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中遠海運控股股份有限公司
COSCO SHIPPING Holdings Co., Ltd.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1919)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS:

- Revenues from continuing operations of the Group for the year 2021 was RMB333,693,611,000, representing an increase of RMB162,434,777,000 as compared to 2020.
- Profit attributable to equity holders of the Company arising from continuing operations for the year 2021 was RMB89,296,138,000 as compared to RMB9,927,098,000 for the year 2020.
- The basic and diluted earnings per share for 2021 amounted to RMB5.59 and RMB5.56 respectively. (note)
- The Board proposes a final dividend in respect of 2021 of RMB0.87 per ordinary share (inclusive of applicable tax).

Note:

The Company implemented a capitalization issue of 3 shares for every 10 shares by converting reserve to share capital in July 2021. All shareholders were allotted 3 shares for every 10 shares. In the calculation of earnings per share, the weighted average number of shares for the year ended 31 December 2021 and 2020 were calculated based on the total shares after the capitalization issue in accordance with HKAS 33 "Earnings per Share". Please refer to note 8 to the annual results of the Group for the year ended 31 December 2021.

The board of directors (the "**Board**") of COSCO SHIPPING Holdings Co., Ltd.* (the "**Company**" or "**COSCO SHIPPING Holdings**") hereby announces the results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2021 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2020.

**COSCO SHIPPING HOLDINGS CO., LTD.
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

	<i>Note</i>	2021 RMB'000	2020 RMB'000
Continuing operations			
Revenues	3	333,693,611	171,258,834
Cost of services		(193,568,231)	(147,117,042)
Gross profit		140,125,380	24,141,792
Other income	4	1,540,605	2,018,765
Other expenses	4	(805,430)	(571,619)
Net impairment losses on financial assets		(181,175)	(107,747)
Selling, administrative and general expenses		(12,382,322)	(9,906,472)
Operating profit		128,297,058	15,574,719
Finance income	5	1,102,552	634,269
Finance costs	5	(3,833,570)	(4,364,819)
Net finance costs	5	(2,731,018)	(3,730,550)
		125,566,040	11,844,169
Share of profits less losses of			
– joint ventures		694,459	655,548
– associates		1,688,803	1,447,992
Profit before income tax from continuing operations		127,949,302	13,947,709
Income tax expenses	6	(24,096,751)	(760,215)
Profit for the year from continuing operations		103,852,551	13,187,494

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit for the year		<u>103,852,551</u>	<u>13,187,494</u>
Profit attributable to:			
– Equity holders of the Company		89,296,138	9,927,098
– Non-controlling interests		<u>14,556,413</u>	<u>3,260,396</u>
		<u>103,852,551</u>	<u>13,187,494</u>
		2021 <i>RMB</i>	2020 <i>RMB</i>
Earnings per share attributable to equity holders of the Company:			
Basic earnings per share	<i>8</i>	<u>5.59</u>	<u>0.62</u>
Diluted earnings per share	<i>8</i>	<u>5.56</u>	<u>0.62</u>

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit for the year	103,852,551	13,187,494
Other comprehensive income/(loss)		
<i>Items that may be reclassified to profit or loss</i>		
Share of other comprehensive income of joint ventures and associates, net	26,435	63,118
Cash flow hedges, net of tax	24,361	3,443
Currency translation differences	(1,386,227)	(1,813,806)
<i>Items that will not be reclassified to profit or loss</i>		
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	(50,176)	(190,912)
Remeasurements of post-employment benefit obligations	158,188	(39,751)
Share of other comprehensive income/(loss) of an associate	21,489	(5,962)
Currency translation differences	(743,528)	(1,074,876)
Other comprehensive loss for the year, net of tax	(1,949,458)	(3,058,746)
Total comprehensive income for the year	101,903,093	10,128,748
Total comprehensive income for the year attributable to:		
– Equity holders of the Company	88,052,367	7,989,946
– Non-controlling interests	13,850,726	2,138,802
	101,903,093	10,128,748

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2021**

	<i>Note</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		106,444,191	102,834,477
Right-of-use assets		55,636,057	48,311,452
Investment properties		2,176,033	2,222,665
Intangible assets		4,795,515	5,008,408
Goodwill		5,638,475	5,826,764
Investments in joint ventures		8,571,651	9,138,021
Investments in associates		23,414,756	22,207,501
Financial assets at fair value through other comprehensive income		1,726,053	1,787,572
Financial assets at fair value through profit or loss		394,798	–
Financial assets at amortized cost		626,954	739,240
Restricted bank deposits		9,758	2,094
Deferred income tax assets		721,831	844,779
Loans to joint ventures and associates		765,644	881,028
Pension and retirement assets		78,090	–
Other non-current assets		161,608	158,201
Total non-current assets		211,161,414	199,962,202
Current assets			
Inventories		5,409,245	3,231,549
Trade and other receivables and contract assets	9	17,909,814	14,948,681
Financial assets at fair value through profit or loss		360,105	656,143
Financial assets at amortized cost		105,438	222,612
Taxes recoverable		61,838	55,592
Restricted bank deposits		371,501	218,964
Cash and bank balances		177,946,969	52,630,331
Assets classified as held for sale		341,757	–
Total current assets		202,506,667	71,963,872
Total assets		413,668,081	271,926,074

	<i>Note</i>	2021 RMB'000	2020 RMB'000
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital		16,014,126	12,259,529
Reserves		117,080,199	31,654,337
		133,094,325	43,913,866
Non-controlling interests		45,766,217	34,783,191
Total equity		178,860,542	78,697,057
LIABILITIES			
Non-current liabilities			
Long-term borrowings		59,256,792	72,956,200
Lease liabilities		40,471,216	39,657,148
Provisions and other liabilities	<i>11</i>	4,558,851	2,707,714
Put option liability		1,480,838	1,472,532
Pension and retirement liabilities		406,431	450,855
Derivative financial liabilities		19,071	50,581
Deferred income tax liabilities		7,256,343	1,905,021
Total non-current liabilities		113,449,542	119,200,051
Current liabilities			
Trade and other payables and contract liabilities	<i>10</i>	87,050,918	44,682,765
Derivative financial liabilities		21,826	24,201
Short-term borrowings		1,655,659	6,130,490
Current portion of long-term borrowings		12,421,244	15,884,981
Current portion of lease liabilities		10,963,457	5,790,864
Current portion of provisions and other liabilities	<i>11</i>	40,988	25,254
Tax payables		9,203,905	1,490,411
Total current liabilities		121,357,997	74,028,966
Total liabilities		234,807,539	193,229,017
Total equity and liabilities		413,668,081	271,926,074
Net current assets/(liabilities)		81,148,670	(2,065,094)
Total assets less current liabilities		292,310,084	197,897,108

COSCO SHIPPING HOLDINGS CO., LTD.

NOTES:

1 General information

The Company was incorporated in the People's Republic of China (the "PRC") on 3 March 2005 as a joint stock company with limited liability under the Company Law of the PRC. The address of its registered office is 2nd Floor, 12 Yuanhang Business Center, Central Boulevard and East Seven Road Junction, Tianjin Port Free Trade Zone, Tianjin, the PRC. The H-Shares and A-Shares of the Company are listed on the Main Board of the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange respectively.

The businesses of the Company and its subsidiaries (the "Group") included the provisions of a range of container shipping, managing and operating container terminals services on a worldwide basis.

These consolidated financial statements have been approved for issue by the Directors on 30 March 2022.

2 Basis of preparation and significant accounting policies

The annual results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2021 but are extracted from these financial statements included in the Annual Report of the Company, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on a going concern basis and under the historical cost convention except for certain financial assets and liabilities (including derivative instruments) which have been stated at fair value. The consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except where otherwise indicated.

(a) New standards, amendments and interpretation to existing standards which are effective in 2021 and adopted by the Group

The following new standards, amendments and interpretation to existing standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2021:

Amendments to existing standards

HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments) Interest Rate Benchmark Reform – Phase 2

The adoption of the above new standards, amendments and interpretation to existing standards do not have a material impact on the consolidated financial statements of the Group.

(b) New standards, amendments, interpretation and improvements to existing standards which have not been adopted

The HKICPA has issued certain new standards, amendments, interpretation and improvements to existing standards which are not yet effective for the year ending 31 December 2021 and have not been early adopted by the Group. The Group will apply these standards, amendments, interpretation and improvements to existing standards as and when they become effective. None of these is expected to have a significant impact on the consolidated financial statements of the Group.

3 Revenues and segment information

Operating segments

The chief operating decision-maker has been identified as the executive directors of the Group. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports and analyzed from a business perspective:

- Container shipping business
- Terminal business
- Corporate and other operations that primarily comprise investment holding, management services and financing.

Segment assets are those operating assets that are employed by a segment in its operating activities. They exclude investments in joint ventures, investments in associates, loans to joint ventures and associates, financial assets at fair value through other comprehensive income ("FVOCI"), financial assets at fair value through profit or loss ("FVPL"), financial assets at amortized cost and assets classified as held for sale not related to the segment. Segment liabilities are these operating liabilities that result from the operating activities of a segment.

Addition to non-current assets comprises additions to property, plant and equipment, investment properties, intangible assets and right-of-use assets.

3 Revenues and segment information (Continued)

Operating segments (Continued)

	Year ended 31 December 2021				
	Container shipping business <i>RMB'000</i>	Terminal business <i>RMB'000</i>	Corporate and other operations <i>RMB'000</i>	Inter-segment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Income statement					
Total revenues	327,926,780	7,931,409	–	(2,164,578)	333,693,611
Comprising:					
– Inter-segment revenues	17,543	2,147,035	–	(2,164,578)	–
– Revenues (from external customers)	<u>327,909,237</u>	<u>5,784,374</u>	<u>–</u>	<u>–</u>	<u>333,693,611</u>
Revenues from contracts with customers:					
Over time	<u>327,926,780</u>	<u>7,931,409</u>	<u>–</u>	<u>(2,164,578)</u>	<u>333,693,611</u>
Segment profit	126,656,762	1,672,869	(32,573)	–	128,297,058
Finance income	901,037	72,716	214,240	(85,441)	1,102,552
Finance costs	(1,946,786)	(640,003)	(1,332,222)	85,441	(3,833,570)
Share of profits less losses of					
– joint ventures	157,579	536,880	–	–	694,459
– associates	65,268	1,588,770	34,765	–	<u>1,688,803</u>
Profit/(loss) before income tax	125,833,860	3,231,232	(1,115,790)	–	127,949,302
Income tax expenses	(18,842,327)	(610,927)	(4,643,497)	–	<u>(24,096,751)</u>
Profit/(loss) for the year	106,991,533	2,620,305	(5,759,287)	–	<u>103,852,551</u>
Gain/(loss) on disposals of property, plant and equipment, net	275,698	(16,327)	–	–	259,371
Depreciation and amortization	11,602,765	1,453,640	1,774	–	13,058,179
Additions to non-current assets	<u>21,498,150</u>	<u>6,183,840</u>	<u>234</u>	<u>–</u>	<u>27,682,224</u>

3 Revenues and segment information (Continued)

Operating segments (Continued)

	Year ended 31 December 2020				
	Container shipping business <i>RMB'000</i>	Terminal business <i>RMB'000</i>	Corporate and other operations <i>RMB'000</i>	Inter-segment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Income statement					
Total revenues	166,008,592	7,005,898	–	(1,755,656)	171,258,834
Comprising:					
– Inter-segment revenues	9,715	1,745,941	–	(1,755,656)	–
– Revenues (from external customers)	165,998,877	5,259,957	–	–	171,258,834
	<u>166,008,592</u>	<u>7,005,898</u>	<u>–</u>	<u>(1,755,656)</u>	<u>171,258,834</u>
Revenues from contracts with customers:					
Over time	166,008,592	7,005,898	–	(1,755,656)	171,258,834
	<u>166,008,592</u>	<u>7,005,898</u>	<u>–</u>	<u>(1,755,656)</u>	<u>171,258,834</u>
Segment profit	13,871,840	1,486,800	216,079	–	15,574,719
Finance income	504,020	92,984	216,079	(178,814)	634,269
Finance costs	(2,009,777)	(640,762)	(1,893,094)	178,814	(4,364,819)
Share of profits less losses of					
– joint ventures	115,787	539,742	19	–	655,548
– associates	51,026	1,342,134	54,832	–	1,447,992
					<u>1,447,992</u>
Profit/(loss) before income tax	12,532,896	2,820,898	(1,406,085)	–	13,947,709
Income tax expenses	(518,927)	(241,288)	–	–	(760,215)
					<u>(760,215)</u>
Profit/(loss) for the year	12,013,969	2,579,610	(1,406,085)	–	13,187,494
					<u>13,187,494</u>
Gain/(loss) on disposals of property, plant and equipment, net	63,688	(19,211)	–	–	44,477
Depreciation and amortization	11,013,725	1,380,643	328	–	12,394,696
Additions to non-current assets	29,538,995	1,479,542	207	–	31,018,744
	<u>29,538,995</u>	<u>1,479,542</u>	<u>207</u>	<u>–</u>	<u>31,018,744</u>

3 Revenues and segment information (Continued)

Operating segments (Continued)

	As at 31 December 2021				
	Container shipping business <i>RMB'000</i>	Terminal business <i>RMB'000</i>	Corporate and other operations <i>RMB'000</i>	Inter-segment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Balance sheet					
Segment operating assets	276,901,763	45,195,700	126,609,364	(71,345,902)	377,360,925
Investments in joint ventures	1,203,036	7,368,615	–	–	8,571,651
Investments in associates	1,533,763	21,884,169	66,328	(69,504)	23,414,756
Loans to joint ventures and associates	–	765,644	–	–	765,644
Financial assets at FVOCI	693,820	1,032,233	–	–	1,726,053
Financial assets at FVPL	360,105	394,798	–	–	754,903
Financial assets at amortized cost	732,392	–	–	–	732,392
Assets classified as held for sale	341,757	–	–	–	341,757
Total assets	<u>281,766,636</u>	<u>76,641,159</u>	<u>126,675,692</u>	<u>(71,415,406)</u>	<u>413,668,081</u>
Segment operating liabilities & total liabilities	<u>161,952,764</u>	<u>32,469,326</u>	<u>41,725,777</u>	<u>(1,340,328)</u>	<u>234,807,539</u>
	As at 31 December 2020				
	Container shipping business <i>RMB'000</i>	Terminal business <i>RMB'000</i>	Corporate and other operations <i>RMB'000</i>	Inter-segment elimination <i>RMB'000</i>	Total <i>RMB'000</i>
Balance sheet					
Segment operating assets	192,311,658	42,914,204	12,468,766	(11,400,671)	236,293,957
Investments in joint ventures	1,154,721	7,983,300	–	–	9,138,021
Investments in associates	1,865,154	20,342,347	–	–	22,207,501
Loans to joint ventures and associates	–	881,028	–	–	881,028
Financial assets at FVOCI	755,294	1,032,278	–	–	1,787,572
Financial assets at FVPL	656,143	–	–	–	656,143
Financial assets at amortized cost	961,852	–	–	–	961,852
Total assets	<u>197,704,822</u>	<u>73,153,157</u>	<u>12,468,766</u>	<u>(11,400,671)</u>	<u>271,926,074</u>
Segment operating liabilities & total liabilities	<u>131,065,755</u>	<u>31,626,967</u>	<u>41,936,966</u>	<u>(11,400,671)</u>	<u>193,229,017</u>

3 Revenues and segment information (Continued)

Geographical information

(a) Revenues

The Group's businesses are managed on a worldwide basis. The revenues generated from the world's major trade lanes for container shipping business mainly include Trans-Pacific, Asia-Europe, Intra-Asia, within Mainland China, other international region (including the Atlantic) which are reported as follows:

Geographical	Trade lanes
America	Trans-Pacific
Europe	Asia-Europe (including Mediterranean)
Asia Pacific	Intra-Asia (including Australia)
Mainland China	Within Mainland China
Other international market	Other international region (including the Atlantic)

For the geographical information, freight revenues from container shipping are analyzed based on trade lanes for container shipping operations.

In respect of terminals operations, revenues are based on the geographical locations in which the business operations are located.

	Year ended 31 December 2021		
	Total revenues RMB'000	Inter-segment revenues RMB'000	External revenues RMB'000
Container shipping business			
– America	86,283,079	–	86,283,079
– Europe	95,108,013	–	95,108,013
– Asia Pacific	76,527,231	–	76,527,231
– Mainland China	23,495,174	(17,543)	23,477,631
– Other international market	46,513,283	–	46,513,283
	327,926,780	(17,543)	327,909,237
Terminal business			
– Mainland China	3,502,675	(1,099,305)	2,403,370
– Europe	4,203,345	(938,518)	3,264,827
– Asia Pacific	225,389	(109,212)	116,177
	7,931,409	(2,147,035)	5,784,374
Total	335,858,189	(2,164,578)	333,693,611

3 Revenues and segment information (Continued)

Geographical information (Continued)

(a) Revenues (Continued)

	Year ended 31 December 2020		
	Total	Inter-segment	External
	revenues	revenues	revenues
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Container shipping business			
– America	49,389,714	–	49,389,714
– Europe	36,345,515	–	36,345,515
– Asia Pacific	42,465,556	–	42,465,556
– Mainland China	17,597,197	(9,715)	17,587,482
– Other international market	20,210,610	–	20,210,610
	166,008,592	(9,715)	165,998,877
Terminal business			
– Mainland China	2,971,419	(921,745)	2,049,674
– Europe	3,860,136	(786,265)	3,073,871
– Asia Pacific	174,343	(37,931)	136,412
	7,005,898	(1,745,941)	5,259,957
Total	173,014,490	(1,755,656)	171,258,834

(b) Non-current assets

The Group's non-current assets, other than financial instruments and deferred income tax assets ("Geographical Non-Current Assets"), consist of its property, plant and equipment, investment properties, intangible assets, right-of-use assets, investments in joint ventures, investments in associates and other non-current assets.

The container vessels and containers (included in property, plant and equipment and right-of-use assets) are primarily utilized across geographical markets for shipment of cargoes throughout the world. Accordingly, it is impractical to present the locations of the container vessels and containers by geographical areas and thus the container vessels, containers and vessels under construction are presented as unallocated non-current assets.

In respect of the remaining Geographical Non-Current Assets, they are presented based on the geographical locations in which the business operations/assets are located.

	As at 31 December 2021 <i>RMB'000</i>	As at 31 December 2020 <i>RMB'000</i>
Unallocated	128,531,957	123,536,307
Remaining assets		
– Mainland China	47,462,137	42,889,879
– Outside mainland China	30,844,192	29,281,303

4 Other income and other expenses

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Dividend income from investments at FVOCI	66,236	71,019
Gain on disposal of property, plant and equipment	298,648	85,359
Gain on disposal of an associate, joint ventures and subsidiaries	135,890	568,993
Gain on derivatives at fair value	–	586
Gain on remeasurement of equity investments	68,851	68,290
Income from portfolio investments at FVPL		
– Fair value gain (realized and unrealized)	73,309	–
– Interest income	13,803	28,292
– Distribution	3,888	3,326
– Dividend income	1,391	2,174
Interest income from investments at amortized cost	32,467	53,652
Government grants and other subsidies	797,750	1,103,892
Others	48,372	33,182
	<u>1,540,605</u>	<u>2,018,765</u>
Other income	1,540,605	2,018,765
Loss on disposal of property, plant and equipment	(39,277)	(40,882)
Loss on disposal of intangible assets	(103)	(35)
Fair value loss on portfolio investments at FVPL (realized and unrealized)	(29,065)	(38,932)
Donations	(349,729)	(19,085)
Exchange loss	(343,043)	(401,196)
Others	(44,213)	(71,489)
	<u>(805,430)</u>	<u>(571,619)</u>
Other expenses	(805,430)	(571,619)

5 Finance income and costs

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Finance income		
Interest income from:		
– deposits in related parties	428,935	88,401
– loans to joint ventures and associates	25,206	30,491
– other financial institutions	<u>648,411</u>	<u>515,377</u>
Total finance income	<u>1,102,552</u>	<u>634,269</u>
Finance costs		
Interest expenses on:		
– loans from third parties	(1,370,614)	(2,235,490)
– loans from related parties	(101,913)	(194,255)
– loans from non-controlling shareholders of subsidiaries	(3,136)	(10,619)
– lease liabilities	(1,720,418)	(940,766)
– notes/bonds	(462,663)	(751,163)
Transaction costs arising from borrowings	(174,232)	(169,773)
Net exchange loss	<u>(65,927)</u>	<u>(111,154)</u>
	(3,898,903)	(4,413,220)
Less: amount capitalized in construction in progress	<u>65,333</u>	<u>48,401</u>
Total finance costs	<u>(3,833,570)</u>	<u>(4,364,819)</u>
Net finance costs	<u>(2,731,018)</u>	<u>(3,730,550)</u>

6 Income tax expenses

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current income tax (note)		
– PRC enterprise income tax	17,378,062	555,691
– Hong Kong profits tax	135,910	86,514
– Overseas taxation	1,218,609	336,538
Over provision in prior years	(1,680)	(38,601)
	<u>18,730,901</u>	<u>940,142</u>
Deferred income tax	5,365,850	(179,927)
	<u><u>24,096,751</u></u>	<u><u>760,215</u></u>

Note:

Current income tax

Taxation has been provided at the appropriate rate of taxation prevailing in the countries in which the Group operates. These rates range from 2.5% to 35% (2020: 5% to 35%).

The statutory rate for PRC enterprise income tax is 25% and certain PRC companies enjoy preferential tax treatment with the reduced rates ranging from 2.5% to 20% (2020: 0% to 20%).

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits derived from or arising in Hong Kong for the year.

7 Dividend

The board of directors proposes a final dividend in respect of 2021 of RMB0.87 per ordinary share (2020: Nil). The proposed dividends will be accounted for as an appropriation of retained profit in the year ending 31 December 2022.

8 Earnings per share

(a) Basic

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

	2021	2020
Profit attributable to equity holders of the Company (RMB)	<u>89,296,138,000</u>	<u>9,927,098,000</u>
Weighted average number of ordinary shares (note)	<u>15,980,564,338</u>	<u>15,937,387,995</u>
Basic earnings per share (RMB)	<u>5.59</u>	<u>0.62</u>

(b) Diluted

Diluted earnings per share is calculated based on the profit attributable to equity holders of the Company and the weighted average number of ordinary shares during the year, after adjusting for the number of dilutive potential ordinary shares deemed to be issued at no considerations as if all outstanding dilutive share options granted by the Company had been exercised.

	2021	2020
Profit attributable to equity holders of the Company (RMB)	<u>89,296,138,000</u>	<u>9,927,098,000</u>
Weighted average number of ordinary shares (note)	15,980,564,338	15,937,387,995
Adjustments for assumed issuance of shares on exercise of dilutive share options (note)	<u>94,060,904</u>	<u>6,418,907</u>
	<u>16,074,625,242</u>	<u>15,943,806,902</u>
Diluted earnings per share (RMB)	<u>5.56</u>	<u>0.62</u>

Note:

The Company completed a capitalization issue of 3 shares for every 10 shares by converting capital reserve to share capital in July 2021. In the calculation of earnings per share, the weighted average number of shares for the year ended 31 December 2021 and 2020 were calculated on the assumption that capitalization issue had been existed from the beginning of the comparative period in accordance with HKAS 33 “Earnings per Share”.

For the year ended 31 December 2021 and 2020, the outstanding share options granted by COSCO SHIPPING Ports Limited (“COSCO SHIPPING Ports”), a subsidiary of the Company, did not have dilutive effect on the Company’s diluted earnings per share.

9 Trade and other receivables and contract assets

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables (note a)		
– third parties	10,664,733	8,994,149
– fellow subsidiaries	415,886	194,441
– joint ventures	32,015	15,465
– other related companies	162,549	105,993
	<u>11,275,183</u>	<u>9,310,048</u>
Bills receivables (note a)	384,401	251,799
Contract assets (note a)	549,648	254,798
	<u>12,209,232</u>	<u>9,816,645</u>
Prepayments, deposits and other receivables (note b)		
– third parties	4,765,388	4,055,385
– fellow subsidiaries	298,415	470,727
– joint ventures	524,644	187,676
– associates	104,051	403,072
– other related companies	8,084	15,176
	<u>5,700,582</u>	<u>5,132,036</u>
Total	<u><u>17,909,814</u></u>	<u><u>14,948,681</u></u>

Notes:

- (a) Trade receivables with related parties are unsecured and have similar credit periods as third party customers. The normal credit period granted to the trade receivables of the Group is generally within 90 days. Trade receivables primarily consisted of voyage-related receivables. As at 31 December 2021, the aging analysis of trade and bills receivables and contract assets on the basis of the date of relevant invoice or demand note is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
1-3 months	12,245,910	9,596,714
4-6 months	215,123	309,743
7-12 months	98,865	91,185
Over 1 year	181,441	200,706
	<u>12,741,339</u>	<u>10,198,348</u>
Trade, bills receivables and contract assets, gross		
	12,741,339	10,198,348
Less: provision for impairment	(532,107)	(381,703)
	<u><u>12,209,232</u></u>	<u><u>9,816,645</u></u>

- (b) Prepayment, deposits and other receivables due from related companies are unsecured, interest free and have no fixed terms of repayment.

10 Trade and other payables and contract liabilities

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables (note)		
– third parties	16,088,316	12,581,426
– fellow subsidiaries	1,172,728	1,610,976
– joint ventures	162,584	146,032
– associates	38,705	26,440
– other related companies	142,236	98,124
	<u>17,604,569</u>	<u>14,462,998</u>
Bills payables (note)	–	13,900
	<u>17,604,569</u>	<u>14,476,898</u>
Other payables	13,989,538	7,925,190
Accrued expenses	52,563,677	19,598,565
	<u>66,553,215</u>	<u>27,523,755</u>
Contract liabilities	<u>1,417,755</u>	<u>1,174,659</u>
Due to related companies		
– fellow subsidiaries	135,159	148,662
– joint ventures	391,932	269,049
– associates	140,391	3,450
– other related companies	807,897	1,086,292
	<u>1,475,379</u>	<u>1,507,453</u>
Total	<u><u>87,050,918</u></u>	<u><u>44,682,765</u></u>

Note:

As at 31 December 2021, the aging analysis of trade and bills payables on the basis of the date of relevant invoice or demand note is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
1-6 months	17,300,293	14,174,883
7-12 months	182,213	151,926
1-2 years	54,985	45,614
2-3 years	36,789	31,660
Above 3 years	30,289	72,815
	<u>17,604,569</u>	<u>14,476,898</u>

11 Provisions and other liabilities

	2021			2020		
	Current RMB'000	Non-current RMB'000	Total RMB'000	Current RMB'000	Non-current RMB'000	Total RMB'000
Provision for one-off housing subsidies	–	40,022	40,022	–	39,982	39,982
Provision for onerous contracts (note)	–	4,155,332	4,155,332	–	2,274,221	2,274,221
Deferred income and others	40,988	363,497	404,485	25,254	393,511	418,765
Total	<u>40,988</u>	<u>4,558,851</u>	<u>4,599,839</u>	<u>25,254</u>	<u>2,707,714</u>	<u>2,732,968</u>

Note:

Orient Overseas (International) Limited (“OOIL”), a subsidiary of the Company, entered into the Terminal Service Agreement (“TSA”) in October 2019 to which OOIL committed to place, or procure the placement of an annual minimum number of vessel lifts in Long Beach Container Terminal (“LBCT”) for 20 years. Failure to meet the committed volume for each contract year would require certain level of deficiency payment as stipulated in the TSA.

As at 31 December 2021, OOIL reassessed the expected number of vessel lifts in LBCT for each of the remaining contract years with reference to future prospects of the market and its expected load factor. The overall economic environment in the USA is still highly uncertain under the COVID-19 pandemic. It is expected that a slower economy growth would affect the demand/import of the USA for some time as the economy shall take years to recover from various pandemic impact. The operational results for the LBCT routes were very strong in 2021, it was primarily due to the remarkable freight rates, driven by the terminal congestion and shortage in supply of container vessels. However, OOIL does not expect such high freight rates are sustainable in the medium to long term. As at 31 December 2021, with these uncertainties over such long-term contract period, OOIL reassessed that the projected vessel lifts in LBCT would continue lead to a shortfall on minimum volume commitment over the remaining contract period. OOIL estimated an onerous contract provision of US\$651.7 million (equivalent to approximately RMB4,155.3 million) as at 31 December 2021 (2020: US\$348.5 million (equivalent to approximately RMB2,274.2 million)).

Movements in the onerous provision are as follows:

	2021 RMB'000	2020 RMB'000
Balance at beginning of year	2,274,221	–
Charged to consolidated profit and loss account	1,956,641	2,380,638
Currency translation differences	(75,530)	(106,417)
Balance at end of year	<u>4,155,332</u>	<u>2,274,221</u>

12 Contingent liabilities

The Group was involved in a number of claims and lawsuits, including but not limited to claims and lawsuits arising from damage to vessels during transportation, loss of goods, delay in delivery, collision of vessels, early termination of vessel chartering contracts, and dispute during impawning supervision business.

As at 31 December 2021, the Group was unable to ascertain the likelihood and amounts of the above mentioned claims. However, based on advice of legal counsel and/or information available to the Group, the Directors are of the opinion that the related claims amounts should not be material to the Group's consolidated financial statements for the year ended 31 December 2021.

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out above in this preliminary announcement, being agreed by the Group's auditor PricewaterhouseCoopers, is consistent with the amounts set out in the Group's consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did 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, meaning that PricewaterhouseCoopers did not provide assurance service for this preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Results for the Reporting Period prepared in accordance with the Hong Kong Financial Reporting Standards

	Period from 1 January to 31 December 2021 RMB'000	Period from 1 January to 31 December 2020 RMB'000	Difference RMB'000
Revenues	333,693,611	171,258,834	162,434,777
Operating profit	128,297,058	15,574,719	112,722,339
Profit before income tax from continuing operations	127,949,302	13,947,709	114,001,593
Profit after income tax from continuing operations	103,852,551	13,187,494	90,665,057
Profit for the period	103,852,551	13,187,494	90,665,057
Profit attributable to equity holders of the Company	89,296,138	9,927,098	79,369,040
Basic earnings per share (RMB)	5.59	0.62	4.97

(I) Discussion and Analysis of the Board on the Operation of the Group during the Reporting Period

In 2021, the Company witnessed both opportunities and challenges. Facing the repeated COVID-19 waves, coupled with increased transportation demand and restricted supply, the global logistics supply chain had been challenged by port congestion, container shortage and inland transportation delay, which led to a tightened supply and demand relationship of the container shipping market.

By adhering to the concept of providing “customer-centric” services, our relationship with our customers is the key to our success. Faced with the above challenges, the Company quickly adapted to market changes and kept providing service with high quality. We do our best to assist our customers in maintaining the stability of supply chains by optimizing the route network, adding capacity whenever possible, seeking new ways to co-operate with them on an end-to-end basis and taking advantages of digital technology. During this special period, our commitment and service performance of high quality help to deepen and extend our relationship with our customers.

During the Reporting Period, the Company displayed remarkable operation performance, and recorded new highs in its overall operating results, revenue from container shipping business and shipping volume. The Company recorded EBIT of RMB131.5 billion (equivalent to approximately US\$20.38 billion), of which EBIT from container shipping business amounted to RMB127.7 billion (equivalent to approximately US\$19.79 billion); the profit attributable to equity holders of the Company was RMB89.296 billion, representing an increase of RMB79.369 billion or 799.52% as compared to last year; and basic earnings per share was RMB5.59. During the year, the Company continued to optimize its financial structure which facilitated the distribution of annual cash dividends for this year. As at the end of 2021, the asset-liability ratio of the Company was reduced to 56.76%, representing a decrease of 14.3 percentage points as compared to the year end of 2020.

Comprehensively considering the Company's sustainable development and return for Shareholders, the Board recommends the Company to distribute a final dividend for the year 2021 of RMB0.87 per ordinary share (tax inclusive). Based on the Company's total share capital of 16,014,000,000 shares as at the end of 2021, the cash dividend of RMB13.932 billion in aggregate will be distributed.

Fully leverage the dual-brand scale advantages and optimize global network

To tackle the imbalance between the strong demand of transportation and the supply shortage of capacity, the Company's dual brand, together with the members of the OCEAN Alliance, officially launched DAY 5 products, covering 39 routes with an aggregate capacity of 4.1 million TEUs. The newly launch products provide more stable services with wider coverage, better quality and shorter lead time. The Company strengthened the overall arrangement of the dual brand fleet, and continuously improved its operational efficiency. In 2021, the available slots per week of Trans-Pacific trade and Asia-Europe trade increased 26% and 6% year-on-year respectively. Meanwhile, the Company strengthened its development in third-country markets, emerging markets and regional markets. During the Reporting Period, the cargo volume of the dual brand in emerging markets increased by 9% as compared to the same period of last year.

Leverage the advantages of industrial chain operation to improve the "end-to-end" transportation service

In 2021, the Company enhanced the advantages of industrial chain operation, actively created a land-sea integrated operation model to ensure the stability of global industrial and supply chain and provide more reliable end-to-end services to customers. During the Reporting Period, the Company's dual brand kept extending cargo sources in the European inland, achieving a rapid increase in cargo volume of China-Europe Sea-rail Express of 23% year-on-year. Meanwhile, there were 29 new sea-rail domestic and foreign trade corridors. China-Africa Rail-Sea Express and the Greater Bay Area – China Western Land-Sea Trade Corridor successfully commenced operation.

Take advantages of technology upgrade to lead the integration of digital ecosystem

During the Reporting Period, the Global Shipping Business Network (GSBN) jointly initiated by COSCO SHIPPING Lines, OOCL, COSCO SHIPPING Ports (each of which is a subsidiary of the Company) and five other internationally renowned liner companies and port operators announced the operation in 11 ports at home and abroad. GSBN has realized Cargo Release in Hong Kong, Singapore, Thailand and other countries and regions, which greatly simplified data exchange in the way of paperless solution, and therefore improved customer experience and steadily strengthened its influence over the industry.

In 2021, the Company's e-commerce platform (Syncon Hub) was extended to Europe, North America, Southeast Asia, Australia and other regions, with the whole-process visualization being upgraded, and a related logistics product being launched. The transaction volume of the e-commerce platforms for foreign trade recorded a growth of 187% year-on-year.

Actively fulfill corporate social responsibility and promote green and sustainable development

In 2021, the Company actively fulfilled its corporate social responsibilities by providing solutions to transportation problems, including launching 30 designated voyages on major routes such as the Trans-Pacific routes, Asia-Europe routes, Intra-Asia routes (towards Australia-New Zealand) and other international routes (towards Mexico). The Company also provided customized services by launching the “Express Service” in North America to overcome port congestion in certain areas. The Company widely received positive responses from customers, by shortening the whole transportation process of the Trans-Pacific route to 19 days.

The Company has always implemented the concept of “energy saving, carbon reduction and green development” into the operation and management of the Company, by adhering to environmental friendliness as well as balancing sustainable development and environmental protection. The dual brand fleet continued to reduce the impact of its business operations on the environment and lower carbon emissions through measures such as optimizing the fleet structure and route design, and effectively reducing fuel consumption. In addition, 32 large container vessels ordered by the dual brand in 2020 and 2021 met the Sulfur oxide (SO_x) and Nitrogen oxides (NO_x) emission standards required by IMO, as well as the medium-term target of “carbon emission reduction” in 2030.

Looking forward to 2022, the international economic and trade pattern will continue to undertake profound adjustments, and the global economy will gradually recover while the foundation is not quite solid. The uncertainty brought by such as COVID-19 waves and regional geopolitical events may hinder the economic recovery process. According to major international economic organizations, the world economy will continue to grow at a low rate in 2022.

Since the beginning of 2022, the container shipping market has overall continued the high level trend in 2021, and the demand was still elastic with pressure on the supply of effective fleet capacity caused by the continuous port congestion globally. Little improvement is anticipated in the tense market situation of supply and demand in the first half of 2022, and the market prospect is still cautiously optimistic in the short term. However, the repeated COVID-19 waves, global inflation, geopolitical tension and other events will bring uncertainties to the long-term performance of the market, and it is even more difficult to predict the future trend.

Be assured, no matter the challenges are, the Company will actively respond to the global economic and trade changes and fulfill the mission of shipping the world. We will continue working tirelessly and diligently in order to be at the forefront of our industry, as a Vital Link to World Trade. The Company will escort the stability of the global supply chain, provide better service to our customers. At the same time, the Company will make contributions in carrying out social responsibility, environment protection and emission reduction in terms of developing green, low-carbon and intelligent shipping, in order that the Company can create greater value for shareholders.

(II) Major Profit or Loss Items and Cashflow Analysis

In 2021, the Group generated revenues of RMB333,693,611,000, representing an increase of RMB162,434,777,000 or 94.85 % as compared to last year. In 2021, profit attributable to equity holders of the Group was RMB89,296,138,000, representing an increase of RMB79,369,040,000 as compared to the last year.

1. Table of analysis for related items in the consolidated income statement and consolidated cash flow statement

Items	Period from	Period from	Difference	Percentage change
	1 January to 31 December 2021	1 January to 31 December 2020		
	RMB'000	RMB'000	RMB'000	%
Revenues	333,693,611	171,258,834	162,434,777	94.85
Cost of services and inventories sold	(193,568,231)	(147,117,042)	(46,451,189)	31.57
Other income and expense, net	735,175	1,447,146	(711,971)	-49.20
Including: Other income	1,540,605	2,018,765	(478,160)	-23.69
Other expenses	(805,430)	(571,619)	(233,811)	40.90
Net impairment losses on financial assets	(181,175)	(107,747)	(73,428)	68.15
Selling, administrative and general expenses	(12,382,322)	(9,906,472)	(2,475,850)	24.99
Finance income	1,102,552	634,269	468,283	73.83
Finance costs	(3,833,570)	(4,364,819)	531,249	-12.17
Share of profits less losses of				
– joint ventures	694,459	655,548	38,911	5.94
– associated companies	1,688,803	1,447,992	240,811	16.63
Income tax expenses	(24,096,751)	(760,215)	(23,336,536)	3,069.73
Net cash flows generated from operating activities	170,948,374	44,930,556	126,017,818	280.47
Net cash flows used in investing activities	(8,543,145)	(3,187,313)	(5,355,832)	168.04
Net cash flows used in financing activities	(35,130,483)	(36,238,291)	1,107,808	-3.06

2. Revenues

Management Discussion and Analysis and descriptions below contain amounts and figures, which are in RMB unless otherwise specified.

Overview

In 2021, the revenues of the Group amounted to RMB333,693,611,000, representing an increase of RMB162,434,777,000 or 94.85% as compared to the same period of last year.

Revenue from container shipping business

In 2021, the revenue from container shipping business amounted to RMB327,926,780,000, representing an increase of RMB161,918,188,000 or 97.54% as compared to the last year, of which COSCO SHIPPING Lines generated revenues of RMB223,146,874,000 from container shipping business, representing an increase of RMB111,009,604,000 or 98.99% as compared to the last year.

Revenue from terminal business

In 2021, revenue generated from the terminal business amounted to RMB7,931,409,000, representing an increase of RMB925,511,000 or 13.21% as compared to the last year.

Major customers

Total sales to the top five customers of 2021 amounted to RMB15,237,083,000, accounting for 4.57% of the total sales for the year.

3. Costs

Cost analysis

Business segment	Components of cost	Period from	Period from	Difference	Percentage
		1 January to 31 December 2021 RMB' 000	1 January to 31 December 2020 RMB' 000		
Container shipping business	Equipment and cargo transportation costs	112,097,968	81,360,918	30,737,050	37.78
	Voyage costs	32,503,081	28,505,587	3,997,494	14.02
	Vessel costs	29,007,532	25,533,628	3,473,904	13.61
	Other related business costs	15,461,391	7,978,303	7,483,088	93.79
	Tax	978,848	149,682	829,166	553.95
	Sub-total	190,048,820	143,528,118	46,520,702	32.41
Container terminal business	Container terminals and related business costs	5,628,793	5,296,732	332,061	6.27
	Other business costs	-	-	-	-
	Tax and surcharges	48,831	42,337	6,494	15.34
	Elimination between different businesses	(2,158,212)	(1,750,145)	(408,067)	23.32
	Total operating costs	<u>193,568,231</u>	<u>147,117,042</u>	<u>46,451,189</u>	<u>31.57</u>

Overview

In 2021, the operating cost of the Group amounted to RMB193,568,231,000, representing an increase of RMB46,451,189,000 or 31.57 % as compared to the last year.

Container shipping business cost

In 2021, the container shipping business cost amounted to RMB190,048,820,000, representing an increase of RMB46,520,702,000 or 32.41 % as compared to the last year, of which, the container shipping business cost incurred by COSCO SHIPPING Lines in 2021 amounted to RMB137,842,556,000, representing an increase of RMB37,378,145,000 or 37.21 % as compared to the last year.

Terminal business cost

In 2021, the terminal business cost amounted to RMB5,677,624,000, representing an increase of RMB338,555,000 or 6.34 % as compared to the last year.

4. Other profit or loss items

Other income and expense, net

In 2021, the other income and expense, net was RMB735,175,000, representing a decrease of RMB711,971,000 as compared to the last year. COSCO SHIPPING Ports has disposed of 30% of equity interest in Tianjin Port Euroasia International Container Terminal Co., Ltd. resulting in net gain from disposal of RMB140,264,000 in 2021; COSCO SHIPPING Ports has completed the shareholding increase of 34.99% in equity interests in Tianjin Port Container Terminal Co., Ltd. (“TCT”). After the shareholding increase, COSCO SHIPPING Ports holds 51% of equity interests in TCT. The company was consolidated into the COSCO SHIPPING Ports’ accounts from December 2021. For the purpose of accounting treatment, COSCO SHIPPING Ports has disposed of 16.01% of its equity interest held in Tianjin Port Euroasia International Container Terminal Co., Ltd., which resulting in net gain from disposal of RMB68,851,000, before the acquisition of 51% of equity interest in the company. COSCO SHIPPING Ports has disposed of equity interest in Zhangjiagang Terminal, Yangzhou Yuanyang Terminal, Jiangsu Yangtze Petrochemical Co., Ltd, and Guangxi Qinzhou Container Terminal Co., Ltd, resulting in net gain from disposal of RMB627,916,000 in the same period of last year. The public welfare and relief donation expenditure in 2021 amounted to RMB349,729,000, representing an increase of RMB330,644,000 as compared to the last year.

Selling, administrative and general expenses

In 2021, the selling, administrative and general expenses of the Group amounted to RMB12,382,322,000, representing an increase of RMB2,475,850,000 or 24.99% as compared to the last year. In 2021, compared with the last year, the Group’s container shipping business scale has continued to maintain growth. As a result, selling, administrative and general expenses increased.

Finance income

The finance income of the Group amounted to RMB1,102,552,000, representing an increase of RMB468,283,000 or 73.83% as compared to the last year. Due to the combined effect of an increase of 123.91% in the balance of average monetary funds as compared to the last year and a decrease in deposit interest rates as compared to the last year, interest income increased as compared to the last year.

Finance costs

In 2021, the finance costs of the Group amounted to RMB3,833,570,000, representing a decrease of RMB531,249,000 or 12.17% as compared to the last year. The decrease was mainly due to a decrease in the average interest-bearing debt balance and the US\$ LIBOR in 2021 as compared to the last year.

Share of profits of joint ventures and associated companies

In the 2021, the Group's share of profits of joint ventures and associated companies in aggregate amounted to RMB2,383,262,000, representing an increase of RMB279,722,000 as compared to the last year, which was mainly due to the impact of COVID-19. Mainly because the overall operating efficiency of the terminals of its affiliated joint ventures and associated companies improved significantly, the Group's equity method accounting investment income from the terminals of its joint ventures and associated companies increased accordingly in 2021 as compared to the last year.

Income tax expenses

In 2021, the income tax expenses of the Group amounted to RMB24,096,751,000, representing an increase of RMB23,336,536,000 as compared to the last year. With large improvement of operating performance in 2021 as compared to the last year, the taxable profit increased accordingly.

Major suppliers

Total purchases from the top five suppliers of the Group in 2021 amounted to RMB24,247,491,000, accounting for 12.59% of the total purchases for the year.

5. Cash flow

As at 31 December 2021, the cash and cash equivalents amounted to RMB177,946,969,000, representing an increase of RMB125,316,638,000 or 238.11% from the end of last year. The cash and cash equivalents of the Group were principally denominated in RMB and US\$, and the rest were denominated in Euro, HK\$ and other currencies.

(1) Net cash flow from operating activities

In 2021, the net cash inflow from operating activities amounted to RMB170,948,374,000, representing an increase of RMB126,017,818,000 or 280.47% as compared to the last year. The substantial increase in net cash inflow from operating activities as compared to the last year was mainly due to the significant increase in the operating results of the Group in 2021 as compared to the last year.

(2) Net cash flow from investing activities

In 2021, the net cash outflow from investing activities amounted to RMB8,543,145,000, representing an increase of RMB5,355,832,000 as compared to that of the last year, which included the cash outflows for the construction of vessels, the purchase of containers, terminal construction projects, shareholding increase in equity interests in TCT, and the cash inflow for distribution of profit from associates and joint ventures, dividends from financial assets and interest income and one-off net gain from disposal of equity interests in terminals.

(3) Net cash flow from financing activities

In 2021, the net cash outflow from financing activities amounted to RMB35,130,483,000, representing a decrease of RMB1,107,808,000 as compared to that of last year. It consists of cash outflow for repayment of debts and interests to banks and non-bank financial institutions, profit distribution to minority shareholders by subsidiaries, rental paid for right-of-use asset lease, etc., and cash inflow generated from borrowings from banks and non-bank financial institutions, issuance of additional stocks by OOIL capital increase of minority shareholders of the holding fellow subsidiaries and exercise of the share option incentive scheme of COSCO SHIPPING Holdings.

(4) Impact of changes in exchange rate on cash and cash equivalents

The balance of cash and cash equivalents decreased by RMB1,958,108,000 as at 31 December 2021, which was primarily due to a decrease in exchange rate of US\$ against RMB during the Reporting Period.

(III) Working Capital, Financial Resources and Capital Structure

Overview

Mainly benefited from the substantial increase in operating efficiency in 2021, and the substantial increase in net cash inflow from operating activities, as at 31 December 2021, the total assets of the Group amounted to RMB413,668,081,000, representing an increase of RMB141,742,007,000 or 52.13% as compared to the end of last year. The total liabilities amounted to RMB234,807,539,000, representing an increase of RMB41,578,522,000 or 21.52% as compared to the end of last year. As at 31 December 2021, the total outstanding borrowings of the Group were RMB73,333,695,000. After deducting the cash and cash equivalents, the net cash were RMB104,613,274,000 while at the end of last year the net debt was RMB42,341,340,000. As at 31 December 2021, the Group's net current assets were RMB81,148,670,000, and RMB2,065,094,000 of net current liabilities was recorded at the end of the last year. As at 31 December 2021, the net (cash)/debt to equity ratio was -58.49%, which was 53.80% at the end of last year. The formula for calculating the net debt to equity ratio is as follows: net (cash)/debt to equity ratio = (total borrowings – cash and cash equivalents)/total equity.

The working capital and capital resources of the Group have been and will continue to be generated from cash flows from operating activities, proceeds from new share issuance and debt financing from financial institutions. Except for the distribution of dividends, cash of the Group is expected to be utilized for various purposes such as payment of operating costs, construction of container vessels, the purchase of containers, investments in terminals and repayment of loans.

Debt analysis

Categories	As at	As at
	31 December 2021 RMB '000	31 December 2020 RMB '000
Short-term borrowings	1,655,659	6,130,490
Long-term borrowings	71,678,036	88,841,181
Total of long-term and short-term borrowings	73,333,695	94,971,671
Among which :		
Interest payables – Short-term borrowings	1,119	–
– Long-term borrowings	211,602	–
Long-term borrowings were repayable as follows :		
– within one year	12,421,244	15,884,981
– in the second year	5,466,760	10,318,571
– in the third to fifth years	38,852,466	30,810,521
– after the fifth year	14,937,566	31,827,108
	71,678,036	88,841,181

Borrowings by categories

As at 31 December 2021, the Group had bank borrowings of RMB56,079,286,000, notes and bonds payable of RMB9,274,119,000 and other borrowings of RMB7,767,569,000, representing 76.70%, 12.68% and 10.62% of the total borrowings, respectively. Secured borrowings amounted to RMB19,086,442,000 and unsecured borrowings amounted to RMB54,034,532,000, representing 26.10% and 73.90% of the total borrowings, respectively. Most of the borrowings of the Group bear interest at floating rate.

Borrowings by currency

As at 31 December 2021, the borrowings of the Group denominated in US\$ were equivalent to RMB51,751,606,000, borrowings denominated in RMB amounted to RMB14,252,650,000, borrowings denominated in Euro were equivalent to RMB5,317,998,000, and borrowings denominated in HK\$ were equivalent to RMB1,798,720,000, representing 70.78 %, 19.49 %, 7.27% and 2.46% of the total borrowings, respectively.

Secured borrowings

As at 31 December 2021, certain properties, plant and equipment and fund of the Group with net book value of RMB27,762,515,000 (as at 31 December 2020: RMB39,709,530,000) were mortgaged to banks and financial institutions as collaterals for borrowings in the total amount of RMB19,086,442,000 (as at 31 December 2020: RMB26,213,943,000), representing 9.75% of the total value of the property, plant and equipment and fund (as at 31 December 2020: 25.51%).

Company 's guarantees

As at 31 December 2021, the Group had provided guarantees in the amount of RMB23,297,702,000 to its subsidiaries (as at 31 December 2020: RMB35,689,869,000), and of RMB214,405,000 to an associate (as at 31 December 2020: RMB187,755,000).

Contingent liabilities

The Group was involved in a number of claims and lawsuits, including but not limited to claims and lawsuits arising from damage to vessels during transportation, loss of goods, delay in delivery, collision of vessels, early termination of vessel chartering contracts, and disputes in pledge supervision business.

As at 31 December 2021, the Group was unable to ascertain the likelihood and amounts of the above-mentioned claims. However, based on the advice of legal counsel and/or information available to the Group, the Directors were of the opinion that the amounts of relevant claims should have no material effect on the Group's consolidated financial statements for the year ended 31 December 2021.

Foreign exchange risk

The Group operates internationally and is exposed to various foreign exchange risks arising from non-functional currencies. Foreign exchange risks are derived from future business transactions and recognized assets and liabilities. The actual foreign exchange risks faced by the Group are therefore primarily with respect to bank balances, receivable and payable balances and bank borrowings denominated in non-functional currencies. The management monitors the exposure to foreign exchange risks and will consider hedging certain foreign currency risks with derivative financial instruments should the need arise.

Capital commitments

As at 31 December 2021, the Group had a total of 32 container vessels under construction. The capital commitments for future construction of container vessels amounted to RMB28,128,068,000.

As at 31 December 2021, the Group's containers under construction amounted to 131,000 TEUs in aggregate. The capital commitments for future construction of containers amounted to RMB687,659,000.

As at 31 December 2021, the Group's capital commitments for investment in terminals amounted to RMB7,391,392,000 in aggregate, of which the commitments for purchasing fixed assets amounted to RMB5,593,146,000 and the equity investment commitment of terminals amounted to RMB1,798,246,000.

Facilities

As at 31 December 2021, the unutilized bank loan facilities of the Group were RMB63,239,969,000. The Group paid close attention to the potential financial risks of the loan facilities, and has strengthened the monitoring of liabilities and gearing ratio of its subsidiaries and repaid bank loans in full as scheduled.

Financing plans

The Group will consider factors including repayment of maturing debt, loan replacement and material future capital expenditure, in order to make financing arrangements in advance, enhance funding and debts management, optimize the funding utilization and control the scale of debts effectively.

(IV) Investment Analysis

1. Overall analysis of external equity investments

As at 31 December 2021, the total balance of the Group's equity investments in associated companies and joint ventures amounted to RMB31,986,407,000, representing an increase of RMB640,885,000 from the end of last year. In the Reporting Period, the Group had one associated company and three new joint ventures, made capital increase to two associated companies and closed down three of its joint ventures and two associated companies; the two associates to be disposed of have been transferred from long-term equity investment to assets held for sale item for consolidation in accordance with HKFRS 5 – Non-current Assets Held for Sale and Discontinued Operations.

2. Financial assets at fair value

Unit: RMB'000					
Name	Shareholding at the end of the Reporting Period (%)	Carrying amount at the end of last year	Carrying amount at the end of the Reporting Period	Effect on the profit for the Reporting Period	Change in carrying amount for the Reporting Period
Share, bonds, funds and other investment	–	656,143	360,105	-9,983	-296,038
Guangzhou Port Co., Ltd.	3.98	828,516	821,118	10,603	-7,397
Shanghai Tianhongli Asset Management Co., Ltd.	19	495,674	507,846	2,225	12,172
Ocean Hotel Shanghai Co., Ltd.	10	109,857	110,667	–	810
Yantai Port Co., Ltd.	3.9	146,837	149,211	–	2,374
Hui Xian Holdings Ltd.	7.9	51,288	53	43,191	-51,234
Qinhuangdao Port Co., Ltd.	0.79	48,466	45,633	2,829	-2,833
Convertible corporate bonds	–	–	394,798	73,632	394,798
Other financial assets at fair value	–	106,934	91,528	7,388	-15,406
Total	–	2,443,715	2,480,959	129,885	37,246

(V) Industry Operation Analysis

Container shipping business

(1) Shipping volume

Shipping volume of the Group (TEU)

Routes	Current period	Same period of last year	Percentage of Change (%)
Trans-Pacific	4,998,501	4,981,838	0.33
Asia and Europe (including the Mediterranean)	5,125,872	4,917,841	4.23
Asia Region (including Australia)	8,554,973	8,346,979	2.49
Other international regions (including the Atlantic)	2,846,214	2,460,510	15.68
Mainland China	5,386,429	5,637,295	-4.45
Total	26,911,989	26,344,463	2.15

Shipping volume of COSCO SHIPPING Lines (a subsidiary of the Group) (TEU)

Routes	Current period	Same period of last year	Percentage of Change (%)
Trans-Pacific	2,925,278	2,815,386	3.90
Asia and Europe (including the Mediterranean)	3,483,423	3,421,633	1.81
Asia Region (including Australia)	5,161,887	5,092,248	1.37
Other international regions (including the Atlantic)	2,367,814	1,915,960	23.58
Mainland China	5,386,429	5,637,295	-4.45
Total	19,324,831	18,882,522	2.34

(2) Revenue from routes

Revenue from routes by the Group (RMB'000)

Routes	Current period	Same period of last year	Percentage of Change (%)
Trans-Pacific	85,607,306	48,709,934	75.75
Asia and Europe (including the Mediterranean)	93,503,183	34,500,757	171.02
Asia Region (including Australia)	73,145,113	40,972,961	78.52
Other international regions (including the Atlantic)	46,609,114	20,263,618	130.01
Mainland China	13,083,311	12,166,044	7.54
Total	311,948,027	156,613,314	99.18

Of which revenue from routes by COSCO SHIPPING Lines (a subsidiary of the Group) (RMB'000)

Routes	Current period	Same period of last year	Percentage of Change (%)
Trans-Pacific	49,763,191	28,004,277	77.70
Asia and Europe (including the Mediterranean)	64,487,682	24,373,499	164.58
Asia Region (including Australia)	44,709,694	25,237,582	77.16
Other international regions (including the Atlantic)	40,715,666	16,633,322	144.78
Mainland China	13,198,526	12,269,840	7.57
Total	212,874,759	106,518,520	99.85

Revenue from routes by the Group (equivalent to US\$'000)

Routes	Current period	Same period of last year	Percentage of Change (%)
Trans-Pacific	13,265,663	7,059,001	87.93
Asia and Europe (including the Mediterranean)	14,489,204	4,999,820	189.79
Asia Region (including Australia)	11,334,529	5,937,766	90.89
Other international regions (including the Atlantic)	7,222,524	2,936,586	145.95
Mainland China	2,027,383	1,763,093	14.99
Total	48,339,303	22,696,266	112.98

Of which revenue from routes by COSCO SHIPPING Lines (a subsidiary of the Group) (equivalent to US\$'000)

Routes	Current period	Same period of last year	Percentage of Change (%)
Trans-Pacific	7,711,278	4,058,356	90.01
Asia and Europe (including the Mediterranean)	9,992,977	3,532,186	182.91
Asia Region (including Australia)	6,928,191	3,657,409	89.43
Other international regions (including the Atlantic)	6,309,278	2,410,487	161.74
Mainland China	2,045,237	1,778,134	15.02
Total	32,986,961	15,436,572	113.69

(3) Major performance indicators

Major performance indicators of the container shipping business of the Group (RMB)

Items	Current period	Same period of last year	Difference
Revenue from container shipping business (RMB'000)	327,926,780	166,008,592	161,918,188
Including: Revenue from routes (RMB'000)	311,948,027	156,613,314	155,334,713
EBIT (RMB'000)	127,685,423	14,644,097	113,041,326
EBIT margin	38.94%	8.82%	30.12%
Net profit (RMB'000)	106,991,533	12,013,969	94,977,564

Among which: major performance indicators of the container shipping business of COSCO SHIPPING Lines (a subsidiary of the Group) (RMB)

Items	Current period	Same period of last year	Difference
Revenue from container shipping business (RMB'000)	223,146,874	112,137,270	111,009,604
Including: Revenue from routes (RMB'000)	212,874,759	106,518,520	106,356,239
EBIT (RMB'000)	80,000,048	7,583,120	72,416,928
EBIT margin	35.85%	6.76%	29.09%
Net profit (RMB'000)	61,023,309	5,715,398	55,307,911

Major performance indicators of the container shipping business of the Group (US\$ equivalent)

Items	Current period	Same period of last year	Difference
Revenue from container shipping business (USD'000)	50,815,363	24,057,822	26,757,541
Including: Revenue from routes (USD'000)	48,339,303	22,696,266	25,643,037
Revenue per TEU from international routes (USD/TEU)	2,151.49	1,010.91	1,140.58
EBIT (USD'000)	19,786,066	2,122,210	17,663,856
Net profit (USD'000)	16,579,352	1,741,054	14,838,298

Among which: major performance indicators of the container shipping business of COSCO SHIPPING Lines (a subsidiary of the Group) (US\$ equivalent)

Items	Current period	Same period of last year	Difference
Revenue from container shipping business (USD'000)	34,578,723	16,250,836	18,327,887
Including: Revenue from routes (USD'000)	32,986,961	15,436,572	17,550,389
Revenue per TEU from international routes (USD/TEU)	2,219.89	1,031.20	1,188.69
EBIT (USD'000)	12,396,766	1,098,939	11,297,827
Net profit (USD'000)	9,456,140	828,270	8,627,870

Note:

The revenue from routes and major performance indicators above were translated into US\$ at an average exchange rate of RMB6.4533: US\$1 and RMB6.9004: US\$1 in 2021 and 2020, respectively.

Terminal business

In 2021, the total throughput of COSCO SHIPPING Ports (a subsidiary of the Group) amounted to 129.2864 million TEUs, representing an increase of 4.41% as compared to the last year, of which, the throughput of controlled terminals amounted to 23.3749 million TEUs, representing an increase of 4.69% as compared to the last year; the throughput of non-controlled terminals amounted to 105.9115 million TEUs, representing an increase of 4.35% as compared to the last year.

Location of terminal	Current period (TEU)	Same period of last year (TEU)	Percentage of change (%)
Bohai Rim Region	42,835,185	41,884,560	2.27
Yangtze River Delta Region	15,436,773	14,768,442	4.53
Southeast Coast and others	6,149,785	5,445,662	12.93
Pearl River Delta Region	28,841,688	27,898,470	3.38
Southwest Coast	6,011,800	5,383,701	11.67
Overseas	30,011,144	28,443,740	5.51
Total	129,286,375	123,824,575	4.41
Of which: Controlled terminals	23,374,915	22,328,730	4.69
Non-controlled terminals	105,911,460	101,495,845	4.35

Major acquisition and disposal of assets and equity

The Group has no major acquisition and disposal in respect of its subsidiaries, associates and joint ventures in the during the Reporting Period.

Other material contracts

Upon the approval of the Board, on 26 February 2021, COSCO SHIPPING Ports and its wholly-owned subsidiary, COSCO SHIPPING Ports (Tianjin) Limited (“**COSCO SHIPPING Ports Tianjin**”), entered into an equity transfer agreement (the “**Tianjin Port Container Equity Transfer Agreement**”) with Tianjin Port Holdings Co., Ltd. (“**Tianjin Port Co**”), pursuant to which they intend to acquire 34.99% equity interest in Tianjin Port Container Terminal Co., Ltd.* (天津港集裝箱碼頭有限公司) (“**Tianjin Port Container**”) held by Tianjin Port Co at the consideration of RMB1,348,371,228.15. The agreement shall become effective after COSCO SHIPPING Ports has entered into the relevant equity transfer agreement for the transfer of 100% equity interest in COSCO SHIPPING Ports (Tianjin Euroasia) Limited (the “**COSCO SHIPPING Ports (Tianjin Euroasia)**”) to the subsidiaries of Tianjin Port Co. On 28 April 2021, COSCO SHIPPING Ports and Tianjin Port Co entered into an equity transfer agreement (the “**COSCO SHIPPING Ports (Tianjin Euroasia) Equity Transfer Agreement**”), pursuant to which COSCO SHIPPING Ports intends to transfer its 100% equity interest held in COSCO SHIPPING Ports (Tianjin Euroasia) to the designated offshore subsidiary of Tianjin Port Co at the consideration of RMB269,619,801.39, and Tianjin Port Co shall procure and undertake that its designated offshore subsidiary (as the transferee) shall acquire 100% equity interest of COSCO SHIPPING Ports (Tianjin Euroasia) pursuant to the terms and conditions of the COSCO SHIPPING Ports (Tianjin Euroasia) Equity Transfer Agreement. On 28 July 2021, COSCO SHIPPING Ports Tianjin, Tianjin Port Co and COSCO SHIPPING Ports jointly entered into an supplemental agreement to the Tianjin Port Container Equity Transfer Agreement, pursuant to which the parties have finally agreed that the consideration for the transfer of 34.99% equity interest in Tianjin Port Container shall be RMB1,348,875,866.88, which is calculated by multiplying the valuation of RMB3,855,032,486.08 (being the value of all the shareholders’ equity interests of Tianjin Port Container on the valuation benchmark date (that is, 31 December 2020) as confirmed in the “Assets Valuation Report” prepared by Tianjin Zhonglian Assets Appraisal Co., Ltd.* (天津中聯資產評估有限責任公司) and filed with the State-owned Assets Supervision and Administration Commission of the State Council (天津市國有資產監督管理委員會)) by 34.99%. As Tianjin Port Container has distributed its undistributed profits as at 31 December 2020, the adjusted final transfer consideration payable by COSCO SHIPPING Ports Tianjin to Tianjin Port Co shall be RMB1,247,710,223.53 after the above-mentioned equity valuation was deducted by the distributed profit of RMB101,165,643.35 which is calculated by multiplying the distributed profits of Tianjin Port Container by the corresponding equity interest of 34.99%. These acquisition transactions and disposal transactions were completed on 3 December 2021. Please refer to the overseas regulatory announcements of the Company dated 26 February 2021, 28 April 2021 and 28 July 2021 for details.

Other significant events

1. On 15 July 2021, the buyer, COSCO (CAYMAN) Mercury Co., Ltd. (a wholly-owned subsidiary of the Company) or its nominee entered into ten contracts with COSCO SHIPPING Heavy Industry (Yangzhou) Co., Ltd. (揚州中遠海運重工有限公司) (an indirect wholly-owned subsidiary of COSCO SHIPPING), comprising (1) six 14,092 TEU container vessel shipbuilding contracts for the construction of six units of 14,092 TEU container vessels at an aggregate consideration of US\$876 million and (2) four 16,180 TEU container vessel shipbuilding contracts for the construction of four units of 16,180 TEU container vessels at an aggregate consideration of US\$620 million. The total consideration under the July Transaction is US\$1,496 million (the “**July Transaction**”).

China COSCO SHIPPING Corporation Limited* (中國遠洋海運集團有限公司) (“**COSCO SHIPPING**”) is a controlling shareholder of the Company and a connected person of the Company. COSCO SHIPPING Heavy Industry (Yangzhou) Co., Ltd. is an indirect wholly-owned subsidiary of COSCO SHIPPING. Accordingly, COSCO SHIPPING Heavy Industry (Yangzhou) Co., Ltd. is a connected person of the Company under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), and the July Transaction constitutes a discloseable transaction and a connected transaction of the Company.

For details, please refer to the announcement dated 15 July 2021, the circular dated 5 August 2021 and the announcement on the resolutions passed at the extraordinary general meeting dated 29 October 2021 of the Company.

2. On 2 September 2021, the buyers (ten indirect wholly-owned subsidiaries of OOIL, and therefore indirect non-wholly owned subsidiaries of the Company) respectively entered into new shipbuilding contracts on substantially the same terms with Dalian COSCO KHI Ship Engineering Co., Ltd.* (大連中遠海運川崎船舶工程有限公司) (“**Dalian**”) and Nantong COSCO KHI Ship Engineering Co., Ltd.* (南通中遠海運川崎船舶工程有限公司) (“**Nantong**”) for the construction of the respective new vessels for an aggregate consideration of US\$1,575.80 million.

Nantong is an associate of COSCO SHIPPING which indirectly holds 50% equity interest in Nantong. Dalian is an indirect subsidiary of COSCO SHIPPING. COSCO SHIPPING (through its wholly-owned subsidiaries) holds 36% equity interest, and Nantong directly holds 30% equity interest, respectively, in Dalian. This transaction, the July Transaction and the shipbuilding transaction in 2020 constitute a series of transactions made within a 12-month period and shall be aggregated pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules. Accordingly, both Nantong and Dalian are connected persons of the Company under Chapter 14A of the Listing Rules, and this transaction constitutes a discloseable transaction and a connected transaction of the Company.

For details, please refer to the announcement dated 2 September 2021, the circular dated 24 September 2021 and the announcement on the resolutions passed at the extraordinary general meeting dated 29 October 2021 of the Company.

DIVIDEND

The Board recommended the payment of a final dividend of RMB0.87 per ordinary share (inclusive of applicable tax) for the year ended 31 December 2021 (2020: Nil), subject to approval by the Shareholders at the forthcoming annual general meeting. The final dividend will be denominated and declared in Renminbi, and payable in Renminbi to holders of A shares of the Company and in Hong Kong dollars to holders of H shares of the Company within two months upon approval at the annual general meeting.

The Company will disclose in due course, among other things, further details regarding the expected time table and arrangement for closure of register of H Shareholders in respect of the proposed payment of final dividend for the purpose of ascertaining Shareholders’ entitlement to the payment of final dividend by the Company.

SUBSEQUENT EVENTS

After the end of the Reporting Period and up to the date of this announcement, the Group has no material subsequent event.

DISCUSSION AND ANALYSIS OF THE BOARD CONCERNING THE FUTURE DEVELOPMENT OF THE COMPANY

(I) Industry pattern and development trend

Container shipping market

In recent years, there have been challenges to the globalization process, the global economy was on a winding path to recovery, and the growth of demand for container transportation was slow and flat. The COVID-19 pandemic has accelerated the change in the global economy since 2020, created systematic impact on the global industrial chain and supply chain and promoted accelerated development and reform of the container shipping industry. As the trend of regionalization of global trade developed rapidly, the industrial chain becomes more fragmented, and the new sea and land international trade canals, China-Europe railway services and other efficient new business form gradually mature, and they bring more challenges to the container transportation and logistic process in terms of the service providers' timeliness, organizing ability and professional ability. Meanwhile, technological development leads to industrial reform, close integration of digital technology and global trade and the thriving of the new cross-border e-commerce model, at the same time imposing higher demands for the stability and reliability of the supply chain.

The trend of global trade diversification catalyses the new model of collaboration among the container shipping industry. To align with the new trends in global trade development and satisfy new demands for supply chain services from customers, the container shipping industry is aiming to develop integrated whole process supply chain services. After a series of reorganization and integration of the industry, mainstream shipping liners has fundamentally achieved scale development and actively drive the industry towards the concepts of value prioritization and service innovation. The integration of container shipping industry also gradually deepen vertically along the industrial chain , the business scope of shipping liners will further extend upstream and downstream along the supply chain and the focus of competition in the industry will turn towards the provision of end-to-end integrated whole process logistic services. The deep integration of digital technology and industrial chain will bring about philosophical innovation and efficiency reform in the container shipping industry, which will become important drivers for shipping liners to enhance their end-to-end integrated whole process logistic services, and to promote enterprise development and empower value innovation. The gradually maturing timing for green transformation of the shipment industry, the application of energy-saving and emission reduction technologies , the research and development of green fuels and customers' demand for carbon-neutral transportation services and products will together promote transformation towards production method with low energy consumption and low emission in the industry.

Terminal business market

Efforts of cooperation among global terminal operators are also expanding and deepening. On the one hand, this helps to enhance the competitiveness of the terminal business and respond to pressure from alliances; on the other hand, this also helps to lower operating costs and operating risks for terminal operators. The deep cooperation among global terminal operators will generate a multiple-winner situation, which is beneficial for the continuous, stable and healthy development of the terminal industry. Terminal operators have participated in the whole process supply chain business one after another, striving to realize diversified sources of income, and associating transportation with cargo owners more closely. This has become a main point for terminal operators to enhance bargaining power of pricing at the ports and to enhance competitiveness, terminal operation capabilities and service quality effectively. The pace of consolidation among port enterprises in the world has been increasing rapidly, with closer cooperation, and the concept of competition and cooperation has been deeply rooted in the mind of people.

Efforts of horizontal cooperation between port enterprises and shipping enterprises are also increasing, synergies exist not only between parent company and subsidiaries, but also between port enterprises and shipping enterprises. While the benefits, efficiency and effectiveness of synergies continue to increase, the potential of a multiple-winner landscape is also deepening and expanding. Terminal operators with a shipping company background will exert more efforts on synergy and are expected to have an advantage in the competition for cargo sources.

Investment in terminals will continue to focus on emerging markets, and will move from the traditional node of east-west shipping routes to the node of north-south shipping routes. Currently, while the major terminal operators focus on investing in emerging markets, focus of investment region will move towards nodes such as Middle East, Africa, Southeast Asia and South America to obtain development opportunities. Large size container vessels have commenced operations successively, the network of global trunk routes has been undergoing a new round of adjustment and optimization. Meanwhile, exploration and implementation of the port industry has been along the trends of digitization, automation, blockchain technology, intelligent port and green and low-carbon port, which gradually become the trends of development in the industry, utilizing artificial intelligence and consolidating maritime shipping and highway services to generate synergies and provide comprehensive services for cargo owners. This will become a catalyst for enterprise transformation and upgrading in response to development in the new era.

(II) Development strategy

COSCO SHIPPING Holdings will endeavor to become one of the most popular benchmark companies with the highest international brand value in the transportation sector of capital market, as well as one of the most comprehensively competitive and most influential multinational enterprise groups in both container shipping and terminal operation management segments around the world, by continuously promoting the strategies and business synergies of both the container shipping segment and terminal operation management segment, enhancing comprehensive competitiveness, and promoting high-quality development.

In respect of the container shipping segment, the Company will advance the “three networks” integrated development of global shipping capacity route network, end-to-end service network and digital information network, promote the simultaneous upgrade of global sales network and global service network, build a new strategic pattern of “Three Networks in One and Five Dimensions in One” of mutual support, organic integration and cyclical promotion, and continue to promote the maximization of brand value and benefit specialization to attain the goal of becoming a “customer-oriented, value-leading and world-class integrated container ecosystem service provider”.

In respect of the terminal operation management segment, the Company will strive to be the global leading integrated port operator through the two-wheel drive development of “M&A-driven leapfrog growth” and “refined operation”, supplemented by three major changes of “establishing informatized and digitalized platform”, “building industrial chain extension support center”, and “improving organizational control and talent training system”.

The Company will continue to strengthen and develop container shipping, terminal operation management and related businesses by improving the shipping value chain. Through collaborated and refined management, and continuous enhancing the comprehensive competitiveness of container shipping and port services, the healthy, stable and sustainable development of the core business will be further promoted to provide better quality services for customers and realize corporate benefits, enterprise value and maximized return for the Shareholders.

(III) Operation plan

In 2022, the Company will continue to move at full speed towards higher quality development and continue to build a customer-oriented, value-driven and world-class integrated container ecosystem service provider.

Container shipping business

Optimizing the supply of shipping capacity and fulfilling mission as a global carrier

Through scientific research and analysis of the trend of global industry and value chain adjustments, we will accelerate the optimisation of our fleet structure and market layout, and continue to effectively deploy our capacity flexibly against the backdrop of continued severe congestion and supply chain disruptions in major ports around the world. Gathering quality resources from both internal and external sources, we will further explore market potential and expand our leading position in the mainline market, while achieving optimal allocation of cargo capacity and sustainable development and driving service quality to a higher level in our continuous enhancement process of our operational efficiency. In January 2022, the OCEAN Alliance, which operates our dual brands, launched the upgraded DAY6 route product. There will be upgrade in the route product for 8 routes with an additional of 3 routes, totalling to 42 routes with a shipping capacity of 4.43 million TEUs. At the same time, we steadfastly strengthened our investment in and development of capacity in emerging markets, regional markets and third-country markets. In early 2022, with the RCEP agreement coming into effect at the beginning of the year, it will significantly enhance the level of economic integration in the Asia-Pacific region, facilitating the forming of a supply chain and value chain in the region based on its comparative advantage and the development of ‘trade creation’ effect. According to the forecast of the United Nations Conference on Trade and Development (UNCTAD), the tariff cuts will increase the trade volume in the region by approximately US\$42 billion, and the new trade effect in the region will be approximately US\$17 billion. The Company will accurately meet service needs, accelerate the optimization of network layout, and capitalize on the incremental value.

Promoting the in-depth integration of dual brands and expanding end-to-end service value chain

The congestion of the global container supply chain has promoted rapid iterative optimization of route products and innovative upgrade of end-to-end routes in the container shipping industry. In the future, the Company will continue to promote the deep integration of dual brand value, continuously upgrade the integration of end-to-end services and digital information network, achieve more efficient resource coordination and value creation, and strive to achieve end-to-end service increment.

Taking advantages of global resources with a focus on the construction of an integrated land-sea logistics network, the Company will further leverage on the synergistic advantages of its container shipping and terminal business segments. At the beginning of 2022, the Company launched a new China-Europe Sea-rail Express service, with Valencia and Madrid as “dual fulcrums”, creating a number of new sea-rail routes for customers, further optimizing and adjusting the logistics routes in the Mediterranean region, and improving comprehensive transport efficiency.

Promoting technology upgrade and building a new digital shipping ecosystem

In 2022, the Company will focus on the core issue of “building a world-class technology-led digital container enterprise”, further accelerate the pace of upgrading the industrial chain empowered by digital technology, build an industry-based digital ecosystem, and strive to improve and provide customers with more efficient, stable online service capabilities.

The dual brands will commence related work with specific focuses on the following five aspects. Firstly, relying on IRIS4, we will continue to develop digital and intelligent applications, build a more efficient middle and back office operation system. Secondly, based on GSBN, we will continue to develop new products to create a shipping digital ecological community. Thirdly, we will take the land transportation system as the starting point to promote end-to-end digital integration, strengthen business model innovation, expand the scope of services, and build an end-to-end whole process visualization platform. Fourthly, we will better serve small and medium-sized customers through e-commerce platforms. The e-commerce platform for foreign trade will expand its overseas coverage, and optimize the structure of the source of supply. Fifthly, we will continue to promote the application of IoT, deeply integrate with industry customers, and launch digital solutions to improve customer experiences and enhance customer adhesion.

Terminal business

COSCO Shipping Ports will continue to promote the quality development of its terminal business, actively grasp strategic development opportunities, promote the scaled expansion of the Company and continuously improve the global terminal layout; continue to deepen a lean operation to improve the quality and efficiency of terminals; accelerate the expansion of supply chain extension projects to provide new profit growth points; and accelerate the construction of informatisation to grasp the opportunities of digital development.

In terms of terminal investment, the Company actively seizes global development opportunities, identifies projects with development potential, explores investment opportunities in strategic terminals with a controlling influence and non-controlled terminals with high-profits, and builds a balanced global terminal network. The Company is actively participating in the consolidation of port resources in China, with a view to optimising the structure of its terminals and improving the quality of its assets. We will continue to seize the opportunity to expand our global terminal network, focusing on emerging markets such as Southeast Asia, the Middle East and Africa to enhance the regional diversification of our terminal asset portfolio.

The Company will continue to innovate its business model, develop its supply chain business, accelerate the construction of a supply chain platform at the back of the port terminal, develop supply chain warehousing services based on the terminals and use the supply chain platform as a link to gradually build up its logistics network, expand its service categories, to better attract and retain customers, bring new revenue growth points, and strive to build a global leading integrated logistics supply chain service ecology.

The Company has continued to deepen its strategy of “Lean Operations”, promote the quality and efficiency of its terminal asset portfolio, strengthen its control over terminals and build up its core competitiveness. In terms of revenue growth, the Company will continue to actively enhance its commercial marketing capabilities, reinforce its market insight and customer value analysis capabilities, focus on customer needs and upgrade the quality of market exploration.

In 2022, the Company will take the “Smart Port 2.0” as an opportunity to promote the construction of a ‘smart port’ for the global operating terminals by leveraging on advanced digital technologies such as autonomous container trucks, centrally integrated command system and 5G network coverage, providing customers with value-added supply chain services with higher operational efficiency, faster response to demand and better integrated logistics costs while effectively lowering operational energy consumption and operating costs.

OTHER INFORMATION

Annual General Meeting

It is proposed that an annual general meeting of the Company be held on Friday, 27 May 2022. For the purpose of ascertaining Shareholders’ entitlement to attend and vote at the annual general meeting, the register of members of the Company will be closed from Friday, 20 May 2022 to Friday, 27 May 2022, both days inclusive, during which no transfer of shares will be effected. Holders of H shares of the Company whose names appear on the register of members of the Company on Thursday, 19 May 2022 at 4:30 p.m. are entitled to attend and vote at the annual general meeting of the Company.

The notice and the circular convening the annual general meeting will be despatched to the Shareholders in due course.

Corporate Governance

The Company is committed to maintaining a high standard of corporate governance within the Group, and the Board considers that effective corporate governance marks an important contribution to corporate success and to enhancing Shareholders’ value.

The Company has adopted its own corporate governance code, which incorporates all the code provisions and a majority of the recommended best practices in the Corporate Governance Code (the “**Code**”) as set out in Appendix 14 to the Listing Rules.

None of the Directors is aware of any information that would reasonably indicate that the Company had not been in compliance with the Code for any part of the period for the year ended 31 December 2021.

Model Code for Securities Transactions by Directors

Since the listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in 2005, the Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code for securities transactions by the Directors and supervisors of the Company (the “**Supervisors**”). Having made specific enquiries of all Directors and Supervisors, each of them has confirmed that they complied with the required standard set out in the Model Code throughout the year ended 31 December 2021.

Board Committees

The Company has established a strategic development committee, a risk control committee, an audit committee, a remuneration committee and a nomination committee.

Audit Committee

The audit committee of the Company (the “**Audit Committee**”), established in April 2005, comprises three independent non-executive Directors. It is chaired by Mr. ZHOU Zhonghui and the other two members are Mr. WU Dawei and Prof. MA, Si Hang Frederick. All members of the Audit Committee are competent and experienced in understanding, analyzing and reviewing the financial reports of listed companies.

The annual results of the Company have been reviewed by the Audit Committee.

Repurchase, Sale or Redemption of Shares of the Company

During the Reporting Period, neither the Company nor any of its subsidiaries had repurchased or sold any listed securities of the Company. The Company had not redeemed the Company’s securities during the Reporting Period.

Pre-emptive Rights

The articles of association of the Company and the laws of the PRC contain no provision for any pre-emptive rights which would require the Company to offer new shares to the Shareholders on a pro-rata basis to their shareholdings.

Auditors

The Company has appointed PricewaterhouseCoopers and ShineWing Certified Public Accountants as the international and domestic auditors of the Company respectively for the year ended 31 December 2021. PricewaterhouseCoopers has conducted the audit of the Group’s financial statements which are prepared in accordance with Hong Kong Financial Reporting Standards. Resolutions for the re-appointment of PricewaterhouseCoopers and Shine Wing Certified Public Accountants, LLP as the international and domestic auditors of the Company respectively will be proposed at the forthcoming annual general meeting of the Company to be held in due course.

PAST PERFORMANCE AND FORWARD-LOOKING STATEMENTS

The performance and the results of operation of the Group contained in this annual results announcement are historical in nature, and past performance does not guarantee the future results of the Group. Any forward-looking statements and opinions contained in this annual results announcement are based on current plans, estimates and projections, and therefore involve risks and uncertainties. Actual results may differ materially from expectations discussed in such forward-looking statements and opinions. The Group, the Directors, employees and agents of the Group assume (1) no obligation to correct or update the forward-looking statements or opinions contained in this annual results announcement; and (2) no liability in the event that any of the forward-looking statements or opinions do not materialize or turn out to be incorrect.

PUBLICATION OF ANNUAL REPORT

This annual results announcement has been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.hold.coscoshipping.com>). An annual report for the year ended 31 December 2021 containing all the information required by Appendix 16 to the Listing Rules will be despatched to the Shareholders and will be available for review on the same websites in due course.

By Order of the Board
COSCO SHIPPING Holdings Co., Ltd.
Guo Huawei
Company Secretary

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

As at the date of this announcement, the Directors are Mr. WAN Min¹ (Chairman), Mr. HUANG Xiaowen¹ (Vice Chairman), Mr. YANG Zhijian¹, Mr. FENG Boming¹, Mr. WU Dawei², Mr. ZHOU Zhonghui², Mr. TEO Siong Seng² and Prof. MA, Si Hang Frederick².

1 Executive Director

2 Independent non-executive Director

* *For identification purpose only*