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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 2020**

**FINANCIAL HIGHLIGHTS (UNDER HKFRSs)**

- Revenue amounted to RMB14,421,919,000
- Profit before tax from continuing operations amounted to RMB1,760,958,000
- Profit attributable to owners of the parent of the Company for the year amounted to RMB2,130,271,000
- Basic earnings per share attributable to ordinary equity holders of the parent of the Company amounted to RMB0.1556
- The Board proposed the payment of a final dividend of RMB0.056 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 2020 (the “**Period**”) prepared under Hong Kong Financial Reporting Standards (“**HKFRSs**”), together with the comparative figures for the year ended 31 December 2019.

**CHAIRMAN’S STATEMENT**

In early 2020, the COVID-19 pandemic swept the world and hit the global economy hard. Major developed economies were affected by the lingering pandemic and saw slow recovery. In contrast, China quickly brought the pandemic under control and resumed work and production steadily, making it the first to break the shackle of COVID-19 and achieve recovery. In the second half of the year, the gradual resumption of work and production and the economic stimulus policies adopted by some countries boosted global trade to a certain extent. As a result, the shipping market picked up rapidly amid robust transportation demand, bringing good market opportunities for the recovery of the upstream and downstream shipping industry chain.

Faced with the downward pressure on macro-economy and the continuous spread of COVID-19 abroad, the Company persisted in reform and innovation, deepened the improvement of quality and efficiency, and had highly motivated staff work against the headwinds. Thanks to these, the Company saw an improving business landscape and continuous growth in economic efficiency.

In 2020, the Company recorded a revenue of RMB14.422 billion, an increase of 49% from 2019, and a net profit attributable to owners of the parent of RMB2.130 billion, an increase of 22% from 2019. The basic earnings per share amounted to RMB0.1556.

The Board proposed a final dividend of RMB0.056 per share.

## **REVIEW OF OPERATIONS**

In 2020, the Company confidently made coordinated efforts to withstand the test of the market, seized market opportunities to implement the strategy of industry-finance integration, and endeavored to make new breakthroughs in the field of shipping finance. The Company also made continuous efforts to explore new business models, tap and integrate new competitive advantages, and continuously improve high-quality development.

### **I. THE LEASING SEGMENT ACHIEVED WIN-WIN RESULTS IN THE INDUSTRIAL CHAIN BASED ON INDUSTRY-FINANCE INTEGRATION**

#### ***1. Vessel Leasing Business Leveraged Industrial Chain Advantages to Expand into New Business Areas***

We continued to “integrate industry and finance and facilitate industry development with finance for synergy”, and made breakthroughs in extending financial services in the shipping industry chain. In 2020, the Company partnered with COSCO SHIPPING Specialized Carriers Co., Ltd. and COSCO SHIPPING Heavy Industry Co., Ltd. (“**COSCO SHIPPING Heavy Industry**”) to manufacture and lease out 10 multi-purpose vessels; and cooperated with COSCO SHIPPING Bulk Co., Ltd. and COSCO SHIPPING Heavy Industry on the operating lease of 16 bulk carriers designated to serve Aluminum Corporation of China Limited in Guinea, thus expanding the Company’s leasing fleet and facilitating the development of its principal shipping business. In addition to managing its existing business, the Company steadily developed external markets and extended to major transportation-related lease business, in an effort to create new profit growth drivers.

#### ***2. Container Leasing Business Exerted In-house Synergy to Innovate in Business Models***

Faced with the significant changes in market environment in 2020, the Company’s container leasing business drew on in-house synergy to increase revenue and cut expenditure amid market headwinds in the first half of the year through early business development and revitalization of ground containers; and seized market opportunities in the second half of the year to capitalize on the outstanding advantages and market influence of its industrial chain, thus achieving good returns. Meanwhile, the Company innovated in business models, explored new modes of cooperation with big clients, and expanded new container trading business and mobile warehousing business, in an effort to improve returns on assets.

### ***3. Other Leasing Businesses Focused on Improving Quality and Efficiency and Deepening SOE Reform***

The Company is committed to enhancing efficiency by specialization, by going deep, improving efficiency and ensuring returns in the field of financial leasing. In 2020, COSCO SHIPPING Leasing Co., Ltd., a subsidiary of the Company, successfully introduced external strategic investors, marking a major breakthrough in equity diversification and mixed ownership reform. This further consolidated its superior competitive position in the industry and helped it realize transformation and upgrading, which in turn will enhance the long-term investment return of COSCO SHIPPING Development.

## **II. CONTAINER MANUFACTURING SEGMENT IMPROVED MANAGEMENT CAPABILITIES TO MEET MARKET DEMAND**

In 2020, under the severity of the global pandemic, the market experienced a structural shortage of containers. The Company closely followed market dynamics, pursued economies of scale and synergy, enhanced management efficiency, and strengthened cost control. While ensuring production continuity and achieving good economic returns, the Company exerted its industry influence to provide important logistics support services for international and domestic dual circulation. In the meantime, the Company made efforts to explore diversified development by strengthening product R&D and expanding container business in the fields of environmental protection, healthcare, special logistics, agriculture and scientific research etc., with a view to improving its comprehensive competitiveness.

In 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”, with an aim to further integrate the Group’s container manufacturing assets, optimize production capacity, enhance technological capabilities, and facilitate synergy between leasing and manufacturing. The transaction will, in advance, honor the commitment made by the controlling shareholder in 2019 to inject acquired container manufacturing assets into the Company in three years, and give a strong impetus for the Company to achieve its strategic objectives for the 14th Five-Year Plan period. This is a response to the expectations of the capital market, and will effectively enhance the interests of shareholders.

## **III. INVESTMENT AND SERVICES SEGMENT FURTHER DEVELOPED INDUSTRY CHAIN FINANCE AND INNOVATED IN INDUSTRY-FINANCE INTEGRATION MODEL**

The Company continuously promoted the development of industry chain finance in various sub-sectors by intensifying the integration of industry chain resources based on the shipping logistics business to maximize the advantages in facilitating industry development with finance. In 2020, the Company innovated in industry-finance integration model and introduced external resources to jointly create products, manage assets and optimize operations. In addition, it revitalized its existing financial assets and concentrated on shipping finance, and achieved good returns on a number of investment projects. By creating a one-stop supply chain finance service platform, the Company can provide more comprehensive financial solutions and enhance the ability of its finance segment to serve its principal shipping business.

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

The Company is dedicated to safeguarding the interests of investors and promoting its long-term sustainable development. As such, it has paid cash dividends for two consecutive years to share its development achievements with shareholders. In 2020, the Company completed the dividend distribution to A-share and H-share investors for 2019 by distributing a total of approximately RMB520 million of cash dividends to all shareholders. The Company will continue to reward investors with an active and stable dividend distribution policy.

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

In 2020, in an active response to the impact of the COVID-19 pandemic, the Company carried out special screening of COVID-19-related risks, strengthened compliance risk control for all business segments, and conducted risk assessment on major finance and investment projects. Meanwhile, the Company continuously promoted the construction of the rule of law, strictly controlled legal compliance risks, effectively implemented risk limit management, reinforced credit risk management, improved the sanctions compliance and anti-monopoly compliance management systems, carried out contract investigation and contract lifecycle management, and improved the major emergency response mechanism, so as to enhance internal control capabilities in all aspects. In 2020, all business segments were operating soundly with controllable risks.

#### **VI. PRACTICING SOCIAL RESPONSIBILITY AND PROMOTING SUSTAINABLE DEVELOPMENT**

In 2020, faced with the complex and severe environment at home and abroad, the Company adhered to its original intention in shipping finance and pursued high-quality development based on the dual circulation development pattern. The Company tapped scientific research and medical needs, strengthened innovation and R&D, and designed and manufactured special containers such as Antarctic scientific expedition containers and intelligent medical containers; upheld the concept of green development, constantly improved the environmental management system, and took effective measures to address climate change; honored its social responsibility by facilitating regional economic and social development and supporting targeted assistance projects to help with poverty alleviation. With a firm belief that sustainable development is the “golden key” to solve the current global problems, the Company integrates the concept of sustainable development into its core strategy and operations, and promotes the development of the real economy with shipping finance.

## OUTLOOK

In 2021, the global economy will gradually recover, and China's economy will steadily continue its positive growth. The supply-demand balance in the shipping market is expected to improve, and the global trade landscape will see structural changes. Financial market regulation is moving towards a well-established risk control mechanism with tightening financial policies. In the future, the normalization of epidemic prevention and control and changes in economic policies of major economies will present new uncertainties, and global economy and trade will reach a new balance. Currently, the sound momentum of the new economy, the ongoing advancement of high-tech industries, and the construction of a dual circulation development pattern will bring many opportunities for the upstream and downstream of the shipping industry chain. In this context, the shipping finance ecosystem empowered by supply chain finance is expected to improve gradually.

Through efforts made during the 13th Five-Year Plan period, COSCO SHIPPING Development has made great progress in its shipping finance business, especially in industry-finance integration. The Company made new breakthroughs in combining leasing and manufacturing and combining leasing and shipping, and saw its supply chain finance platform take shape, marking achievements in shipping finance investment. In 2021, the Company will thoroughly implement the new development concept and accelerate the construction of a new development pattern to fit into the dual circulation strategy, build a new ecosystem and develop a first-class enterprise. To this end, the Company will focus on the principal shipping and logistics business to build an integrated supply chain finance service platform, and resolutely empower the principal business with industry-finance integration, so as to enhance the ability of value creation and achieve high-quality development during the 14th Five-Year Plan period.

In terms of shipping and industry-related leasing segment, the Company will deepen the integration of industry and finance, build industry influence, integrate resources and leverage its professional and platform advantages to develop external business; capitalize on the industrial chain advantages of the container leasing and manufacturing business to strengthen synergy between leasing and manufacturing, increase the proportion of reefer and special containers, and reinforce market-oriented development and international expansion; promote new modes of cooperation with big clients and extend the container leasing industry chain to increase profit growth drivers.

In terms of container manufacturing segment, the Company will promote the project of issuing shares to purchase assets and raise supporting funds, with a view to optimizing production capacity, increasing product diversification and maximizing synergy. The Company will extend the container industry chain, actively expand into markets, strengthen industry benchmarking, improve management practices, enhance quality and efficiency, and speed up technology R&D to enhance comprehensive competitiveness, so as to develop a leading company with high intelligence and a high capacity utilization rate.

In terms of investment and services segment, the Company will provide industry-finance services based on the principal shipping business, build an innovative investment platform, promote the development of industrial funds to empower the principal business, explore and develop industry-finance business, and further enhance the advantages of its integrated supply chain finance services. As to investment management business, the Company will, with a focus on “facilitating industry development with finance”, constantly optimize asset allocation, uphold diversified investment strategies, explore and research the fields of major transportation and technological innovation, and tap investment opportunities to improve investment returns.

In addition, the Company will continue to improve the risk management infrastructure, promote the implementation of a comprehensive risk management system, and strengthen risk management for financial investment and leasing business. In the meantime, the Company will further improve its safety production system and reinforce epidemic prevention and control measures, so as to create a safe environment for its production and operations.

The extraordinary year of 2020 has created a new starting point for 2021, and the new journey of the 14th Five-Year Plan is around the corner. COSCO SHIPPING Development will uphold its original intention in shipping finance and its new mission, embrace innovation to secure new achievements, and grasp opportunities of the times to develop into an excellent financial service provider in the shipping industry with COSCO SHIPPING characteristics.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	<i>Notes</i>	<b>For the year ended 31 December 2020 RMB'000</b>	For the year ended 31 December 2019 RMB'000 (Restated)
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>		<b>14,421,919</b>	9,665,682
Cost of sales		<u>(10,834,932)</u>	<u>(7,202,187)</u>
Gross profit		<b>3,586,987</b>	2,463,495
Other income	5	<b>286,950</b>	330,133
Other gains, net	6	<b>155,593</b>	919,235
Selling, administrative and general expenses		<b>(1,373,487)</b>	(1,178,677)
Expected credit losses		<b>(622,339)</b>	(417,563)
Finance costs		<b>(2,253,120)</b>	(3,540,784)
Share of profits of associates		<b>1,985,148</b>	2,292,840
Share of losses of joint ventures		<u>(4,774)</u>	<u>(1,077)</u>
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>1,760,958</b>	867,602
Income tax expense	7	<u>(318,773)</u>	<u>(199,749)</u>
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>1,442,185</b>	667,853
<b>DISCONTINUED OPERATION</b>			
Profit for the year from a discontinued operation		<u>688,086</u>	<u>1,076,880</u>
<b>PROFIT FOR THE YEAR</b>		<b><u>2,130,271</u></b>	<b><u>1,744,733</u></b>
Attributable to:			
Owners of the parent		<b>2,130,271</b>	1,744,733
Non-controlling interests		<u>—</u>	<u>—</u>
		<b><u>2,130,271</u></b>	<b><u>1,744,733</u></b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (expressed in RMB per share)</b>			
Basic and diluted	9		
– For profit for the year		<u>0.1556</u>	<u>0.1285</u>
– For profit from continuing operations		<u>0.0964</u>	<u>0.0355</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	For the year ended 31 December 2020 <i>RMB'000</i>	For the year ended 31 December 2019 <i>RMB'000</i>
<b>PROFIT FOR THE YEAR</b>	<b>2,130,271</b>	1,744,733
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Associates:		
Share of other comprehensive (loss)/income	(173,894)	302,336
Reclassification to profit or loss	(168,459)	—
	<u>(342,353)</u>	302,336
Share of other comprehensive loss of joint ventures	(12)	(59)
Effective portion of cash flow hedges	(11,751)	(30,084)
Exchange differences on translation of foreign operations	684,783	(187,211)
	<u>330,667</u>	84,982
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		
Other comprehensive (loss)/income that may not be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive (loss)/income of associates	(13,390)	51,295
	<u>(13,390)</u>	51,295
Net other comprehensive (loss)/income that may not be reclassified to profit or loss in subsequent periods		
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>	<b>317,277</b>	136,277
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b><u>2,447,548</u></b>	<b><u>1,881,010</u></b>
Attributable to:		
Owners of the parent	2,447,548	1,881,010
Non-controlling interests	—	—
	<u>2,447,548</u>	<u>1,881,010</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**31 DECEMBER 2020**

	<i>Note</i>	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>55,324,708</b>	56,818,972
Investment properties		<b>98,144</b>	105,547
Right-of-use assets		<b>222,407</b>	274,620
Intangible assets		<b>39,256</b>	27,174
Investments in joint ventures		<b>180,727</b>	188,827
Investments in associates		<b>20,841,847</b>	25,665,387
Financial assets at fair value through profit or loss		<b>3,932,754</b>	4,266,308
Finance lease receivables		<b>27,568,809</b>	26,623,268
Factoring receivables		<b>365,032</b>	428,409
Derivative financial instruments		–	569
Deferred tax assets		<b>284,670</b>	243,651
Other long term prepayments		<b>45,984</b>	50,641
		<hr/>	<hr/>
Total non-current assets		<b>108,904,338</b>	114,693,373
<b>CURRENT ASSETS</b>			
Inventories		<b>962,410</b>	881,129
Trade and notes receivables	<i>10</i>	<b>2,445,764</b>	1,111,000
Prepayments and other receivables		<b>1,054,541</b>	458,969
Financial assets at fair value through profit or loss		<b>654,224</b>	490,967
Finance lease receivables		<b>18,296,935</b>	15,532,797
Factoring receivables		<b>1,083,635</b>	1,123,489
Derivative financial instruments		–	960
Pledged deposits		<b>590,146</b>	566,339
Cash and cash equivalents		<b>12,046,801</b>	9,635,096
		<hr/>	<hr/>
Total current assets		<b>37,134,456</b>	29,800,746
		<hr/>	<hr/>
Total assets		<b>146,038,794</b>	144,494,119

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**  
**31 DECEMBER 2020**

	<i>Note</i>	31 December 2020 <i>RMB'000</i>	31 December 2019 <i>RMB'000</i>
<b>CURRENT LIABILITIES</b>			
Trade payables	11	3,100,895	2,553,700
Other payables and accruals		4,771,247	3,658,271
Contract liabilities		162,354	150,194
Derivative financial instruments		8,654	3,445
Bank and other borrowings		47,252,731	43,066,519
Corporate bonds		9,272,114	4,273,467
Lease liabilities		100,998	391,082
Tax payable		198,482	174,881
<b>Total current liabilities</b>		<u>64,867,475</u>	<u>54,271,559</u>
<b>NET CURRENT LIABILITIES</b>		<u>(27,733,019)</u>	<u>(24,470,813)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>81,171,319</u>	<u>90,222,560</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank and other borrowings		45,527,948	54,853,209
Corporate bonds		8,287,546	8,271,400
Lease liabilities		53,858	148,648
Derivative financial instruments		12,285	8,590
Deferred tax liabilities		104,888	350,975
Government grants		9,934	11,484
Other long term payables		2,804,852	2,370,536
<b>Total non-current liabilities</b>		<u>56,801,311</u>	<u>66,014,842</u>
<b>Net assets</b>		<u><u>24,370,008</u></u>	<u><u>24,207,718</u></u>
<b>EQUITY</b>			
Share capital		11,608,125	11,608,125
Treasury shares		(233,428)	(233,428)
Special reserves		1,360	1,606
Other reserves		(2,722,662)	(2,338,187)
Other equity instruments		6,000,000	7,000,000
Retained profits		12,206,348	10,976,614
Other comprehensive loss		(2,489,735)	(2,807,012)
<b>Total equity</b>		<u><u>24,370,008</u></u>	<u><u>24,207,718</u></u>

## NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2020

### 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. 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 RMB27,733,019,000 as at 31 December 2020. The directors of the Company are of opinion that based on the available unutilised banking facilities as at 31 December 2020, 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 2020. 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).

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 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the Conceptual Framework for Financial Reporting 2018 and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

### 3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendment to HKFRS 16 provides a 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. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The Group has applied the amendment prospectively to transactions or other events that occurred on or after 1 June 2020. The amendment did not have any impact on the financial position and performance of the Group.
- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

#### 4. OPERATING SEGMENT INFORMATION

During the year ended 31 December 2020, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (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.

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 2020				
	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>
<b>Segment revenue</b>					
Sales of containers	–	6,487,575	–	–	6,487,575
Fee and commission income	–	–	41,359	–	41,359
Total revenue from contracts with external customers	–	6,487,575	41,359	–	6,528,934
Other revenue from external customers	7,750,919	–	142,066	–	7,892,985
Total revenue from external customers	7,750,919	6,487,575	183,425	–	14,421,919
Intersegment revenue from contracts with customers	–	1,642,691	7,396	–	1,650,087
Total revenue	<u>7,750,919</u>	<u>8,130,266</u>	<u>190,821</u>	<u>–</u>	<u>16,072,006</u>
<b>Segment results</b>	510,969	284,428	1,738,484	(26,592)	2,507,289
Elimination of intersegment results					(97,363)
Unallocated selling, administrative and general expenses					(180,948)
Unallocated finance costs					(468,020)
<b>Profit before tax from continuing operations</b>					<u>1,760,958</u>

#### 4. OPERATING SEGMENT INFORMATION (CONTINUED)

	For the year ended 31 December 2019				
	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)
<b>Segment revenue</b>					
Sales of containers	–	3,076,280	–	–	3,076,280
Fee and commission income	–	–	39,940	–	39,940
Total revenue from contracts with external customers	–	3,076,280	39,940	–	3,116,220
Other revenue from external customers	6,472,806	–	76,656	–	6,549,462
Total revenue from external customers	6,472,806	3,076,280	116,596	–	9,665,682
Intersegment revenue from contracts with customers	–	1,506,420	8,053	–	1,514,473
Total revenue	<u>6,472,806</u>	<u>4,582,700</u>	<u>124,649</u>	<u>–</u>	<u>11,180,155</u>
<b>Segment results</b>	67,411	(202,854)	1,961,556	(75,789)	1,750,324
Elimination of intersegment results					3,952
Unallocated selling, administrative and general expenses					(144,105)
Unallocated finance costs					(742,569)
<b>Profit before tax from continuing operations</b>					<u>867,602</u>

#### 5. OTHER INCOME

	<b>For the year ended 31 December 2020 <i>RMB'000</i></b>	For the year ended 31 December 2019 <i>RMB'000</i>
Interest income	<b>141,764</b>	191,010
Government grants related to the ordinary course of business	<b>1,550</b>	1,552
Government subsidies	<b>126,050</b>	90,600
Super-deduction of valued-added input tax	<b>37</b>	31
Fees refunded for individual income tax withheld	<b>251</b>	204
Others	<b>17,298</b>	46,736
	<u><b>286,950</b></u>	<u>330,133</u>

## 6. OTHER GAINS

	<b>For the year ended 31 December 2020 RMB'000</b>	For the year ended 31 December 2019 RMB'000
Gain on disposal of items of property, plant and equipment	25,686	82,630
Gain on disposal of investments in associates	219,316	–
Changes in fair value of financial assets at fair value through profit or loss	26,202	747,033
Net foreign exchange (loss)/gain	(126,820)	57,448
Others	11,209	32,124
	<u>155,593</u>	<u>919,235</u>

## 7. 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 2020 and 2019.

Hong Kong profits tax was provided at the rate of 16.5% (2019: 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.

	<b>For the year ended 31 December 2020 RMB'000</b>	For the year ended 31 December 2019 RMB'000
Current income tax:		
Mainland China	293,583	211,398
Hong Kong	22,746	7,083
United States	14,620	10,191
Elsewhere	519	433
	<u>331,468</u>	<u>229,105</u>
Deferred income tax	(12,695)	(29,356)
	<u>318,773</u>	<u>199,749</u>

## 8. DIVIDENDS

	<b>For the year ended 31 December 2020 RMB'000</b>	For the year ended 31 December 2019 RMB'000
Proposed final dividend – RMB0.056 (2019: RMB0.045) per ordinary share	<b><u>645,596</u></b>	<u>518,782</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 RMB0.056 (2019: RMB0.045) per share (inclusive of applicable tax), totalling approximately RMB645,596,000 (2019: RMB518,782,000) calculated based on 11,528,497,997 shares, being the number of issued shares of the Company of 11,608,125,000 as at 30 March 2021 deducting 79,627,003 A shares repurchased by the Company, for the year ended 31 December 2021.

## 9. 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.

	<b>For the year ended 31 December 2020 RMB'000</b>	For the year ended 31 December 2019 RMB'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation		
From continuing operations	<b>1,118,640</b>	410,399
From a discontinued operation	<b><u>688,086</u></b>	<u>1,076,880</u>
Interest on perpetual debts*	<b>1,806,726</b>	1,487,279
	<b><u>323,545</u></b>	<u>257,454</u>
Profit attributable to equity holders of the parent before interest on perpetual debts	<b><u>2,130,271</u></b>	<u>1,744,733</u>
Attributable to:		
From continuing operations	<b>1,442,185</b>	667,853
From a discontinued operation	<b><u>688,086</u></b>	<u>1,076,880</u>
	<b><u>2,130,271</u></b>	<u>1,744,733</u>

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

	<b>For the year ended 31 December 2020 '000</b>	For the year ended 31 December 2019 '000
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	<b><u>11,608,125**</u></b>	<u>11,575,875</u>

\* The Company issued perpetual debts during the year ended 31 December 2019. 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 2020 and 2019, RMB323,545,000 (2019: RMB257,454,000) attributable to perpetual debts was deducted from profits attributable to equity holders of the Company.

\*\* As the diluted earnings per share amount is increased when taking share options into account, the share options had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. There was no dilution effect on the ordinary shares for the year ended 31 December 2020 and 2019.

**10. 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:

	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
Within 3 months	<b>1,615,687</b>	965,844
3 to 6 months	<b>316,036</b>	88,287
6 to 12 months	<b>124,612</b>	35,793
Over 1 year	<b><u>1,503</u></b>	<u>4,375</u>
	<b><u>2,057,838</u></b>	<u>1,094,299</u>

## 11. TRADE PAYABLES

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

	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
Within 3 months	<b>2,557,729</b>	1,980,343
3 to 6 months	<b>374,716</b>	374,247
6 to 12 months	<b>145,657</b>	184,017
1 to 2 years	<b>22,793</b>	15,093
	<b><u>3,100,895</u></b>	<b><u>2,553,700</u></b>

## 12. EVENTS AFTER THE REPORTING PERIOD

On 30 March 2021, the Board proposed the payment of a final dividend of RMB0.056 per share (inclusive of applicable tax for the year ended 31 December 2020), totalling approximately RMB645,596,000 calculated based on 11,528,497,997 shares, being the number of issued shares of the Company of 11,608,125,000 as at 30 March 2021 deducting 79,627,003 A shares repurchased by the Company, which is subject to the approval of shareholders of the Company at the forthcoming annual general meeting of the Company (the "AGM").

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OPERATING ENVIRONMENT**

In the first half of 2020, the global economy was in the doldrums due to the COVID-19 pandemic. In the second half of the year, global trade picked up as the pandemic was well under control in China and some countries adopted economic stimulus policies. Given strong market demand and limited turnover of containers under the pandemic, the shipping market enjoyed a rapid recovery.

Currently, the global economy is gradually recovering, and China's economy is growing steadily. Digital technology is widely used and has huge room for growth. Yet, financial regulatory policies are tightening, and the uncertainty of relations between major economies remains, which will lead to a new landscape for global economy and trade.

### **FUTURE 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 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 and shipping leasing business as the core business and shipping supply chain 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 and provide one-stop supply chain finance services covering logistics, financing and risk management, 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 and container 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 and build a leading management platform for shipping equipment leasing within the Group focusing on shipping leasing assets such vessels and port equipment. In the long run, it is to 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 leverage its unique leasing-manufacturing coordination capability and influence in the global container industry, strengthen inter-industry cooperation for win-win results, and extend business along the container industry chain, to develop into a world-leading leasing company with unique competitive edges. 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, strengthen value creation capabilities, and generate synergy. In the long term, the Company will strive to seize market opportunities, actively enhance asset quality, optimize its contract portfolios, and improve its capital structure so as to enhance the rate of return.

#### *(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 promote the integration of assets and improve quality and efficiency, 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) *Supply chain finance services*

The Company will uncover market demands, constantly explore the financial services business opportunities in the supply chain, accelerate the construction of risk control data model for medium and small enterprises, seize opportunities to expand the market share of international commercial factoring business, effectively tap into the advantages of integrated services (comprising leasing, factoring, small loans, insurance and industrial funds), focus on customers in shipping logistics industry, strive to improve the financial ecology of the shipping logistics supply chain for smooth integration of industry and finance and capital operation, provide one-stop supply chain finance services covering logistics, finance and risk management to boost industry stickiness, improve bargaining power, and enhance the value of cargo source.

(4) *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, effectively control 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 then 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 RMB14,421,919,000 for 2020, representing an increase of 49.2% as compared with RMB9,665,682,000 of last year; total profit before income tax from continuing operations amounted to RMB1,760,958,000, representing an increase of 103.0% as compared with RMB867,602,000 of last year; profit attributable to owners of the parent of the Company for the year amounted to RMB2,130,271,000, representing an increase of 22.1% as compared with RMB1,744,733,000 of last year.

Analysis of segment results is as follows:

*Unit: RMB' 000*

Segment	Revenue			Cost		
	2020	2019 (Restated)	Change (%)	2020	2019 (Restated)	Change (%)
Shipping and industry-related leasing business	7,750,919	6,472,806	19.7	4,795,194	4,019,459	19.3
Container manufacturing business	8,130,266	4,582,700	77.4	7,548,865	4,582,348	64.7
Investment and financial service business	190,821	124,649	53.1	43,494	39,218	10.9
Offset amount	(1,650,087)	(1,514,473)	9.0	(1,552,621)	(1,438,838)	7.9
<b>Total</b>	<b><u>14,421,919</u></b>	<b><u>9,665,682</u></b>	<b><u>49.2</u></b>	<b><u>10,834,932</u></b>	<b><u>7,202,187</u></b>	<b><u>50.4</u></b>

### 1. ANALYSIS OF SHIPPING AND INDUSTRY-RELATED LEASING BUSINESS

#### 1) Operating Revenue

The Group recorded leasing revenue of RMB7,750,919,000 for 2020, representing an increase of 19.7% compared with RMB6,472,806,000 of last year, which accounted for 53.7% of the total revenue of the Group. The increase was mainly due to the impact of the further expansion of the market-oriented vessel finance leasing project during the year.

Revenue from vessel leasing and related business amounted to RMB674,560,000, representing an increase of 13.4% as compared with RMB594,599,000 of last year, of which revenue from vessel operating leasing amounted to RMB96,506,000, and revenue from vessel finance leasing amounted to approximately RMB578,054,000.

Revenue from container leasing business amounted to RMB4,362,594,000, representing an increase of 28.1% as compared with RMB3,405,190,000 of last year. The increase was mainly due to 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 accelerate sales of second-hand containers and proactively reduce inventory of second-hand containers in Europe and the USA during the year.

Revenue from other industry-related finance leasing amounted to RMB2,713,765,000, representing an increase of 9.7% as compared with RMB2,473,017,000 of last year. The increase in revenue from other industry-related finance leasing was mainly due to the increase in revenue from finance leasing attributable to the growth of the finance leasing business during the Period.

## **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 2020 amounted to RMB4,795,194,000, representing an increase of 19.3% as compared with RMB4,019,459,000 of last year.

## **2. ANALYSIS OF CONTAINER MANUFACTURING BUSINESS**

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

In 2020, the Group's container manufacturing business realized operating revenue of RMB8,130,266,000, representing an increase of 77.4% as compared with RMB4,582,700,000 of last year, which accounted for 56.4% 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 Period, the aggregate container sales was 605,600TEU, representing an increase of 50.3% as compared with 402,943TEU 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 RMB7,548,865,000 in 2020, representing an increase of 64.7% as compared with RMB4,582,348,000 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 2020, the financial services business realized revenue of RMB190,821,000, representing an increase of 53.1% as compared with RMB124,649,000 of last year and accounting for 1.3% of the Group's total revenue.

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

The operating costs in 2020 were RMB43,494,000, representing an increase of 10.9% as compared with RMB39,218,000 of last year.

#### **3) *Investment Income***

In 2020, the income from investment business was RMB2,225,892,000, representing a decrease of 26.8% as compared with RMB3,038,796,000 of last year. Such decrease in income was mainly attributable to the narrowed margin of the fair value of investments at fair value through profit or loss held by the Group as compared with last year.

### **GROSS PROFIT**

Due to the above reasons, the Group recorded gross profit of RMB3,586,987,000 for 2020 (2019: gross profit of RMB2,463,495,000).

### **SIGNIFICANT SECURITIES INVESTMENT**

During the year ended 31 December 2020, the Company's equity investments in associates and joint ventures generated a profit of RMB1,980,374,000, 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 Period.

## 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)	Accounting ledger	Sources of the shareholding
09668	China Bohai Bank Co., Ltd.	5,749,379,000	13.67	11.12	9,230,792,000	894,894,000	(107,732,000)	-	-	Investment in associates	Purchase
000039/02039	China International Marine Containers (Group) Co., Ltd.	1,313,596,000	22.71	4.69	1,964,084,000	302,789,000	(72,088,000)	219,316,000	97,634,000	Investment in associates	Purchase
601818	China Everbright Bank Co., Ltd.	3,398,255,000	1.38	1.34	4,565,752,000	468,470,000	(18,759,000)	-	154,936,000	Investment in associates	Purchase
600643	Shanghai AI Group Co., Ltd.	25,452,000	0.22	0.22	26,583,000	(6,469,000)	-	-	884,000	Financial assets at fair value through profit or loss	Purchase
000617	CNPC Capital Company Limited	539,115,000	0.97	0.06	493,270,000	(150,841,000)	-	44,299,000	10,812,000	Financial assets at fair value through profit or loss	Purchase
600390	Minmetals Capital Co., Ltd.	1,155,438,000	3.94	3.17	996,139,000	(143,572,000)	-	107,337,000	11,274,000	Financial assets at fair value through profit or loss	Purchase
<b>Total</b>		<b>12,181,235,000</b>	<b>/</b>	<b>/</b>	<b>17,276,620,000</b>	<b>1,365,271,000</b>	<b>(198,579,000)</b>	<b>370,952,000</b>	<b>275,540,000</b>		

## 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)	Accounting ledger	Sources of the shareholding
Bank of Kunlun Co., Ltd.	1,077,153,000	3.74	3.74	1,363,118,000	108,833,000	(10,827,000)	-	54,614,000	Investment in associates	Purchase
Shanghai Life Insurance Co., Ltd.	998,400,000	16.00	16.00	1,046,003,000	38,966,000	18,966,000	-	-	Investment in associates	Purchase
CIB Fund Management Co., Ltd.	100,000,000	10.00	10.00	350,966,000	44,460,000	-	-	10,000,000	Investment in associates	Purchase
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd.	125,000,000	25.00	25.00	127,589,000	(6,449,000)	-	-	-	Investment in joint ventures	Purchase
Chinese Enterprise Elephant Financial Information Services Company Limited	20,000,000	12.50	12.50	22,767,000	3,869,000	-	-	-	Investment in associates	Purchase
Shanghai COSCO SHIPPING Microfinance Company Limited	90,000,000	45.00	45.00	92,817,000	1,282,000	-	-	-	Investment in associates	Purchase
COSCO SHIPPING Finance Company Limited	1,934,677,000	23.38	23.38	2,119,197,000	116,957,000	(3,497,000)	-	78,634,000	Investment in associates	Purchase
<b>Total</b>	<b>4,345,230,000</b>	/	/	<b>5,112,457,000</b>	<b>307,918,000</b>	<b>4,642,000</b>	<b>-</b>	<b>143,248,000</b>		

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

<b>Name of Investee</b>	<b>Exchange</b>	<b>Principal businesses</b>
China Bohai Bank Co., Ltd.	Hong Kong Stock Exchange	Bank business
Bank of Kunlun Co., Ltd.	/	Bank business
Shanghai Life Insurance Co., Ltd.	/	Insurance 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 2020. 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.

## **IMPAIRMENT OF SIGNIFICANT ASSETS**

In accordance with the relevant provisions of the HKFRSs, the Company had conducted impairment testing for the fixed-assets within the scope of the consolidated financial statements as at 31 December 2020, and made impairment provisions accordingly based on the principle of prudence in order to truly reflect the Company's financial conditions and operating results as at 31 December 2020.

In 2020, the Group made provision for impairment of fixed assets in the aggregate amount of RMB722,793,000, mainly comprising (i) the provision for impairment of RMB417,294,000 made due to the estimated discounted present value of the lease receivables as at the lease commencement date being lower than the book value of the vessels as a result of the decline in the exchange rate of the U.S. dollar following the change in the lease method of certain self-owned vessels pursuant to the vessel leasing service master agreement dated 30 October 2020 entered into by the Company; and (ii) the provision for impairment of RMB270,123,000 made due to the estimated disposal price of scrapped containers of the Group being lower than the book value in light of the piling up of scrapped containers in North America and the unfavourable prospects for disposal of scrapped containers in the market.

## **INCOME TAX**

From 1 January 2020 to 31 December 2020, 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 2020, the Group's selling, administrative and general expenses were RMB1,373,487,000, representing an increase of 16.5% as compared with 2019.

## **OTHER GAINS, NET**

For the year ended 31 December 2020, other gains of the Group were RMB155,593,000, representing a decrease in gains of approximately RMB763,642,000 as compared with other gains of RMB919,235,000 for 2019, which was mainly attributable to the narrowed margin of fair value of the securities held by the parent of the Company as compared with last year.

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

In 2020, the profit attributable to owners of the parent of the Company for the year was RMB2,130,271,000, representing an increase of 22.1% as compared with RMB1,744,733,000 for 2019.

## **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 RMB9,749,088,000. As at 31 December 2020, the Group's cash and bank balances were RMB12,046,801,000.

As at 31 December 2020, the Group's total bank loans and other borrowings were RMB92,780,679,000, of which RMB47,252,731,000 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 2020, the Group's RMB-denominated bonds payable amounted to RMB17,559,660,000, 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 RMB21,741,271,000. USD borrowings at fixed interest rates amounted to USD518,360,000 (equivalent to approximately RMB3,382,246,000), RMB borrowings at floating interest rates amounted to RMB11,999,787,000, and USD borrowings at floating interest rates amounted to USD8,529,997,000 (equivalent to approximately RMB55,657,375,000). 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 2020, the Group's net current liabilities amounted to RMB27,733,019,000. Current assets mainly include: the current portion of the finance lease receivables of RMB18,296,935,000, inventories of RMB962,410,000, trade and notes receivables of RMB2,445,764,000, prepayments and other receivables of RMB1,054,541,000, factoring receivables of RMB1,083,635,000, the current portion of financial assets at fair value through profit or loss of RMB654,224,000, cash and cash equivalents of RMB12,046,801,000, and pledged deposits of RMB590,146,000. Current liabilities mainly include: trade payables of RMB3,100,895,000, other payables and accruals of RMB4,771,247,000, contract liabilities of RMB162,354,000, tax payables of RMB198,482,000, the current portion of bank and other borrowings of RMB47,252,731,000, the current portion of corporate bonds of RMB9,272,114,000, and current portion of lease liabilities of RMB100,998,000.

### Cash Flows

For the year of 2020, the Group's net cash inflow generated from operating activities was RMB9,749,088,000, denominated principally in RMB and USD, representing an increase of RMB1,325,023,000 as compared with that of RMB8,424,065,000 in 2019. Cash and cash equivalents balances at the end of 2020 increased by RMB2,411,705,000 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 2020 and 31 December 2019:

	<i>Unit: RMB</i>	
	<b>2020</b>	<b>2019</b>
Net cash generated from operating activities	<b>9,749,088,000</b>	8,424,065,000
Net cash used in investing activities	<b>(4,883,807,000)</b>	(10,383,969,000)
Net cash used in financing activities	<b>(1,971,428,000)</b>	(3,715,251,000)
Impact of exchange rate movement on cash	<b>(482,148,000)</b>	61,057,000
Net increase/(decrease) in cash and cash equivalents	<b>2,411,705,000</b>	(5,614,098,000)

## **Net Cash Generated from Operating Activities**

For the year ended 31 December 2020, the net cash inflow generated from operating activities was RMB9,749,088,000, representing an increase of RMB1,325,023,000 as compared with that of RMB8,424,065,000 for 2019. Overall, cash flow of operating activities maintained a stable and positive trend.

## **Net Cash Used in Investing Activities**

For the year ended 31 December 2020, the net cash outflow used in investing activities was RMB4,883,807,000, representing a decrease of RMB5,500,162,000 as compared with that of RMB10,383,969,000 for 2019. It was mainly because the Group stepped up its effort in asset revitalization during the year and recovered a large amount of capital arising from the disposal of equity and financial assets such as CIMC and China Railway Signal & Communication Corporation Limited.

## **Net Cash Used in Financing Activities**

For the year ended 31 December 2020, the net cash outflow used in financing activities was RMB1,971,428,000, representing a decrease of RMB1,743,823,000 as compared with the net cash inflow generated from financing activities of RMB3,715,251,000 for 2019. For the year of 2020, the Group's new bank and other borrowings and corporate bonds amounted to RMB72,009,961,000, repayment of bank and other borrowings, corporate bonds, perpetual bonds and lease obligation principal amounted to RMB69,450,604,000, the payment of interest amounted to RMB3,644,897,000, and the payment of dividend and interest in perpetual debt amounted to RMB843,824,000.

## **Trade and Notes Receivables**

As at 31 December 2020, the Group's balance of trade and notes receivables was RMB2,445,764,000, representing an increase of RMB1,334,764,000 as compared with last year, of which note receivables increased by RMB371,225,000 and trade receivables increased by RMB963,539,000.

## **Gearing Ratio Analysis**

As at 31 December 2020, the Company's net gearing ratio (i.e. net debts over shareholders' equity) was 402%, lower than 416% of last year. Net gearing ratio had a slight decrease as compared with that of last year.

## **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 RMB126,820,000 for the Period which was mainly due to fluctuations of the USD exchange rate in 2020; the increase in exchange difference which was charged to equity attributable to shareholders of the parent of the Company amounted to RMB684,783,000. 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 2020, the Group's expenditures on the acquisition of container vessels, vessels under construction and containers, and other expenditures amounted to RMB6,717,118,000; expenditures on the acquisition of finance lease assets amounted to RMB24,695,677,000.

## **Capital Commitments**

As at 31 December 2020, the Group had RMB7,028,381,000 in capital commitment to property, plant and equipment which had been contracted but not provided for, and RMB423,215,000 in equity investment commitment.

## **Pledge**

As at 31 December 2020, certain container vessels and containers with net carrying value of approximately RMB25,232,185,000 (2019: RMB25,765,286,000), finance lease receivables of RMB24,367,438,000 (2019: RMB24,015,141,000) and pledge deposits of RMB279,603,000 (2019: RMB237,539,000) of the Group were pledged for the grant of bank credit and issuance of bonds.

## **SUBSEQUENT EVENTS**

On 30 March 2021, the Board proposed the payment of a final dividend of RMB0.056 per share (inclusive of applicable tax) for the year ended 31 December 2020, totalling approximately RMB645,596,000 calculated based on 11,528,497,997 shares, being the number of issued shares of the Company of 11,608,125,000 as at 30 March 2021 deducting 79,627,003 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 2020, there were no significant contingent liabilities for the Group.

## **EMPLOYEES, TRAINING AND BENEFITS**

As at 31 December 2020, the Group had 7,964 employees, and the total staff costs for the Period (including staff remuneration, welfare cost and social insurance fees etc.) amounted to approximately RMB2,036,763,000 (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**

During the year ended 31 December 2020, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

## **DIVIDEND**

The Board proposed to distribute a final dividend of RMB0.056 per share (inclusive of applicable taxes) for the year ended 31 December 2020 (2019: RMB0.045 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, in due course, 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 2020, 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 2020.

This annual results announcement is based on the Company’s consolidated financial statements for the year ended 31 December 2020 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 the 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**”) for the year ended 31 December 2020.

## **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 2020 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 2020 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 2021

*As at the date of this announcement, the Board comprises Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, being executive directors of the Company, Mr. Huang Jian, Mr. Liang Yanfeng and Mr. Ip Sing Chi, being non-executive directors of the Company, and Mr. Cai Hongping, Ms. Hai Chi Yuet, Mr. Graeme Jack, Mr. Lu Jianzhong and Ms. Zhang Weihua, being independent non-executive directors of the Company.*

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