss Purchase
600390	Minmetals Capital Co., Ltd.	996,139,000	3.17	3.17	759,237,000	(35,880,000)	-	-	-	Financial assets at fair value through profit or loss Purchase
Total		11,614,698,000	/	/	17,257,800,000	1,414,888,000	(296,575,000)	236,292,000	365,755,000	

2. Shareholdings in Financial Enterprises

Name of investee	Investment amount (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)	Sources of the shareholding
Bank of Kunlun Co., Ltd.	1,077,153,000	3.74	3.74	1,419,577,000	94,830,000	2,781,000	-	41,153,000	Purchase
CIB Fund Management Co., Ltd.	100,000,000	10.00	10.00	400,100,000	49,135,000	-	-	-	Purchase
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd.	125,000,000	25.00	25.00	129,977,000	2,389,000	-	-	-	Purchase
Chinese Enterprise Elephant Financial Information Services Company Limited	20,000,000	12.50	12.50	21,945,000	178,000	-	-	1,000,000	Investment in joint ventures
Shanghai COSCO SHIPPING Microfinance Company Limited	90,000,000	45.00	45.00	96,187,000	3,370,000	-	-	-	Investment in associates
COSCO SHIPPING Finance Company Limited	1,934,677,000	23.38	23.38	2,130,231,000	76,140,000	3,196,000	-	68,301,000	Purchase
COSCO SHIPPING Leasing Co., Ltd.	3,575,320,000	-	49.70	3,678,520,000	129,737,000	(26,537,000)	-	-	Investment in associates
Total	7,025,350,000	/	/	7,876,537,000	355,779,000	(20,560,000)	-	110,454,000	

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

Name of Investee	Exchange	Principal businesses
China Bohai Bank Co., Ltd.	Hong Kong Stock Exchange	Bank business
Bank of Kunlun Co., Ltd.	/	Bank business
COSCO SHIPPING 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	/	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 in 2021. The Company expects that the investment portfolio of the Group (including the above major investments) will be subject to, among other things, the movement of interest rates, market factors and macroeconomic factors. Moreover, the market value of individual shares will be affected by relevant companies’ financial results, development plan as well as the prospects of the industry where they operate. To mitigate relevant risks, the Group will take appropriate measures in due course and adjust its investment strategies in response to the changes in market conditions.

INCOME TAX

From 1 January 2021 to 31 December 2021, the corporate income tax (“CIT”) rate applicable to the Company and its other subsidiaries in the PRC was 25%.

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

SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

For the year ended 31 December 2021, the Group’s selling, administrative and general expenses were RMB2,116,767,000, representing an increase of 46% as compared with the restated expenses of last year.

OTHER GAINS, NET

For the year ended 31 December 2021, other gains of the Group were RMB313,566,000, representing an increase in gains of approximately RMB207,471,000 as compared with the restated gains of RMB106,095,000 of last year, which was mainly attributable to the rise in share prices of listed equity investments held by the Group.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT FOR THE YEAR

In 2021, the profit attributable to owners of the parent of the Company for the year was RMB6,089,321,000, representing an increase of 184.6% as compared with the restated profit of RMB2,139,402,000 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 loans, construction of new vessels, procurement of containers, and support of the Group’s financial leasing business. During the Period, the Group’s net operating cash inflow was RMB14,505,795,000. As at 31 December 2021, the Group’s cash and bank balances were RMB17,871,147,000.

As at 31 December 2021, the Group’s total bank loans and other borrowings were RMB82,229,268,000, of which RMB41,884,085,000 is repayable within one year. The Group’s long-term bank loans are mainly used to finance the procurement of containers, the acquisition of financial lease assets and replenishment of liquidity.

As at 31 December 2021, the Group’s RMB-denominated bonds payable amounted to RMB8,500,000,000, and all proceeds raised from the bonds were used for the replenishment of liquidity and the repayment of loans.

The Group's RMB borrowings at fixed interest rates amounted to RMB22,100,750,000. USD borrowings at fixed interest rates amounted to USD1,284,526,000 (equivalent to approximately RMB8,189,752,000), RMB borrowings at floating interest rates amounted to RMB1,830,651,000, and USD borrowings at floating interest rates amounted to USD7,859,234,000 (equivalent to approximately RMB50,108,115,000). The Group's borrowings are settled in RMB or USD while its cash and cash equivalents are also primarily denominated in RMB and USD.

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

Net Current Liabilities

As at 31 December 2021, the Group's net current liabilities amounted to RMB20,316,965,000. Current assets mainly include: the current portion of the finance lease receivables of RMB3,217,218,000, inventories of RMB6,901,763,000, trade and notes receivables of RMB1,372,306,000, prepayments and other receivables of RMB1,503,818,000, factoring receivables of RMB1,479,284,000, the current portion of financial assets at fair value through profit or loss of RMB1,073,731,000, cash and cash equivalents of RMB17,871,147,000, and pledged deposits of RMB148,413,000. Current liabilities mainly include: trade payables of RMB4,054,265,000, other payables and accruals of RMB2,519,119,000, contract liabilities of RMB1,313,944,000, tax payables of RMB562,072,000, the current portion of bank and other borrowings of RMB41,884,085,000, the current portion of corporate bonds of RMB3,500,000,000, and current portion of lease liabilities of RMB47,226,000.

Cash Flows

For the year of 2021, the Group's net cash inflow generated from operating activities was RMB14,505,795,000, denominated principally in RMB and USD, representing an increase of RMB5,836,358,000 as compared with RMB8,669,437,000 of net cash inflow generated from operating activities for 2020. Cash and cash equivalents balances at the end of 2021 increased by RMB5,081,653,000 year-on-year, mainly reflecting the fact that the net cash inflow generated from operating activities was more than the net cash outflow used in financing activities and the net cash outflow used in investing activities. The cash outflow used in financing activities of the Group during the year was mainly used for the payment of interest in bank loans and commercial bills and such proceeds were used mainly for the purposes of short-term operation and purchase and construction of containers.

The following table provides the information regarding the Group's cash flow for the years ended 31 December 2021 and 31 December 2020:

	<i>Unit: RMB</i>	
	2021	2020
Net cash generated from operating activities	14,505,795,000	8,669,437,000
Net cash used in investing activities	(15,136,136,000)	(5,004,665,000)
Net cash generated from/(used in) financing activities	5,901,791,000	(319,571,000)
Impact of exchange rate movement on cash	(189,797,000)	(502,539,000)
Net increase/(decrease) in cash and cash equivalents	<u>5,081,653,000</u>	<u>(2,842,662,000)</u>

Net Cash Generated from Operating Activities

For the year ended 31 December 2021, the net cash inflow generated from operating activities was RMB14,505,795,000, representing an increase of RMB5,836,358,000 as compared with RMB8,669,437,000 of net cash inflow generated from operating activities for 2020. The increase in the Group's net cash generated from operating activities was mainly due to normal operating activities.

Net Cash Used in Investing Activities

For the year ended 31 December 2021, the net cash outflow used in investing activities was RMB15,136,136,000, representing an increase of RMB10,131,471,000 as compared with RMB5,004,665,000 of net cash outflow used in investing activities for 2020. The increase in the Group's net cash outflow used in investing activities was mainly due to the increase in purchase of fixed assets and the acquisition of containers, machinery and equipment, vessels and other expenditures led to increased cash outflow during the year.

Net Cash Generated from Financing Activities

For the year ended 31 December 2021, the net cash inflow generated from financing activities was RMB5,901,791,000, representing an increase of RMB6,221,362,000 as compared with the net cash outflow used in financing activities of RMB319,571,000 for 2020. For the year of 2021, the Group's bank and other borrowings amounted to RMB66,585,549,000, repayment of bank and other borrowings amounted to RMB56,676,021,000, proceeds from new issuance of shares amounted to RMB 2,460,905,000, and proceeds from new issuance of bonds amounted to RMB6,883,670,000.

Trade and Notes Receivables

As at 31 December 2021, the Group's net amount of trade and notes receivables was RMB1,372,306,000, representing a decrease of RMB3,256,874,000 as compared with last year, of which note receivables decreased by RMB391,904,000 and trade receivables decreased by RMB2,864,970,000.

Gearing Ratio Analysis

As at 31 December 2021, the Company's net gearing ratio (i.e. net debts over shareholders' equity) was 223%, lower than 364% of last year. The net gearing ratio decreased mainly due to the increase in shareholders' equity and the decrease in liabilities at the end of 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. During the Period, the Group recorded an exchange loss of RMB366,164,000 which was mainly due to fluctuations of the USD exchange rate in 2021; the increase in exchange difference which was charged to equity attributable to shareholders of the parent of the Company amounted to RMB4,351,000. 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 year ended 31 December 2021, the Group's expenditures on the acquisition of container vessels, vessels under construction and containers, and other expenditures amounted to RMB13,199,663,000; expenditures on the acquisition of lease assets amounted to RMB21,130,134,000.

Capital Commitments

As at 31 December 2021, the Group had RMB2,550,828,000 in capital commitment to property, plant and equipment which had been contracted but not provided for, and RMB314,170,000 in equity investment commitment.

Pledge

As at 31 December 2021, certain container vessels and containers with net carrying value of approximately RMB18,672,682,000 (2020: RMB25,232,185,000), finance lease receivables of RMB12,497,828,000 (2020: RMB24,367,438,000) and pledge deposits of RMB57,775,000 (2020: RMB279,603,000) of the Group were pledged for the grant of bank credit and issuance of bonds.

SUBSEQUENT EVENTS

On 30 March 2022, the Board proposed the payment of a final dividend of RMB0.226 per share (inclusive of applicable tax) for the year ended 31 December 2021, totaling approximately RMB3,052,548,000 calculated based on 13,506,850,000 shares, being the total number of issued shares of the Company of 13,586,477,000 as at 30 March 2022 deducting 79,627,000 A shares repurchased by the Company, which is subject to the approval of shareholders of the Company at the forthcoming annual general meeting (the "AGM") of the Company.

CONTINGENT LIABILITIES

As at 31 December 2021, there were no significant contingent liabilities for the Group.

EMPLOYEES, TRAINING AND BENEFITS

As at 31 December 2021, the Group had 13,338 employees, and the total staff costs for the Period (including staff remuneration, welfare cost and social insurance fees etc.) amounted to approximately RMB3,574,489,000 (including outsourced labour costs).

Remuneration management, as one of the most effective incentives and a form of enterprise value distribution, is carried out on the basis of total budget control, value creation, internal fairness, market competition and sustainable development. Based on the principle of “contractualized management, differential compensation”, the 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 mainly consists of two aspects: (1) salaries, including position/title salary, performance salary, special incentives and allowances; and (2) benefits, including mandatory social insurance, provident housing fund as stipulated by the state and its own corporate welfares.

To support the Company’s human resources management reform, talent development and cultivation, the Company has constructed 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 caliber.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

I. Material Acquisition

On 27 January 2021, the Company convened a board meeting to consider and approve the Proposal of COSCO SHIPPING Development Co., Ltd. on Issuing Shares to Purchase Assets and Raise Ancillary Funds and Related Party Transaction and other relevant resolutions; on 29 April 2021, the Company convened a board meeting to consider and approve the Report on Acquisition of Assets and Raising Ancillary Funds through Issuance of Shares and Related Party Transaction of COSCO SHIPPING Development Co., Ltd. (Draft) and other relevant resolutions. Pursuant to the disclosures on the draft of such transaction, the Company proposed to acquire the 100% of the equity interest in DFIC Qidong, 100% of the equity interest in DFIC Qingdao, 100% of the equity interest in DFIC Ningbo and 100% of the equity interest in Universal Technology held by COSCO SHIPPING Investment through the issuance of shares, and proposed a non-public issuance of shares to not more than 35 (inclusive) qualified specific target subscribers, including an immediate controlling shareholder of the Company, China Shipping Group (“China Shipping”), to raise ancillary funds. The total amount of ancillary funds raised is not more than RMB1.464 billion. On 10 June 2021, the Company convened a general meeting to consider and approve the Report on Acquisition of Assets and Raising Ancillary Funds through Issuance of Shares and Related Party Transaction of COSCO SHIPPING Development Co., Ltd. (Draft), its summary and so on. On 20 October 2021, the Company received the Reply on the Application for the Issuance of Shares by COSCO SHIPPING Development Co., Ltd. to Purchase Assets and Raise Ancillary Funds to COSCO SHIPPING Investment Holdings Co., Limited from the CSRC, which approved COSCO SHIPPING Development to issue 1,447,917,519 shares to COSCO SHIPPING Investment to purchase relevant assets and raise ancillary funds through issuance of shares of no more than RMB1,464 million; on 4 November 2021, the Company

obtained all the renewed business licenses and finished the full completion; on 26 November 2021, the Company completed the issue, registration and listing of consideration shares; on 20 December 2021, the Company publicly disclosed the Report on the Non-Public Issuance of Shares Related to Acquisition of Assets and Raising Ancillary Funds through Issuance of Shares and Related Party Transaction of COSCO SHIPPING Development Co., Ltd. (Draft) and relevant issuance documents; on 23 December 2021, the Company published the COSCO SHIPPING Development Co., Ltd. Announcement on the Issuance Results of the Non-Public Issuance of Shares and Changes in Share Capital of the Acquisition of Assets and Raising Ancillary Funds Through Issuance of Shares and Related Party Transactions.

II. Major Disposal

At the 29th meeting of the sixth session of the Board held on 10 December 2020 and the 2020 sixth extraordinary general meeting of the Company held on 28 December 2020, the Resolution in Relation to Transfer of the 35.22% Equity Interest in COSCO SHIPPING Leasing Co., Ltd. was considered and approved, pursuant to which, the Company proposed to transfer the 35.22% equity interest held in COSCO SHIPPING Leasing Co., Ltd. (“**COSCO SHIPPING Leasing**”) to Chengtong Mixed Reform Equity Investment Fund Management Co., Ltd. (誠通混改股權投資基金管理有限公司) by way of non-disclosure agreement at a consideration of RMB1.8 billion.

As of 30 June 2021, the Company received the consideration of RMB1.8 billion for the aforementioned share transfer in full, COSCO SHIPPING Leasing completed amendments to its articles of association and reorganized its board of directors, and both parties acknowledged closing of transaction. As such, the Company recognized the transfer of equity interest in COSCO SHIPPING Leasing was completed on 30 June 2021.

At the 29th meeting of the sixth session of the Board held on 10 December 2020 and the 2020 sixth extraordinary general meeting of the Company held on 28 December 2020, the Resolution in Relation to Soliciting Strategic Investors through Public Listing and Capital Increase to COSCO SHIPPING Leasing Co., Ltd. was considered and approved. One eligible investor, being China Insurance Investment Co., Ltd. (中保投資有限責任公司) (“**China Insurance Investment**”) was solicited through public solicitation. Upon consideration and confirmation at the 35th meeting of the sixth session of the Board, the parties entered into the Capital Increase Agreement and supplemental agreement, pursuant to which, China Insurance Investment will contribute RMB3 billion to subscribe for the increase in the registered capital of COSCO SHIPPING Leasing of RMB2,054,977,136.03. As of 30 June 2021, China Insurance Investment has paid in RMB1 billion for the capital increase, where the remaining RMB2 billion shall be contributed in installments within two years in accordance with the agreements. COSCO SHIPPING Leasing has made amendments to its articles of association and China Insurance Investment has designated two directors to serve on the board of directors of COSCO SHIPPING Leasing.

As of 30 June 2021, the Company’s voting rights at the board meetings of COSCO SHIPPING Leasing decreased to 42.86%, and the Company’s voting rights at the shareholders’ general meetings of COSCO SHIPPING Leasing were 54.17%. Pursuant to the Capital Increase Agreement and upon assessment of the payment capacity of China Insurance Investment, the Company believes that China Insurance Investment is capable of contributing the remaining balance at any time, which may dilute the Company’s voting rights at the shareholders’ general meetings of COSCO SHIPPING Leasing to below 50%, the Company ceased to include COSCO SHIPPING Leasing in the scope of consolidation.

DIVIDEND

The Board proposed to distribute a final dividend of RMB0.226 per share (inclusive of applicable taxes) for the year ended 31 December 2021 (2020: RMB0.056 per share), subject to the approval of shareholders of the Company at the forthcoming AGM. The final dividend will be denominated and declared in RMB, payable to the holders of A shares and H shares of the Company in RMB and Hong Kong dollars, respectively within two months after the approval at the AGM.

The Company will make further announcements as and when necessary to disclose further details including, among other things, the expected timetable and arrangements of closure of register of members of H shares by the Company, and the proposal to distribute final dividend.

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

During the year ended 31 December 2021, 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 of the Company (the “**Audit Committee**”) consists of two independent non-executive directors, namely Mr. Lu Jianzhong and Mr. Cai Hongping, and one non-executive director, namely Mr. Huang Jian. The Audit Committee has discussed with the independent auditor of the Company, Ernst & Young, and reviewed the annual results of the Group for the year ended 31 December 2021.

This annual results announcement is based on the Company’s consolidated financial statements for the year ended 31 December 2021 which have been agreed with the auditor of the Company.

CORPORATE GOVERNANCE CODE

The Board has confirmed that the Company was in full compliance with all applicable code provisions of the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) (the “**Listing Rules**”) during the year ended 31 December 2021.

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.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statements of financial position, consolidated statements of profit or loss, consolidated statements of cash flows and the related notes thereto for the year ended 31 December 2021 as set out in this results announcement have been verified by the Group's auditor, Ernst & Young, to be consistent with the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditor in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditor on this results announcement.

DISCLOSURE OF INFORMATION

This announcement is published on the website of the Hong Kong Stock Exchange at <http://www.hkexnews.hk> and the Company's website at <http://development.coscoshipping.com>. The annual report of the Company for year ended 31 December 2021 will be despatched by the Company to its shareholders and published on the aforesaid websites of the Hong Kong Stock Exchange and the Company in due course.

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

Shanghai, the People's Republic of China
30 March 2022

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

* *The Company is a registered non-Hong Kong company as defined under 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."*