



中遠海運發展股份有限公司

COSCO SHIPPING Development Co.,Ltd.

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

Stock Code: 2866

2023
INTERIM REPORT

SHIPPING INDUSTRY AND
FINANCE OPERATOR





Contents

| | |
|----|---|
| 2 | Corporate Information |
| 4 | Financial Highlights (Under HKFRSs) |
| 5 | Management Discussion and Analysis |
| 31 | Report on Review of Condensed Consolidated Interim Financial Statements |
| 33 | Condensed Consolidated Statement of Profit or Loss |
| 34 | Condensed Consolidated Statement of Comprehensive Income |
| 35 | Condensed Consolidated Statement of Financial Position |
| 38 | Condensed Consolidated Statement of Changes in Equity |
| 40 | Condensed Consolidated Statement of Cash Flows |
| 42 | Notes to the Condensed Consolidated Interim Financial Statements |



COSCO SHIPPING

Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lu Jianzhong
Ms. Zhang Weihua
Mr. Shao Ruiqing
Mr. Chan Kwok Leung

SUPERVISORS

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

EXECUTIVE COMMITTEE

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

INVESTMENT STRATEGY COMMITTEE

Mr. Liu Chong (*Chairman*)
Mr. Zhang Mingwen
Mr. Huang Jian
Mr. Liang Yanfeng
Mr. Ip Sing Chi
Mr. Shao Ruiqing
Mr. Chan Kwok Leung

RISK CONTROL COMMITTEE

Ms. Zhang Weihua (*Chairman*)
Mr. Lu Jianzhong
Mr. Chan Kwok Leung

AUDIT COMMITTEE

Mr. Lu Jianzhong (*Chairman*)
Mr. Chan Kwok Leung
Mr. Huang Jian

REMUNERATION COMMITTEE

Mr. Shao Ruiqing (*Chairman*)
Ms. Zhang Weihua
Mr. Chan Kwok Leung

NOMINATION COMMITTEE

Mr. Chan Kwok Leung (*Chairman*)
Mr. Liu Chong
Mr. Shao Ruiqing

CHIEF ACCOUNTANT

Mr. Lin Feng

COMPANY SECRETARY

Mr. Cai Lei

AUTHORISED REPRESENTATIVES

Mr. Liu Chong
Mr. Cai Lei

LEGAL ADDRESS IN THE PRC

Room A-538, International Trade Center
China (Shanghai) Pilot Free Trade Zone
Shanghai
The PRC



Corporate Information

PRINCIPAL PLACE OF BUSINESS IN THE PRC

5299 Binjiang Dadao
Pudong New Area
Shanghai
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

51/F, COSCO Tower
183 Queen's Road Central
Hong Kong

INTERNATIONAL AUDITOR

SHINEWING (HK) CPA Limited

DOMESTIC AUDITOR

ShineWing Certified Public Accountants LLP

LEGAL ADVISERS

Paul Hastings (As to Hong Kong law)
Grandall Law Firm (As to PRC law)

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China
Industrial and Commerce Bank of China
China Development Bank
Agricultural Bank of China
China Merchants Bank
The Export-Import Bank of China
ING Bank N.V.
Bank of Communications
Shanghai Pudong Development Bank
China Construction Bank

TELEPHONE NUMBER

86 (21) 6596 6105

FAX NUMBER

86 (21) 6596 6813

COMPANY WEBSITE

<http://development.coscoshipping.com>

H SHARE LISTING PLACE

Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange")

LISTING DATE

16 June 2004

NUMBER OF H SHARES IN ISSUE

3,676,000,000 H Shares

BOARD LOT (H SHARES)

1,000 Shares

HONG KONG STOCK EXCHANGE STOCK CODE

02866

A SHARE LISTING PLACE

Shanghai Stock Exchange

LISTING DATE

12 December 2007

NUMBER OF A SHARES IN ISSUE

9,899,938,612 A Shares

BOARD LOT (A SHARES)

100 Shares

SHANGHAI STOCK EXCHANGE STOCK CODE

601866

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

Financial Highlights (Under HKFRSs)

- Revenue amounted to RMB5,706,842,000
- Profit attributable to owners of the parent for the six months ended 30 June 2023 (the “**Period**”) amounted to RMB1,103,339,000
- Basic earnings per share amounted to RMB0.0815



Management Discussion and Analysis

OPERATING ENVIRONMENT

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

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

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

DEVELOPMENT STRATEGY OF THE COMPANY

1. STRATEGIC POSITION

COSCO SHIPPING Development Co., Ltd. (the "**Company**" or "**COSCO SHIPPING Development**", together with its subsidiaries collectively referred to as the "**Group**") will integrate shipping logistics-related resources including cargo source, capital, information and equipment, and fully leverage its advantages in the shipping industry to serve and empower the shipping logistics industry, expand the capital flow value of the shipping logistics ecosystem, and develop into an excellent world-class industry and finance operator in the shipping industry with COSCO SHIPPING characteristics.

2. DEVELOPMENT GOALS

With a focus on integrated logistics industry, the Company will develop container manufacturing, container leasing and shipping leasing business as the core business, with a view to pursuing industry-finance integrated development underpinned by investment. Leveraging the advantage of its container industry chain, the Company will explore container-based IOT technology integrating the flow of goods, capital and information, empower its shipping logistics ecosystem, enhance the loyalty of industry chain and create value for customers. With market-oriented approaches, professional strengths and an international vision, the Company aspires to grow into an excellent world-class industry-finance operator in the shipping industry with COSCO SHIPPING's characteristics.

Management Discussion and Analysis

3. DEVELOPMENT PLANS

(1) Shipping leasing business

The vessel leasing business focuses on the operating lease or finance lease of various vessels, such as container vessels and dry bulk cargo vessels. The Company will, based on its existing business, gradually set up a high-level professional investment and financing team and strengthen the synergy between “leasing and manufacturing, leasing and trading, and leasing and shipping”, so as to become a first-class domestic ship owner leasing enterprise. In the short term, the Company will optimize the current business model of industry-finance integration for the fleet, strengthen investment in low-carbon fuel vessels and vessels related to green industry supply chain, serve the green and low-carbon transformation of the fleet of major countries, explore asset-light vessel investment and financing mode and build a platform for the operation of shipping assets within the Group. In the long run, by gradually increasing the proportion of external business and utilizing COSCO SHIPPING advantages in the deployment of the entire industry chain, the Group will design a “one-stop” business model to establish a unique competitive edge in the industry.

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

(2) Container manufacturing business

In respect of container manufacturing, the Company will focus on industry collaboration, intelligent manufacturing and diversified development, guarantee the container supply security of the principal shipping business, and coordinate with the industry-finance platform while creating value for the industry, in a drive to achieve high-quality development of the container manufacturing segment. The Company will promote the transformation of intelligent plant, improve the synergy in the container industry chain, strengthen dry container manufacturing, enhance the development of special container and reefer container business, explore the research and development of smart containers and energy storage containers, and branch out into peripheral equipment of containers relating to the application scenarios of containers. We will improve and maintain the industry’s healthy operating environment, with an aim to develop ourselves into a world-class container manufacturing company with strong technological edge, high capacity efficiency and profitability.



Management Discussion and Analysis

(3) Investment management business

The Company will give equal weight to strategic value and financial returns, adhere to the principal business of shipping logistics, aim at integration of industry and finance utilizing investment measures, continuously focus on investment areas, optimize investment portfolios, strengthen asset operation, increase investment gains to smooth out the shipping business cycle. The Company will maintain its investment focus and make full use of capital to attract and integrate high-quality assets, intellectual property and resource exchange based on the application scenarios of shipping, port and logistics industries, explore venture capital, and provide intelligence and capital injection services for the “digitalised, networked and intelligent” development of the shipping logistics industry, in an effort to boost industry upgrading.

FINANCIAL REVIEW OF THE GROUP

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

Analysis of segment businesses is as follows:

Unit: RMB'000

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

Management Discussion and Analysis

1. ANALYSIS OF SHIPPING LEASING BUSINESS

(1) Operating Revenue

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

Revenue from the vessel leasing business amounted to RMB1,241,070,000, representing an increase of 5.8% as compared with the revenue of RMB1,173,456,000 for the same period of last year. The increase was mainly due to the year-on-year increase of the scale of fleet under operating leases. As at 30 June 2023, the operating ship leasing volume of the Group increased by 7.1% year-on-year.

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

(2) Operating Costs

Operating costs of the leasing business mainly include the depreciation and maintenance costs of self-owned vessels and containers, net carrying value of sale of containers returned upon expiry and interest costs of finance lease business. Operating costs of the leasing business for the six months ended 30 June 2023 amounted to RMB1,899,997,000, representing a year-on-year decrease of 13.5% as compared with the costs of RMB2,196,826,000 for the same period of last year, which was mainly due to the decrease in sales of container business.

(3) Details of the Group's finance lease business

The Group entered into finance lease arrangements with leased assets for certain vessels, machinery, equipment and facilities used in shipping, transportation and logistics industries, etc. The term of finance leases entered into mainly ranges from one to ten years. The interest rate of finance leases mainly ranges from 1.9% to 14.6%. Finance lease receivables of the Group are secured over the assets leased. As of 31 December 2022 and 30 June 2023, the total present value of minimum finance lease receivables of the Group amounted to RMB35,444,820,000 and RMB33,697,351,000, respectively.

As of 31 December 2022 and 30 June 2023, the balance of finance lease transactions for the largest single client of the Group accounted for approximately 12.2% and 13.0% of the total assets of the Group, respectively, while the balance of finance lease transactions for the largest single group client accounted for approximately 19.2% and 20.5% of the total assets of the Group, respectively.



Management Discussion and Analysis

The following table sets forth the degree of concentration of single client and single group client of the Group as at 30 June 2023:

| Concentration indicator | Balance of finance lease transactions as of 30 June 2023 (RMB) | Balance of finance lease transactions as a percentage of the total assets of the Group |
|--|---|---|
| Degree of concentration of single client financing | 15,830,616,000 | 13.0% |
| Degree of concentration of single group client financing | 24,856,808,000 | 20.5% |

The following table sets forth details of the financing amount raised by the top ten single clients of the Group as of 30 June 2023:

| Name of the client | Business segment | Financing amount (RMB) | Percentage of finance lease related assets before allowance for impairment losses |
|---------------------------|-----------------------------|---------------------------------------|--|
| Client A ⁽¹⁾ | Ship leasing | 15,830,616,000 | 47.0% |
| Client B ⁽¹⁾ | Ship leasing | 5,184,684,000 | 15.4% |
| Client C ⁽¹⁾ | Ship leasing | 3,841,508,000 | 11.4% |
| Client D | Container leasing | 2,756,114,000 | 8.2% |
| Client E | Ship leasing | 769,814,000 | 2.3% |
| Client F | Ship leasing | 513,508,000 | 1.5% |
| Client G | Ship leasing | 434,755,000 | 1.3% |
| Client H | Ship leasing | 391,737,000 | 1.2% |
| Client I | Ship leasing | 185,585,000 | 0.6% |
| Client J | Ship leasing | 170,747,000 | 0.5% |
| Total | – | 30,079,068,000 | 89.4% |

Note:

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

Management Discussion and Analysis

The following table sets forth the industrial distribution of net amount of finance lease receivables of the Group as at 30 June 2023:

| Business segment | Balance of finance lease transactions at 30 June 2023 (RMB in 100 millions) | Percentage of finance lease related assets before allowance for impairment losses |
|------------------------------|--|--|
| Vessel leasing | 300.71 | 89.3% |
| Transportation and logistics | 7.22 | 2.1% |
| Container leasing | 29.04 | 8.6% |
| Total | 336.97 | 100.0% |

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

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



Management Discussion and Analysis

2. ANALYSIS OF CONTAINER MANUFACTURING BUSINESS

(1) Operating Revenue

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

(2) Operating Costs

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

3. ANALYSIS OF INVESTMENT MANAGEMENT BUSINESS

(1) Operating Revenue

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

(2) Operating Costs

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

GROSS PROFIT

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

SIGNIFICANT INVESTMENT IN EQUITY

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

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

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

Management Discussion and Analysis

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

1. SHAREHOLDINGS IN OTHER LISTED COMPANIES

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

2. SHAREHOLDINGS IN FINANCIAL ENTERPRISES

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



Management Discussion and Analysis

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

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

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

INCOME TAX

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

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

Pursuant to the PRC CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. For the Group, the applicable rate is 10%. Certain of the Group's overseas subsidiaries are therefore liable for withholding taxes on dividends distributed by certain subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

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

Management Discussion and Analysis

OTHER GAINS, NET

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

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT FOR THE PERIOD

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

ANALYSIS OF LIQUIDITY AND BORROWINGS

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

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

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

The Group's RMB-denominated borrowings at fixed interest rates amounted to RMB10,495,000,000. USD-denominated borrowings at fixed interest rates amounted to USD1,058,664,000 (equivalent to approximately RMB7,649,692,000), RMB-denominated borrowings at floating interest rates amounted to RMB8,191,000,000, and USD-denominated borrowings at floating interest rates amounted to USD6,862,595,000 (equivalent to approximately RMB49,587,737,000). The Group's borrowings are settled in RMB or USD while its cash and cash equivalents are primarily denominated in RMB and USD.

The Group expects that capital needs for regular liquidity and capital expenditure can be funded by the internal cash flow of the Group or external financing. The board of directors of the Company (the "Board") will review the operating cash flow of the Group from time to time. It is the intention of the Group to maintain an appropriate composition of equity and debt to ensure an effective capital structure.



Management Discussion and Analysis

NET CURRENT LIABILITIES

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

CASH FLOWS

For the six months ended 30 June 2023, the Group's net cash inflow generated from operating activities was RMB3,487,353,000, denominated principally in RMB and USD, representing a decrease of RMB1,260,427,000 as compared with the net cash inflow generated from operating activities of RMB4,747,780,000 for the corresponding period of 2022. The cash inflow generated from financing activities of the Group for the Period was mainly derived from bank and other borrowings and such funds were used mainly for short-term operation and the purchase and construction of vessels and containers. The balance of cash and cash equivalents as at 30 June 2023 decreased by RMB7,354,843,000 as compared with that at the beginning of the Period, mainly due to optimization of the capital structure and reduction in the scale of liabilities.

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

| | For the six months ended 30 June 2023 | <i>Unit: RMB</i> For the six months ended 30 June 2022 |
|--|--|---|
| Net cash generated from operating activities | 3,487,353,000 | 4,747,780,000 |
| Net cash generated from investing activities | 1,724,001,000 | 15,698,000 |
| Net cash used in financing activities | (12,695,215,000) | (9,209,673,000) |
| Net decrease in cash and cash equivalents | (7,483,861,000) | (4,446,195,000) |

NET CASH GENERATED FROM OPERATING ACTIVITIES

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

Management Discussion and Analysis

NET CASH GENERATED FROM INVESTING ACTIVITIES

For the six months ended 30 June 2023, the net cash inflow generated from investing activities was RMB1,724,001,000, representing an increase of RMB1,708,303,000 as compared with the net cash inflow generated from investing activities of RMB15,698,000 for the same period of last year. The increase in the Group's net cash generated from investing activities was mainly due to the slow down of the investment in vessels and container leasing business according to market conditions.

NET CASH USED IN FINANCING ACTIVITIES

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

USE OF PROCEEDS AND FUTURE PLANS

Upon consideration at the 30th meeting of the sixth session of the Board and the 36th meeting of the sixth session of the Board of the Company and approved by the 2021 first extraordinary general meeting, 2021 first A shareholders class meeting and 2021 first H shareholders class meeting, and the Approval on the Acquisition of Assets through Issuance of Shares of COSCO SHIPPING Development Co., Ltd. to COSCO SHIPPING Investment Holdings Co., Ltd. and Raising Ancillary Funds (Zheng Jian Xu Ke [2021] No.3283) (《關於核准中遠海運發展股份有限公司向中遠海運投資控股有限公司發行股份購買資產並募集配套資金申請的批覆》(證監許可[2021]3283號)) issued by the China Securities Regulatory Commission, the Company completed the acquisition of assets through issuance of Shares and raising ancillary funds through non-public issuance of A shares in 2021. Under the transactions related to non-public issuance of A shares, the Company issued 530,434,782 ordinary shares to 8 eligible investors, including China Shipping Group Company Limited, at the issue price of RMB2.76 per share (the "**Non-public Issuance of A Shares**"). Total proceeds from the issuance were RMB1,463,999,998.32 and actual net proceeds were RMB1,460,904,954.84, net of issue cost of RMB3,095,043.48 (including value-added tax). Such proceeds were fully received on 16 December 2021 and receipt of proceeds from the non-public issuance of A shares was verified by ShineWing Certified Public Accountants LLP, who issued a Capital Verification Report on the Proceeds from the Non-public Issuance of Shares of COSCO SHIPPING Development Co., Ltd. (No. XYZH/2021BJAA131539) in this regard on 17 December 2021.

To regulate the management, storage and use of proceeds and protect the legitimate rights and interests of investors, the Company has formulated the Proceeds Management Policies according to the Measures for the Administration of the Funds Raised by Listing Companies on the Shanghai Stock Exchange (《上海證券交易所上市公司募集資金管理辦法》) and the Regulatory Guidelines for Listed Companies No.2 – Regulatory Requirements for the Management and Use of Funds Raised by Listed Companies (《上市公司監管指引第2號—上市公司募集資金管理和使用的監管要求》) and other laws and regulations. According to the Proceeds Management Policies, the Company implemented special account placement for the proceeds. A special bank account has been opened with China Development Bank Shanghai Branch for the exclusive deposit, management and utilization of the proceeds from the Non-public Issuance of A Shares. A Tripartite Supervision Agreement for the Designated Accounts for Proceeds was entered among the Company, China International Capital Corporation Limited and China Development Bank Shanghai Branch in January 2022. In addition, the subsidiaries of project implementation entities of the Company have opened up a special account for the proceeds with Bank of China Limited, Shanghai Branch for the exclusive deposit, management and utilization of the proceeds. In February 2022, they entered into the Quadripartite Supervision Agreement for Proceeds with the Company, China International Capital Corporation Limited and Bank of China Limited, Shanghai Branch.



Management Discussion and Analysis

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

Unit: RMB

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

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

Unit: RMB

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

Management Discussion and Analysis

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

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

Unit: RMB0'000

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

As of 30 June 2023, the use and intended use of proceeds from the Non-public Issuance of A Shares are in line with the use of proceeds as previously disclosed. For the details of intended use of proceeds from the Non-public Issuance of A Shares, please refer to the circular of the Company dated 24 May 2021 and the relevant overseas regulatory announcements.



Management Discussion and Analysis

AVERAGE TURNOVER DAYS OF TRADE AND NOTES RECEIVABLES

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

GEARING RATIO ANALYSIS

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

FOREIGN EXCHANGE RISK ANALYSIS

Revenues and costs of the Group's shipping-related leasing business and container manufacturing operations are settled or denominated in USD. As a result, the impact on the net operating revenue due to RMB exchange rate fluctuation can be offset by each other to a certain extent. For the six months ended 30 June 2023, the Group recorded an exchange gain of RMB358,320,000, which was mainly due to fluctuations of the USD exchange rate during the Period; the increase in exchange difference which was charged to equity attributable to shareholders of the parent company amounted to RMB329,799,000. The Group will continue to closely monitor the exchange rate fluctuation of RMB and major international settlement currencies in the future to minimise the impact of exchange rate fluctuation and thus reduce exchange rate risks.

CAPITAL EXPENDITURES

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

CAPITAL COMMITMENTS

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

PLEDGE

As at 30 June 2023, certain container vessels and containers with net carrying value of approximately RMB20,511,122,000 (31 December 2022: RMB18,611,895,000), finance lease receivables of RMB6,255,808,000 (31 December 2022: RMB12,969,610,000) and restricted deposits of RMB165,206,000 (31 December 2022: RMB120,443,000) of the Group were pledged for the grant of bank borrowings and issuance of corporate bonds.

Management Discussion and Analysis

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

SUBSEQUENT EVENTS

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

CONTINGENT LIABILITIES

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

EMPLOYEES, TRAINING AND BENEFITS

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

Remuneration management, as one of the most effective incentives and a form of enterprise value distribution, was carried out on the basis of total budget control, value creation, internal fairness, market competition and sustainable development. Based on the principle of “contractual management, differential compensation”, the senior management of the Company has introduced and implemented the professional manager system and strengthened the incentive and restraint mechanism based on performance management. The Company’s comprehensive remuneration system applicable to the employees of the Company mainly consists of: 1. salaries, including position/title salary, performance salary, special incentives and allowances; 2. benefits, including mandatory social insurance, provident housing fund and corporate welfares.

To support the Company’s human resources management reform, talent development and training, the Company has reconstructed its employee training system to make it based on identification of demand, with the support of clearly defined responsibilities and list-based management. We have enhanced the training content and implementation system, and improved the effectiveness of training resource allocation, staff training participation and satisfaction. Based on the training system, various training programmes were designed and implemented to address different types of business and positions, covering topics such as transformation and innovation, industry development, management capability, financial business, risk management, safety and individual attributes.

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



Management Discussion and Analysis

DIVIDEND

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

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

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

SHARE CAPITAL

As at 30 June 2023, the share capital of the Company was as follows:

| Types of shares | Number of issued shares | Percentage |
|-----------------|-------------------------|------------|
| A shares | 9,899,938,612 | 72.9% |
| H shares | 3,676,000,000 | 27.1% |
| Total | 13,575,938,612 | 100.0% |

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

As at 30 June 2023, the interests or short positions of the directors (the “**Directors**”), supervisors (the “**Supervisors**”) or chief executive(s) of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”)) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors or chief executive(s) of the Company were taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules were as follows:

Management Discussion and Analysis

INTERESTS IN THE SHARES OF THE COMPANY

| Name | Position | Class of shares | Capacity | Number of shares interested (Note 1) | Approximate percentage of the total number of the relevant class of shares of the Company (%) | Approximate percentage of the issued share capital of the Company (%) |
|-----------------|-----------------------|-----------------|--------------------|---|--|--|
| Liu Chong | Chairman of the Board | A shares | Beneficial owner | 993,400 (L) (Note 2) | 0.01 | 0.01 |
| | | H shares | Other | 1,112,903 (L) (Notes 3 and 4) | 0.03 | 0.01 |
| Chan Kwok Leung | Director | H shares | Beneficial owner | 235,000 (L) | 0.01 | 0.00 |
| | | H shares | Interest of spouse | 60,000 (L) (Note 5) | 0.00 | 0.00 |

Notes:

- "L" means long position in the shares
- Such interests relate to share options granted to the Directors on 30 March 2020 pursuant to A Share Option Incentive Scheme of the Company.
- As disclosed in the announcement of the Company dated 24 November 2016, certain executive Directors, Supervisor, senior management and employees of the Company have voluntarily invested, with their own fund, in an asset management plan (the "**Asset Management Plan**"), pursuant to which the executive Directors, Supervisor, senior management and employees of the Company have subscribed to the units of the Asset Management Plan and entrusted the manager of the Asset Management Plan to manage the Asset Management Plan, which will invest in the H shares. The manager of the Asset Management Plan shall be responsible for, among other things, the investment and re-investment of the assets under the Asset Management Plan and shall be entitled to exercise the voting rights and other relevant rights in respect of the H shares held under the Asset Management Plan. The Company did not participate in the Asset Management Plan, and the Asset Management Plan does not constitute a share option scheme or any type of employee benefit scheme of the Company. As at 30 June 2023, the Asset Management Plan has been fully funded and has acquired 6,900,000 H shares on the market at an average price of HK\$1.749 per H share.
- Mr. Liu Chong is one of the participants of the Asset Management Plan through which he holds approximately 16.13% of the total number of units of the Asset Management Plan as of 30 June 2023. Accordingly, the 1,112,903 H shares represent the interests derived from the units subscribed by Mr. Liu Chong in the Asset Management Plan as of 30 June 2023. As of 30 June 2023, Mr. Liu Chong does not hold any shares.
- The spouse of Mr. Chan Kwok Leung is the beneficial owner of 60,000 H shares. Mr. Chan Kwok Leung is deemed to be interested in the 60,000 H shares within the meaning of Part XV of the SFO.

Save as disclosed above, as at 30 June 2023, none of the Directors, Supervisors or chief executive(s) of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors or chief executive(s) of the Company were taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which were otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.



Management Discussion and Analysis

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

As at 30 June 2023, so far as was known to the Directors, Supervisors or chief executive(s) of the Company, the interests or short positions of the shareholders who were entitled to exercise or control 5% or more of the voting power at any general meeting of the Company or other persons (other than Directors, Supervisors or chief executive(s) of the Company) in the shares or underlying shares of the Company which were required to be disclosed to the Company or the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO or which have been notified to the Company and the Hong Kong Stock Exchange were as follows:

| Name of shareholder | Class of shares | Capacity | Number of shares interested (Note 1) | Approximate percentage of the total number of the relevant class of shares of the Company (%) | Approximate percentage of the issued share capital of the Company (%) |
|---|-----------------|------------------------------------|---|--|--|
| China Shipping Group Company Limited (“China Shipping”) | A shares | Beneficial owner | 4,628,015,690 (L) | 46.75 | 34.09 |
| | A shares | Interest of controlled corporation | 1,447,917,519 (L) (Note 2) | 14.63 | 10.67 |
| | H shares | Interest of controlled corporation | 100,944,000 (L) (Note 3) | 2.75 | 0.74 |
| China COSCO SHIPPING Corporation Limited | A shares | Interest of controlled corporation | 6,075,933,209 (L) | 61.37 | 44.76 |
| | A shares | Beneficial owner | 47,570,789 (L) | 0.48 | 0.35 |
| | H shares | Interest of controlled corporation | 100,944,000 (L) (Note 3) | 2.75 | 0.74 |
| COSCO SHIPPING Investment Holdings Co., Limited | A shares | Beneficial owner | 1,447,917,519 (L) (Note 2) | 14.63 | 10.67 |

Notes:

1. “L” means long position in the shares.
2. Such 1,447,917,519 A shares represent the same block of shares.
3. Such 100,944,000 H shares represent the same block of shares held by Ocean Fortune Investment Limited, an indirectly wholly-owned subsidiary of China Shipping.

Save as disclosed above, as at 30 June 2023, no other person (other than Directors, Supervisors or chief executive(s) of the Company) had any interest or short position in any shares or underlying shares of the Company which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or which was required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO or which has been notified to the Company and the Hong Kong Stock Exchange.

Management Discussion and Analysis

CHANGES IN INFORMATION ON DIRECTORS AND SUPERVISORS

Save as disclosed in the 2022 annual report of the Company, there was no other relevant information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the Period.

A SHARE OPTION INCENTIVE SCHEME

1. PURPOSE OF THE A SHARE OPTION INCENTIVE SCHEME

The purpose of the A Share Option Incentive Scheme is to, among other things, facilitate the establishment and improvement of the incentive systems of the Company and incentivize the senior management and core management and business personnel of the Group, thereby tying the interests of the Company, the shareholders and the management together and facilitating the achievement of the development targets of the Company.

2. TOTAL NUMBER OF SHARE OPTIONS GRANTED UNDER THE A SHARE OPTION INCENTIVE SCHEME AND ITS PERCENTAGE

On 16 December 2019, the Board approved the Company's proposed adoption of the Share Option Incentive Scheme (the "**Share Option Incentive Scheme**"). In order to further optimize the Share Option Incentive Scheme, the Board approved the proposed adoption of the revised share option incentive scheme (the "**Revised Share Option Incentive Scheme**", together with Share Option Incentive Scheme, the "**A Share Option Incentive Scheme**") on 22 January 2020. On 5 March 2020, the Revised Share Option Incentive Scheme was approved by the shareholders of the Company at the extraordinary general meeting and the class meetings of the Company. The total number of the share options to be granted under the A Share Option Incentive Scheme is 88,474,448 (inclusive of 8,847,445 Reserved Share Options) and the number of underlying A shares in relation thereto are 88,474,448 A shares, representing approximately 0.7622% of the then total issued share capital of the Company and 1.1154% of the then A share capital of the Company. The A Share Option Incentive Scheme shall be effective for 10 years from 5 March 2020. For details, please refer to the Company's announcements dated 16 December 2019 and 22 January 2020 and circular dated 17 February 2020.

On 30 March 2020, the Company convened the fourteenth meeting of the sixth session of the Board and the seventh meeting of the sixth session of the Supervisory Committee, at which the Resolution on the Adjustment of the List of Participants and the Number of Share Options to be Granted under the Share Option Incentive Scheme and the Resolution on the Grant of Share Options to the Participants under the Share Option Incentive Scheme were considered and passed. Pursuant to such resolutions, (1) in view of the fact that 3 participants under the Share Option Incentive Scheme of the Company were no longer eligible for such grant due to their personal reasons, according to the authorization at the general meeting, the Board of the Company made the adjustments to the list of participants and the number of share options for the first grant under the Share Option Incentive Scheme and for which 1,406,292 share options were cancelled accordingly. After the adjustment, the number of such participants under the Share Option Incentive Scheme of the Company was adjusted from 127 to 124, and the number of share options granted was adjusted from 79,627,003 to 78,220,711. On 1 February 2023, 1,406,292 shares in respect of these options were canceled. For details, please refer to the Company's overseas regulatory announcement dated 30 March 2020, the overseas regulatory announcement dated 31 January 2023, and the next day disclosure return dated 1 February 2023. (2) On 30 March 2020 (the "**Date of Grant for the First Batch of the Share Options**"), an aggregate of 78,220,711 share options were granted to 124 participants, which comprise nine Directors and senior management of the Company and 115 core management and business personnel of the Group. The exercise price was RMB2.52 per A share, which shall be adjusted upon the occurrence of ex-right or ex-dividend events before the exercise of the share options (the "**First Batch of the Share Option Granted**"). The closing price of A shares on the trading day immediately before 30 March 2020 was RMB2.00 per A share. For details, please refer to the Company's announcement dated 30 March 2020.



Management Discussion and Analysis

On 6 May 2021 (the “**Date of Grant for Reserved Share Options**”), 8,847,445 Reserved Share Options were granted to 19 participants, who are core management and business personnel of the Group. The exercise price was RMB2.52 per A share, which shall be adjusted upon the occurrence of ex-right or ex-dividend events before the exercise of the share options (the “**Reserved Share Options Granted**”). The closing price of A shares on the trading day immediately before 6 May 2021 was RMB2.94 per A share. For details, please refer to the Company’s announcement dated 6 May 2021.

On 29 April 2022, the Company convened the fifty-third meeting of the sixth session of the Board and the twenty-first meeting of the sixth session of the Supervisory Committee, at which (i) the “Resolution on the Adjustment to the Exercise Price, the List of Participants of the First Grant and Number of Share Options and the Cancellation of Partial Granted but Outstanding Share Options” was considered and approved, and since the Company implemented the 2019 and 2020 profit distribution plans, the exercise price under the A Share Option Incentive Scheme has been adjusted from RMB2.52 per share to RMB2.419 per share. Due to reasons such as the resignation of participants, the list of participants of the first grant and number of share options were adjusted accordingly, and the number of participants changed from 124 to 110, the number of share options under the first grant changed from 78,220,711 to 68,833,794, and 9,386,917 share options were cancelled, and on 1 February 2023, 9,386,917 shares in respect of these options were canceled. For details, please refer to the Company’s overseas regulatory announcement dated 31 January 2023, and the next day disclosure return dated 1 February 2023; (ii) the “Resolution on the First Exercise Period of the First Grant of Share Options under the A Share Option Incentive Scheme Fulfilling Exercise Conditions” was considered and approved to agree with the adjustment to the benchmark companies under the A Share Option Incentive Scheme and the compliance with the first exercise period of the first grant of share options under the A Share Option Incentive Scheme with exercise conditions, and approve the exercise of share options by the participants who meet the conditions (the “**Exercise of the First Batch of the Share Option Granted in the First Exercise Period**”). The actual number of exercised shares upon Exercise of the First Batch of the Share Options Granted in the First Exercise Period was 20,560,412 shares, which 2,384,186 shares underlying the unexercised 2,384,186 share options were cancelled on 1 February 2023. For details, please refer to the Company’s overseas regulatory announcements dated 29 April 2022 and 24 May 2022 and the next day disclosure return dated 1 February 2023.

On 22 May 2023, the Company convened the fifth meeting of the seventh session of the Board and the fourth meeting of the seventh session of the Supervisory Committee and at each of which the “Resolution on the Exercise of Options under the Share Option Incentive Scheme of the Company and Related Matters” was considered and passed to (i) approve the cancellation of a total of 7,867,835 lapsed share options, including those which had been granted but not yet exercised due to the retirement and termination of employment of the participants, as well as those which had been granted but not yet exercised upon expiration of the first exercise period of the First Batch of the Share Options Granted. After such adjustment, the number of participants for the First Batch of the Share Options Granted of the Company changed from 110 to 100, and the number of the First Batch of the Share Options Granted changed from 48,273,382 to 40,871,202, and the number of participants for the Reserved Share Options Granted changed from 19 to 18, and the number of the Reserved Share Options Granted changed from 8,847,445 to 8,381,790; (ii) approve the fulfillment of the exercise conditions for the second exercise period of the First Batch of the Share Options Granted under the A Share Option Incentive Scheme, and approve the exercise of share options by a total of 100 eligible participants to exercise an aggregate of 20,435,601 share options (the “**Exercise of the First Batch of the Share Option Granted in the Second Exercise Period**”); (iii) approve the fulfillment of the exercise conditions for the first exercise period of the Reserved Share Options under the A Share Option Incentive Scheme, and approve the exercise of share options by a total of 18 eligible participants to exercise an aggregate of 2,793,924 share options (the “**Exercise of Reserved Share Options Granted in the First Exercise Period**”); (iv) pursuant to the Share Option Incentive Scheme of COSCO SHIPPING Development Co., Ltd. (Revised Draft), the Company should make corresponding adjustments to the exercise price in the event of dividend distribution, the Company was approved to adjust the exercise price under the A Share Option Incentive Scheme by adjusting the exercise price under the A Share Option Incentive Scheme from RMB2.419

Management Discussion and Analysis

per share to RMB2.193 per share. The actual number of exercised shares upon Exercise of the First Batch of the Share Option Granted in the Second Exercise Period was 17,164,904 shares; the actual number of exercised shares upon Exercise of Reserved Share Options Granted in the First Exercise Period was 2,638,706 shares. On 9 June 2023, the Company completed the transfer and registration procedures for the second exercise period for the First Batch of the Share Options Granted and the first exercise period for the Reserved Share Options. On 15 June 2023, the shares issued in connection with the exercise of the Reserved Share Options Granted were listed and circulated. For details, please refer to the Company's overseas regulatory announcements dated 22 May 2023 and 12 June 2023.

As at the date of this report, the Company had 29,449,382 share options outstanding under the A Share Option Incentive Scheme. Pursuant to the terms of the A Share Option Incentive Scheme, the exercise in full of the outstanding share options would result in the transfer of a total of 23,706,298 A shares held as treasury shares or repurchased from the secondary market to the share option grantees, and the transfer of 5,743,084 A shares of the Company directionally issued to the share option grantees. The 29,449,382 A shares which would be transferred to the share option grantees upon the full exercise of the outstanding share options represented approximately 0.30% of the total issued A shares of the Company and approximately 0.22% of the total issued shares of the Company as at the date of this report.

Details of the participants and granting during the Period were as follows:

A. Share options granted to the Directors and chief executive of the Company

| Name of participant | Position | Granted and outstanding as of 31 December 2022 ⁽¹⁾⁽²⁾ | Granted during the Period | Exercised during the Period ⁽³⁾⁽⁴⁾ | Cancelled during the Period ⁽⁵⁾ | Lapsed during the Period | Granted and outstanding as of 30 June 2023 ⁽¹⁾⁽³⁾ | Percentage of total issued A share capital of the Company (%) | Percentage of total issued share capital of the Company (%) | Date of grant |
|-----------------------|----------------------|--|---------------------------|---|--|--------------------------|--|---|---|---------------|
| Liu Chong | Chairman (in office) | 1,490,100 | - | - | 496,700 | - | 993,400 | 0.0100% | 0.0073% | Note (6) |
| Xu Hui ⁽⁶⁾ | Director (retired) | 993,400 | - | - | 993,400 | - | - | - | - | Note (6) |
| Total | - | 2,483,500 | - | - | 1,490,100 | - | 993,400 | 0.0100% | 0.0073% | |



Management Discussion and Analysis

B. Share options granted to all participants

| Name of participant | Number of participants | Granted and outstanding as of 31 December 2022 ⁽¹⁾⁽²⁾ | Granted during the Period | Exercised during the Period ⁽³⁾⁽⁴⁾ | Cancelled during the Period ⁽⁵⁾ | Lapsed during the Period | Granted and outstanding as of 30 June 2023 ⁽¹⁾⁽³⁾ | Percentage of total issued A share capital of the Company (%) | Percentage of total issued share capital of the Company (%) | Date of grant |
|--|------------------------|--|---------------------------|---|--|--------------------------|--|---|---|---------------|
| Directors and chief executives of the Company | 1 | 1,490,100 | - | - | 496,700 | - | 993,400 | 0.0100% | 0.0073% | Note (6) |
| | 1 ⁽⁸⁾ | 993,400 | - | - | 993,400 | - | - | - | - | Note (6) |
| Senior management of the Company | 6 | 5,357,601 | - | 421,433 | 1,052,666 | - | 3,883,502 | 0.0392% | 0.0286% | Note (6) |
| | 1 | 650,467 | - | - | 650,467 | - | - | - | - | Note (6) |
| Other key business personnel and management personnel of the Company | 8 | 3,530,382 | - | - | 3,530,382 | - | - | - | - | Note (6) |
| | 93 | 36,251,432 | - | 16,743,471 | 678,565 | - | 18,829,396 | 0.1902% | 0.1387% | Note (6) |
| | 18 | 8,381,790 | - | 2,638,706 | - | - | 5,743,084 | 0.0580% | 0.0423% | Note (7) |
| | 1 | 465,655 | - | - | 465,655 | - | - | - | - | Note (7) |
| Total | 129 | 57,120,827 | - | 19,803,610 | 7,867,835 | - | 29,449,382 | 0.2975% | 0.2169% | |

Notes:

- (1) The validity period, vesting period, exercisable date and exercise period of the share options were set out below.
- (2) The exercise price was RMB2.419 per share.
- (3) On 22 May 2023, relevant resolutions were considered and approved at the Company's fifth meeting of the seventh session of the Board and the fourth meeting of the seventh session of the Supervisory Committee, the exercise price under the A Share Option Incentive Scheme had been adjusted from RMB2.419 per share to RMB2.193 per share. The second exercise period for the First Batch of the Share Options Granted and the first exercise period of the Reserved Share Options Granted under the A Share Option Incentive Scheme had met the exercise conditions, and the exercise of share options by eligible incentive recipients was approved. The actual number of shares in respect of the share options to be exercised in the second exercise period for the First Batch of the Share Options Granted was 17,164,904 shares; the actual number of shares in respect of the share options to be exercised in the first exercise period for the Reserved Share Options Granted was 2,638,706 shares, with the exercise price of RMB2.193 per share. On 9 June 2023, the Company completed the transfer and registration procedures for the second exercise period for the First Batch of the Share Options Granted and the first exercise period for the Reserved Share Options Granted. On 15 June 2023, the shares issued in connection with the exercise of the Reserved Share Options Granted were listed and circulated.
- (4) The weighted average closing price of the relevant shares immediately before the share options exercise date was RMB2.54 per share.
- (5) On 22 May 2023, there was a total of 7,867,835 lapsed share options, including those which had been granted but not yet exercised due to the retirement or termination of employment of the participants, as well as those which had been granted but not yet exercised upon expiration of the first exercise period of the First Batch of the Share Options Granted. After such adjustment, the number of participants for the First Batch of the Share Options Granted changed from 110 to 100, and the number of the First Batch of the Share Options Granted changed from 48,273,382 to 40,871,202, and the number of participants for the Reserved Share Options Granted changed from 19 to 18, and the number of the Reserved Share Options granted changed from 8,847,445 to 8,381,790.
- (6) Such A share options were granted on 30 March 2020 (i.e., the Date of Grant for the First Batch of the Share Options).

Management Discussion and Analysis

- (7) Such A share options were granted on 6 May 2021 (i.e., the Date of Grant for Reserved Share Options).
- (8) Due to his age, Mr. Xu Hui retired as the executive Director and deputy general manager of the Company on 16 June 2022 and the 993,400 A share options held by him were cancelled during the Period.

During the Period, the number of share options may be granted by the Company under the A Share Option Incentive Scheme but not yet granted was 1,406,292, and the underlying A shares subject to these share options were cancelled on 1 February 2023, for details, please refer to the Company's overseas regulatory announcement dated 30 March 2020, the overseas regulatory announcement dated 31 January 2023, and the next day disclosure return dated 1 February 2023. The Company issued directionally 2,638,706 A shares under the A Share Option Incentive Scheme during the Period.

At the beginning of the Period, the Company may issue or transfer 57,120,827 A shares in respect of the A Share Option Incentive Scheme, representing approximately 0.58% of the weighted average number of issued A shares in the Company's A share capital for the Period. At the end of the Period, 17,164,904 A shares were transferred pursuant to the exercise of share options, 2,638,706 A shares were issued directionally pursuant to the exercise of share options, 7,867,835 share options were cancelled and 29,449,382 share options were granted but not yet exercised at the end of the Period, representing 0.17%, 0.03%, 0.08% and 0.30% of the weighted average number of A shares of the Company in issue during the Period, respectively.

During the Period, there were no participants with share options granted and to be granted in excess of the individual limit of 1%, or related entity participants or service providers with share options granted or to be granted during the year in excess of 0.1% of the relevant class of shares of the Company in issue.

3. THE CAP OF SHARE OPTIONS THAT MAY BE GRANTED TO PARTICIPANTS

The total number of A shares issued and to be issued after the exercise of the share options (including exercised and unexercised share options) granted to each participant during any 12-month period shall not exceed 1% of the total issued A share capital of the Company.

4. VALIDITY PERIOD, VESTING PERIOD, EXERCISABLE DATE AND EXERCISE PERIOD AND THE EFFECTIVE CONDITIONS

The A Share Option Incentive Scheme shall be effective for 10 years from 5 March 2020. The vesting period of the share options is two years from the date of grant and the exercise period of the share options is seven years commencing from the date of grant. Subject to the satisfaction of the conditions of exercise, each share option entitles the participant to acquire one A share at the exercise price.



Management Discussion and Analysis

Subject to the satisfaction of the conditions of exercise, the share options granted under the A Share Option Incentive Scheme will be exercisable in three tranches after the expiration of the vesting period in accordance with the following arrangement:

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

The A share options will only become effective and exercisable by the participants (including the participants for whom share options are reserved) in accordance with the terms of the A Share Option Incentive Scheme when certain conditions are satisfied. For details of these conditions, please refer to the circular of the Company dated 17 February 2020.

5. BASIS FOR DETERMINATION OF EXERCISE PRICE OF GRANTED SHARE OPTIONS

According to the A Share Option Incentive Scheme approved at the extraordinary general meeting and the class meetings on 5 March 2020, the basis for determination of exercise price of the share options to be granted shall be revised to the highest of the followings:

- (i) the average trading price of A shares on the last trading day immediately before the announcement date of the A Share Option Incentive Scheme (i.e., approximately RMB2.52 per A share);
- (ii) the average trading price of A shares on the 20 trading days immediately before the announcement date of the A Share Option Incentive Scheme (i.e., approximately RMB2.50 per A share); and
- (iii) par value of A share (i.e., RMB1.00 per A share).

Pursuant to the A Share Option Incentive Scheme, from the date of grant of the share options and prior to the exercise of the share options, in the event of any dividend payment and other ex-rights and ex-dividend matters of the Company, the corresponding exercise price shall be adjusted accordingly with reference to the relevant provisions of A Share Option Incentive Scheme. The adjustment method is as follows: $P = P_0 - V$ where: P_0 represents the exercise price before adjustment; V represents the dividend per share; and P represents the exercise price after adjustment. On 29 April 2022, since the Company had implemented the 2019 and 2020 profit distribution plans, the exercise price under the A Share Option Incentive Scheme was adjusted from RMB2.52 per share to RMB2.419 per share. On 22 May 2023, as a result of the implementation of the 2021 profit distribution plan of the Company, the exercise price under the A Share Option Incentive Scheme was adjusted from RMB2.419 per share to RMB2.193 per share in accordance with the aforesaid rules.

Management Discussion and Analysis

For details of the basis for determining the exercise price and the method and procedure of adjustment, please refer to the Company's circular dated 17 February 2020.

Further details of the A Share Option Incentive Scheme were set out in note 15 to the consolidated financial statements of this report.

AUDIT COMMITTEE

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

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

CORPORATE GOVERNANCE CODE

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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



Report on Review of Condensed Consolidated Interim Financial Statements



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

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

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

中遠海運發展股份有限公司

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

INTRODUCTION

We have reviewed the condensed consolidated interim financial statements of COSCO SHIPPING Development Co., Ltd. (the "Company") and its subsidiaries set out on pages 33 to 60, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes.

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of these condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

CONCLUSION

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

SHINEWING (HK) CPA Limited

Certified Public Accountants

Chan Wing Kit

Practising Certificate Number: P03224

Hong Kong

30 August 2023



Condensed Consolidated Statement of Profit or Loss

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

Condensed Consolidated Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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



Condensed Consolidated Statement of Financial Position

AS AT 30 JUNE 2023

| | Notes | 30 June 2023 <i>RMB'000</i> (Unaudited) | 31 December 2022 <i>RMB'000</i> (Audited) (Restated) |
|---|-------|--|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 11 | 46,198,562 | 43,162,536 |
| Investment properties | | 107,094 | 103,529 |
| Right-of-use assets | | 675,518 | 613,206 |
| Intangible assets | | 115,554 | 116,877 |
| Investments in joint ventures | | 98,606 | 93,813 |
| Investments in associates | | 24,977,524 | 24,407,843 |
| Financial assets at fair value through profit or loss | | 2,651,950 | 2,852,534 |
| Finance lease receivables | 12 | 29,430,342 | 31,111,935 |
| Factoring receivables | | – | 16,180 |
| Derivative financial instruments | | 43,055 | 45,553 |
| Deferred tax assets | | 119,956 | 116,142 |
| Other long-term prepayments | | 424,960 | 616,489 |
| Total non-current assets | | 104,843,121 | 103,256,637 |
| CURRENT ASSETS | | | |
| Inventories | | 3,161,265 | 4,049,879 |
| Trade and notes receivables | 13 | 810,138 | 556,145 |
| Prepayments and other receivables | | 675,765 | 527,972 |
| Financial assets at fair value through profit or loss | | 619,742 | 639,606 |
| Finance lease receivables | 12 | 2,962,803 | 3,170,009 |
| Factoring receivables | | 47,114 | 329,380 |
| Restricted and pledged deposits | | 165,206 | 120,443 |
| Cash and cash equivalents | | 8,085,717 | 15,440,560 |
| Total current assets | | 16,527,750 | 24,833,994 |
| Total assets | | 121,370,871 | 128,090,631 |

Condensed Consolidated Statement of Financial Position (continued)

AS AT 30 JUNE 2023

| | Notes | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) (Restated) |
|--|-------|--|--|
| CURRENT LIABILITIES | | | |
| Trade and notes payables | 14 | 2,192,679 | 2,479,634 |
| Other payables and accruals | | 3,746,088 | 2,968,317 |
| Contract liabilities | | 1,333,716 | 304,062 |
| Derivative financial instruments | | 35,130 | – |
| Bank and other borrowings | 16 | 24,036,061 | 35,925,365 |
| Lease liabilities | | 49,168 | 39,089 |
| Tax payable | | 282,275 | 303,090 |
| Total current liabilities | | 31,675,117 | 42,019,557 |
| NET CURRENT LIABILITIES | | (15,147,367) | (17,185,563) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 89,695,754 | 86,071,074 |
| NON-CURRENT LIABILITIES | | | |
| Bank and other borrowings | 16 | 51,887,368 | 48,519,715 |
| Corporate bonds | | 8,000,000 | 8,000,000 |
| Lease liabilities | | 101,647 | 36,369 |
| Deferred tax liabilities | | 18,311 | 6,001 |
| Government grants | | 68,684 | 63,710 |
| Other long-term payables | | 607,766 | 552,652 |
| Total non-current liabilities | | 60,683,776 | 57,178,447 |
| Net assets | | 29,011,978 | 28,892,627 |



Condensed Consolidated Statement of Financial Position (continued)

AS AT 30 JUNE 2023

| | 30 June 2023 <i>RMB'000</i> (Unaudited) | 31 December 2022 <i>RMB'000</i> (Audited) (Restated) |
|---------------------|---|---|
| EQUITY | | |
| Share capital | 13,575,939 | 13,586,477 |
| Treasury shares | (84,206) | (173,155) |
| Other reserves | 15,520,245 | 15,479,305 |
| Total equity | 29,011,978 | 28,892,627 |

Liu Chong

Director

Zhang Mingwen

Director

Condensed Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2023

| | Notes | Share capital RMB'000 | Share premium RMB'000 | Treasury shares RMB'000 | Share option reserve RMB'000 | Other capital reserves RMB'000 | Share of other comprehensive income using the equity method RMB'000 | Hedging reserve RMB'000 | Exchange fluctuation reserve RMB'000 | Special reserves RMB'000 | Surplus reserve (a) RMB'000 | Retained profits RMB'000 | Total equity RMB'000 |
|---|-------|--------------------------|--------------------------|----------------------------|---------------------------------|-----------------------------------|--|----------------------------|---|-----------------------------|--------------------------------|-----------------------------|-------------------------|
| At 1 January 2023 (as originally and audited) | | 13,586,477 | 20,050,063 | (173,155) | 17,425 | (21,576,719) | (302,525) | 43,552 | (2,145,713) | - | 2,173,089 | 17,223,273 | 28,894,307 |
| Effect of change in accounting policies | | - | - | - | - | - | - | - | - | - | - | (1,680) | (1,680) |
| At 1 January 2023 (as restated) | | 13,586,477 | 20,050,063 | (173,155) | 17,425 | (21,576,719) | (302,525) | 43,552 | (2,145,713) | - | 2,173,089 | 17,221,593 | 28,892,627 |
| Profit for the period | | - | - | - | - | - | - | - | - | - | - | 1,103,339 | 1,103,339 |
| Other comprehensive income (expense) for the period: | | | | | | | | | | | | | |
| Share of other comprehensive income of associates | | - | - | - | - | - | 69,013 | - | - | - | - | - | 69,013 |
| Share of other comprehensive income of joint ventures | | - | - | - | - | - | 1,272 | - | - | - | - | - | 1,272 |
| Effective portion of cash flow hedges | | - | - | - | - | - | - | (37,628) | - | - | - | - | (37,628) |
| Exchange differences on translation of foreign operations | | - | - | - | - | - | - | - | 329,799 | - | - | - | 329,799 |
| Total comprehensive income (expense) for the period | | - | - | - | - | - | 70,285 | (37,628) | 329,799 | - | - | 1,103,339 | 1,465,795 |
| Cancellation of shares | | (13,177) | (25,453) | 38,630 | - | - | - | - | - | - | - | - | - |
| Exercise of share options | 15 | 2,639 | (4,349) | 50,319 | (5,179) | - | - | - | - | - | - | - | 43,430 |
| Equity-settled share option arrangements | 15 | - | - | - | 345 | - | - | - | - | - | - | - | 345 |
| Share of other capital reserves using the equity method | | - | - | - | - | 7 | - | - | - | - | - | - | 7 |
| Dilution of partial interests in an associate | | - | - | - | - | (211,618) | - | - | - | - | - | - | (211,618) |
| Dividends declared | 10 | - | - | - | - | - | - | - | - | - | - | (1,178,608) | (1,178,608) |
| Transfer from retained profits | | - | - | - | - | - | - | - | - | 16,972 | - | (16,972) | - |
| Utilisation of special reserves | | - | - | - | - | - | - | - | - | (16,972) | - | 16,972 | - |
| At 30 June 2023 (unaudited) | | 13,575,939 | 20,020,261 | (84,206) | 12,591 | (21,790,330) | (232,240) | 5,924 | (1,815,374) | - | 2,173,089 | 17,446,324 | 29,011,978 |



Condensed Consolidated Statement of Changes in Equity (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

| | Share capital | Share premium | Treasury shares | Other equity instruments | Share option reserve | Other capital reserves | Share of other comprehensive income using the equity method | Hedging reserve | Exchange fluctuation reserve | Special reserves | Surplus reserve (a) | Retained profits | Total equity |
|--|---------------|---------------|-----------------|--------------------------|----------------------|------------------------|---|-----------------|------------------------------|------------------|---------------------|------------------|--------------|
| Notes | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2022 (as originally stated and audited) | 13,586,477 | 20,054,374 | (239,428) | 5,000,000 | 12,778 | (21,447,846) | (198,013) | (6,159) | (2,598,706) | - | 1,951,184 | 16,568,236 | 32,888,897 |
| Effect of change in accounting policies | - | - | - | - | - | - | - | - | - | - | - | (2,379) | (2,379) |
| At 1 January 2022 (as restated) | 13,586,477 | 20,054,374 | (239,428) | 5,000,000 | 12,778 | (21,447,846) | (198,013) | (6,159) | (2,598,706) | - | 1,951,184 | 16,565,857 | 32,886,518 |
| Profit for the period | - | - | - | - | - | - | - | - | - | - | - | 2,695,360 | 2,695,360 |
| Other comprehensive income (expense) for the period: | | | | | | | | | | | | | |
| Share of other comprehensive expense of associates | - | - | - | - | - | (36,947) | - | - | - | - | - | - | (36,947) |
| Share of other comprehensive expense of joint ventures | - | - | - | - | - | (385) | - | - | - | - | - | - | (385) |
| Effective portion of cash flow hedges | - | - | - | - | - | - | - | 71,312 | - | - | - | - | 71,312 |
| Exchange differences on translation of foreign operations | - | - | - | - | - | - | - | - | 356,778 | - | - | - | 356,778 |
| Total comprehensive (expense) income for the period | - | - | - | - | - | - | (37,332) | 71,312 | 356,778 | - | - | 2,695,360 | 3,086,118 |
| Exercise of share options | - | (4,312) | 60,273 | - | (6,225) | - | - | - | - | - | - | - | 49,736 |
| Equity-settled share option arrangements | - | - | - | - | 3,324 | - | - | - | - | - | - | - | 3,324 |
| Repayment of other equity instruments | - | - | - | (5,000,000) | - | - | - | - | - | - | - | - | (5,000,000) |
| Share of other capital reserves using the equity method | - | - | - | - | - | 111 | - | - | - | - | - | - | 111 |
| Share of other capital reserves using the equity method reclassified to profit or loss upon disposal | - | - | - | - | - | (19,039) | - | - | - | - | - | - | (19,039) |
| Dividends declared | - | - | - | - | - | - | - | - | - | - | (3,057,195) | (3,057,195) | (3,057,195) |
| Transfer from retained profits | - | - | - | - | - | - | - | - | - | 21,002 | - | (21,002) | - |
| Utilisation of special reserves | - | - | - | - | - | - | - | - | (16,388) | - | - | 16,388 | - |
| At 30 June 2022 (unaudited) | 13,586,477 | 20,050,062 | (173,155) | - | 9,877 | (21,466,774) | (235,345) | 65,153 | (2,241,928) | 4,614 | 1,951,184 | 16,199,408 | 27,749,573 |

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

Condensed Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2023

| | FOR THE SIX MONTHS ENDED | |
|---|--------------------------|-------------|
| | 30 JUNE | |
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash generated from operations | 3,646,150 | 5,486,120 |
| Income tax paid | (158,797) | (738,340) |
| Net cash flows generated from operating activities | 3,487,353 | 4,747,780 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Dividends received from associates | 213,402 | 275,115 |
| Dividends received from financial assets at fair value through profit or loss | 1,118 | 1,178 |
| Purchase of property, plant and equipment | (2,184,743) | (1,997,081) |
| Proceeds from disposal of property, plant and equipment | 37,596 | 24,676 |
| Purchase of intangible assets | (8,813) | (1,163) |
| Proceeds from disposal of investment in an associate | – | 456,445 |
| Capital contribution to a joint venture | (3,000) | – |
| Purchase of financial assets at fair value through profit or loss | (20) | (142,206) |
| Proceeds from disposal of financial assets at fair value through profit or loss | 479,728 | 1,124,928 |
| Decrease/(increase) in finance lease receivables | 2,948,487 | (302,267) |
| Decrease in factoring receivables | 290,432 | 605,824 |
| Other net cash outflows related to investing activities | (50,186) | (29,751) |
| Net cash flows generated from investing activities | 1,724,001 | 15,698 |



Condensed Consolidated Statement of Cash Flows (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

| | FOR THE SIX MONTHS ENDED 30 JUNE | |
|---|-------------------------------------|--------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of other equity instruments | – | (5,000,000) |
| New bank and other borrowings | 21,718,644 | 17,017,905 |
| Repayment of bank and other borrowings | (32,313,991) | (27,007,126) |
| New corporate bonds | – | 9,000,000 |
| Repayment of corporate bonds | – | (2,000,000) |
| Payment of principal portion of lease liabilities | (23,289) | (21,005) |
| Interest paid | (2,081,359) | (990,042) |
| Proceeds from exercise of share options | 43,430 | 49,736 |
| Dividends paid to holders of the other equity instruments | – | (226,438) |
| (Increase)/decrease in restricted and pledged deposits | (343) | 14,852 |
| Other net cash outflows related to financing activities | (38,307) | (47,555) |
| Net cash flows used in financing activities | (12,695,215) | (9,209,673) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (7,483,861) | (4,446,195) |
| Cash and cash equivalents at beginning of period | 15,440,560 | 17,871,147 |
| Effect of foreign exchange rate changes, net | 129,018 | 711,995 |
| Cash and cash equivalents at end of period | 8,085,717 | 14,136,947 |

Notes to the Condensed Consolidated Interim Financial Statements

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. CORPORATE INFORMATION

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

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

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

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

2.1 BASIS OF PREPARATION

The condensed consolidated interim financial information of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The condensed consolidated interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022.

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

Going concern

The Group had net current liabilities of RMB15,147,367,000 as at 30 June 2023. The directors of the Company are of the opinion that based on the available unutilised banking facilities and unutilised quota for the issuance of corporate bonds as at 30 June 2023, the Group will have the necessary liquid funds to finance its working capital and to meet its capital expenditure requirements. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis.



Notes to the Condensed Consolidated Interim Financial Statements (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

Except as described below, the application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated interim financial statements.

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

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

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

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

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

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

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



Notes to the Condensed Consolidated Interim Financial Statements (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

3. OPERATING SEGMENT INFORMATION

The following table presents revenue and profit information for the Group's operating segments for the six months ended 30 June 2023 and 2022, respectively:

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

3. OPERATING SEGMENT INFORMATION (Continued)

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2023 and 31 December 2022, respectively:

| | 30 June 2023 | | | 31 December 2022 | | | |
|---|---|---|--|---|---|--|---|
| | Shipping and industry-related leasing RMB'000 (Unaudited) | Container manufacturing RMB'000 (Unaudited) | Investment management services RMB'000 (Unaudited) | Shipping and industry-related leasing RMB'000 (Audited) | Container manufacturing RMB'000 (Audited) | Investment management services RMB'000 (Audited) | Total RMB'000 (Audited) (Restated) |
| Segment assets | 82,951,070 | 10,713,477 | 31,530,724 | 77,172,709 | 14,996,083 | 39,485,109 | 131,653,901 |
| Elimination of intersegment assets | | | (3,824,400) | | | | (3,563,270) |
| Total assets | | | 121,370,871 | | | | 128,090,631 |
| Segment liabilities | 63,195,840 | 5,454,808 | 17,416,781 | 53,159,066 | 9,118,617 | 25,854,099 | 88,131,782 |
| Unallocated liabilities | | | 7,753,625 | | | | 12,303,734 |
| Elimination of intersegment liabilities | | | (1,462,161) | | | | (1,237,512) |
| Total liabilities | | | 92,358,893 | | | | 99,198,004 |



Notes to the Condensed Consolidated Interim Financial Statements (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

4. REVENUE

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

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

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

5. OTHER INCOME

| | For the six months ended 30 June | |
|-------------------|----------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Interest income | 75,435 | 46,223 |
| Government grants | 162,520 | 64,840 |
| Others | 11,336 | 35,575 |
| | 249,291 | 146,638 |

6. OTHER GAINS, NET

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

7. PROFIT BEFORE TAX

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

| | For the six months ended 30 June | |
|--|----------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Depreciation of property, plant and equipment | 1,165,417 | 1,060,690 |
| Depreciation of investment properties | 307 | 286 |
| Amortisation of intangible assets | 11,839 | 5,740 |
| Depreciation of right-of-use assets | 37,924 | 34,651 |
| Impairment of finance lease receivables and factoring receivables, net | 81,489 | 98,337 |
| Impairment of trade receivables | 8,470 | 57,894 |
| Reversal of impairment of other receivables | (870) | (4,988) |
| Net foreign exchange gains | (358,320) | (877,971) |



Notes to the Condensed Consolidated Interim Financial Statements (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

8. INCOME TAX EXPENSE

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

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

Pursuant to the PRC CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. For the Group, the applicable rate is 10%. Certain of the Group’s overseas subsidiaries are therefore liable for withholding taxes on dividends distributed by certain subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

The major components of income tax expense of the Group are as follows:

| | For the six months ended 30 June | |
|---------------------------|----------------------------------|--|
| | 2023 RMB’000 (Unaudited) | 2022 RMB’000 (Unaudited) (Restated) |
| Current income tax | | |
| – PRC | 113,057 | 648,378 |
| – Hong Kong | 4,650 | 12,617 |
| – elsewhere | 5,721 | 35,510 |
| Deferred income tax | 8,611 | (26,256) |
| Tax charge for the period | 132,039 | 670,249 |

Notes to the Condensed Consolidated Interim Financial Statements (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

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

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



Notes to the Condensed Consolidated Interim Financial Statements (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

10. DIVIDENDS

| | For the six months ended 30 June | |
|---|----------------------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Final declared – RMB0.087 (2022: RMB0.226) per ordinary share | 1,178,608 | 3,057,195 |

Final dividend of RMB0.087 per share in respect of the year ended 31 December 2022 was approved by shareholders at the annual general meeting held on 28 June 2023 and no amount was paid during the current interim period. The Board did not recommend the distribution of any interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired items of property, plant and equipment with a cost of RMB2,947,597,000 (six months ended 30 June 2022: RMB3,504,448,000). Depreciation for items of property, plant and equipment was RMB1,165,417,000 during the period (six months ended 30 June 2022: RMB1,060,690,000).

The Group disposed of items of property, plant and equipment with a carrying amount of RMB22,093,000 during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB630,386,000).

Notes to the Condensed Consolidated Interim Financial Statements (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

12. FINANCE LEASE RECEIVABLES

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

| | 30 June 2023 <i>RMB'000</i> (Unaudited) | 31 December 2022 <i>RMB'000</i> (Audited) |
|---|---|---|
| Within one year | 4,572,167 | 4,810,836 |
| After one year but within two years | 4,175,745 | 4,789,493 |
| After two years but within three years | 4,271,534 | 3,967,018 |
| After three years but within four years | 3,099,723 | 4,098,006 |
| After four years but within five years | 2,981,024 | 3,026,105 |
| After five years | 24,699,603 | 25,490,921 |
| Total minimum finance lease receivables | 43,799,796 | 46,182,379 |
| Unearned finance income | (10,102,445) | (10,737,559) |
| Total present value of minimum finance lease receivables | 33,697,351 | 35,444,820 |
| Impairment | (1,304,206) | (1,162,876) |
| Total net finance lease receivables | 32,393,145 | 34,281,944 |
| Current portion | (2,962,803) | (3,170,009) |
| Non-current portion | 29,430,342 | 31,111,935 |

| | 30 June 2023 <i>RMB'000</i> (Unaudited) | 31 December 2022 <i>RMB'000</i> (Audited) |
|---|---|---|
| Within one year | 3,078,827 | 3,206,471 |
| After one year but within two years | 2,845,710 | 3,369,812 |
| After two years but within three years | 3,095,267 | 2,711,726 |
| After three years but within four years | 2,070,051 | 3,011,449 |
| After four years but within five years | 2,047,307 | 2,087,461 |
| After five years | 20,560,189 | 21,057,901 |
| Total present value of minimum finance lease receivables | 33,697,351 | 35,444,820 |



Notes to the Condensed Consolidated Interim Financial Statements (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

13. TRADE AND NOTES RECEIVABLES

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

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

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

14. TRADE AND NOTES PAYABLES

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

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

15. SHARE OPTION SCHEME

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

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

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

The following share options were outstanding during the period:

| | 2023 Number of share options ’000 | 2022 Number of share options ’000 |
|------------------------------------|--|--|
| At 1 January | 57,121 | 87,068 |
| Lapsed during the period | (7,868) | (9,387) |
| Exercised during the period | (19,804) | (20,560) |
| At 30 June 2023 / 31 December 2022 | 29,449 | 57,121 |

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

| Exercise period: | Exercise price (notes i & iii) RMB per share | 30 June 2023 Number of share options ’000 |
|-------------------------------|---|--|
| 1 April 2023 to 30 March 2024 | 2.193 | 3,271 |
| 1 April 2024 to 30 March 2027 | 2.193 | 20,435 |
| 7 May 2023 to 6 May 2024 | 2.193 | 155 |
| 7 May 2024 to 6 May 2025 | 2.193 | 2,794 |
| 7 May 2025 to 6 May 2028 | 2.193 | 2,794 |
| | | 29,449 |



Notes to the Condensed Consolidated Interim Financial Statements (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

15. SHARE OPTION SCHEME (Continued)

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

| Exercise period: | 31 December 2022 | |
|-------------------------------|---|------------------------------|
| | Exercise price (notes i & ii) RMB per share | Number of options '000 |
| 1 April 2022 to 30 March 2023 | 2.419 | 2,384 |
| 1 April 2023 to 30 March 2024 | 2.419 | 22,945 |
| 1 April 2024 to 30 March 2027 | 2.419 | 22,945 |
| 7 May 2023 to 6 May 2024 | 2.419 | 2,949 |
| 7 May 2024 to 6 May 2025 | 2.419 | 2,949 |
| 7 May 2025 to 6 May 2028 | 2.419 | 2,949 |
| | | 57,121 |

Notes:

- i. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- ii. A board resolution was passed on 29 April 2022, the exercise price was adjusted from RMB2.52 to RMB2.419 per share as a result of implementation of 2019 and 2020 profit distribution plans of the Company, pursuant to the share option incentive scheme.
- iii. A board resolution was passed on 22 May 2023, the exercise price was further adjusted from RMB2.419 to RMB2.193 per share as a result of implementation of 2021 profit distribution plan of the Company, pursuant to the share option incentive scheme.

The Group recognised a share option expense of RMB345,000 (six months ended 30 June 2022: RMB3,324,000) during the six months ended 30 June 2023.

No share options were granted during the six months ended 30 June 2023 and 30 June 2022.

The share option holders exercised the first batch of stock options granted on 30 March 2020 at an exercise price of RMB2.193. A total of approximately 17,165,000 options were exercised, and the total proceeds from exercise of share options for the current period was RMB37,643,000. In respect of the share options exercised during the six months ended 30 June 2023, the weighted average share price at the dates of exercise is RMB2.54. The exercise of share options has resulted in a decrease in reserves of treasury shares, share premium and share option reserve of RMB50,319,000 (six months ended 30 June 2022: RMB60,273,000), RMB7,497,000 (six months ended 30 June 2022: RMB4,312,000) and RMB5,179,000 (six months ended 30 June 2022: RMB6,225,000), respectively.

The share option holders exercised the second batch of stock options granted on 6 May 2021 at an exercise price of RMB2.193. A total of approximately 2,639,000 options were exercised, and the total proceeds from exercise of share options for the current period was RMB5,787,000. In respect of the share options exercised during the six months ended 30 June 2023, the weighted average share price at the dates of exercise is RMB2.54. The exercise of share options has resulted in an increase in share capital and share premium of RMB2,639,000 (six months ended 30 June 2022: Nil) and RMB3,148,000 (six months ended 30 June 2022: Nil), respectively.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

16. BANK AND OTHER BORROWINGS

| | 30 June 2023 <i>RMB'000</i> (Unaudited) | 31 December 2022 <i>RMB'000</i> (Audited) |
|---|---|---|
| Current | | |
| Bank loans – secured | 2,744,816 | 3,681,349 |
| Bank loans – unsecured | 19,988,022 | 29,240,320 |
| Borrowings from related parties – unsecured | 1,303,223 | 3,003,696 |
| | 24,036,061 | 35,925,365 |
| Non-current | | |
| Bank loans – secured | 19,950,548 | 18,031,636 |
| Bank loans – unsecured | 26,023,908 | 24,598,360 |
| Borrowings from related parties – unsecured | 5,912,912 | 5,889,719 |
| | 51,887,368 | 48,519,715 |
| | 75,923,429 | 84,445,080 |

As at 30 June 2023 and 31 December 2022, the Group's secured bank loans disclosed above are secured by the Group's certain property, plant and equipment, finance lease receivables, and restricted and pledged deposits.

17. COMMITMENTS

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

| | 30 June 2023 <i>RMB'000</i> (Unaudited) | 31 December 2022 <i>RMB'000</i> (Audited) |
|--|---|---|
| Contracted, but not provided for: | | |
| Property, plant and equipment | 34,800 | 471,600 |
| Interests in an associate and joint ventures | 67,113 | 64,972 |
| | 101,913 | 536,572 |



Notes to the Condensed Consolidated Interim Financial Statements (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

18. SIGNIFICANT RELATED PARTY TRANSACTIONS

| | For the six months ended 30 June | |
|---|----------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Interest income from: | | |
| An associate | 53,075 | 37,855 |
| A fellow subsidiary | 1,087 | 1,219 |
| Interest expenses to: | | |
| An associate | 167,661 | 178,996 |
| Sales of goods to: | | |
| Fellow subsidiaries | 43,305 | 301,896 |
| Purchase of goods from: | | |
| Fellow subsidiaries | 55,020 | 193,548 |
| Purchase of property, plant and equipment from: | | |
| Fellow subsidiaries | 380,734 | 251,679 |
| Rendering of services to fellow subsidiaries: | | |
| Vessel chartering and container leasing | 959,646 | 1,409,046 |
| Management fee income | 9,434 | 10,000 |
| Others | 3,732 | 7,361 |
| Receiving of services from: | | |
| Fellow subsidiaries | 234,489 | 367,436 |

The related party transactions above were made according to the published prices or interest rates and conditions similar to those offered to the respective major customers.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those measured at fair value or with carrying amounts that reasonably approximate to fair values, are as follows:

| | Carrying amounts | | Fair values | |
|---------------------------|--|--|--|--|
| | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) |
| Bank and other borrowings | 51,887,368 | 48,519,715 | 51,512,415 | 47,331,888 |
| Corporate bonds | 8,000,000 | 8,000,000 | 8,169,105 | 7,991,682 |
| Other long-term payables | 607,766 | 552,652 | 530,295 | 452,574 |
| | 60,495,134 | 57,072,367 | | |

Management has assessed that the fair values of cash and cash equivalents, restricted and pledged deposits, trade and notes receivables, financial assets included in other receivables, the current portion of finance lease receivables, the current portion of factoring receivables, trade and notes payables, financial liabilities included in other payables and accruals and the current portion of bank and other borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The non-current portion of finance lease receivables and the non-current portion of factoring receivables of the Group approximate to their fair values because their carrying amounts are present value and the internal rates of return are close to rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair value of the non-current portion of bank and other borrowings, corporate bonds and other long-term payables has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.



Notes to the Condensed Consolidated Interim Financial Statements (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Financial assets measured at fair value

30 June 2023

| | Fair value measurement categorised into | | Total RMB'000 (Unaudited) |
|---|--|-----------------------------------|---------------------------------|
| | Level 1 RMB'000 (Unaudited) | Level 2 RMB'000 (Unaudited) | |
| Derivative financial instruments | – | 43,055 | 43,055 |
| Financial assets at fair value through profit or loss | 1,041,667 | 2,230,025 | 3,271,692 |
| | 1,041,667 | 2,273,080 | 3,314,747 |

31 December 2022

| | Fair value measurement categorised into | | Total RMB'000 (Audited) |
|---|--|---------------------------------|-------------------------------|
| | Level 1 RMB'000 (Audited) | Level 2 RMB'000 (Audited) | |
| Derivative financial instruments | – | 45,553 | 45,553 |
| Financial assets at fair value through profit or loss | 1,365,146 | 2,126,994 | 3,492,140 |
| | 1,365,146 | 2,172,547 | 3,537,693 |

For all the financial assets with fair value measurement categorised into Level 2, the Group estimates their fair values using the market approach. For investments in private funds, the fair values are calculated in accordance with net asset value prepared by the fund manager. For the other investments, if there is a recent deal regarding these investments, the fair values are estimated based on the deal price. If there is no such deal to be referenced, the directors of the Company will determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple for each comparable company identified. These valuation techniques maximise the use observable market data where it is available and rely as little as possible on entity-specific estimate. The directors of the Company believe that the estimated fair values resulting from the valuation technique, which are recorded in the interim condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

Fair value hierarchy (Continued)

Financial liabilities measured at fair value

30 June 2023

| | Fair value measurement categorised into | |
|----------------------------------|---|---------------------------------|
| | Level 2 RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
| Derivative financial instruments | 35,130 | 35,130 |

31 December 2022

| | Fair value measurement categorised into | |
|----------------------------------|---|-------------------------------|
| | Level 2 RMB'000 (Audited) | Total RMB'000 (Audited) |
| Derivative financial instruments | – | – |

20. EVENT AFTER THE REPORTING PERIOD

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

21. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 30 August 2023.