



中遠海運發展股份有限公司

COSCO SHIPPING Development Co.,Ltd.

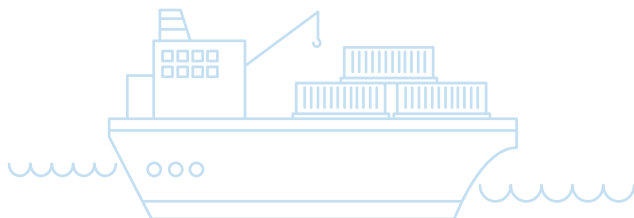
(A joint stock limited company incorporated in the People's Republic of China with limited liability)

Stock Code: 2866

INTERIM REPORT 2021



SHIPPING FINANCIAL SERVICE PLATFORM





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CORPORATE INFORMATION

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Wang Daxiong (*Chairman*)
Mr. Liu Chong
Mr. Xu Hui

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cai Hongping
Mr. Lu Jianzhong
Ms. Zhang Weihua
Mr. Shao Ruiqing

SUPERVISORS

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

EXECUTIVE COMMITTEE

Mr. Wang Daxiong (*Chairman*)
Mr. Liu Chong
Mr. Xu Hui

INVESTMENT STRATEGY COMMITTEE

Mr. Wang Daxiong (*Chairman*)
Mr. Liu Chong
Mr. Huang Jian
Mr. Liang Yanfeng
Mr. Ip Sing Chi
Mr. Cai Hongping
Mr. Shao Ruiqing

RISK CONTROL COMMITTEE

Ms. Zhang Weihua (*Chairman*)
Mr. Cai Hongping
Mr. Lu Jianzhong

AUDIT COMMITTEE

Mr. Lu Jianzhong (*Chairman*)
Mr. Cai Hongping
Mr. Huang Jian

REMUNERATION COMMITTEE

Mr. Cai Hongping (*Chairman*)
Ms. Zhang Weihua
Mr. Shao Ruiqing

NOMINATION COMMITTEE

Mr. Shao Ruiqing (*Chairman*)
Mr. Wang Daxiong
Mr. Cai Hongping

CHIEF ACCOUNTANT

Mr. Lin Feng

JOINT COMPANY SECRETARIES

Mr. Cai Lei
Ms. Ng Sau Mei

AUTHORISED REPRESENTATIVES

Mr. Wang Daxiong
Mr. Cai Lei

LEGAL ADDRESS IN THE PRC

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The PRC

PRINCIPAL PLACE OF BUSINESS IN THE PRC

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The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

INTERNATIONAL AUDITOR

Ernst & Young

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

7,932,125,000 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 RMB12,919,177,000
- Profit attributable to owners of the parent for the six months ended 30 June 2021 (or the “**Period**”) amounted to RMB2,420,306,000
- Basic earnings per share amounted to RMB0.1980

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING ENVIRONMENT

In the first half of 2021, the global economy gradually recovered, and areas such as international trade, investment and manufacturing saw accelerated recovery, with global container shipping trade recording a strong rebound. However, there were significant differences in the economic recovery of various regions and divergence in global monetary policies.

In the second half of 2021, growth recovery will remain to be the general trend. With widespread vaccination, the global pandemic has been easing gradually and the global market is expected to continue to recover. Having made several upgrades to economic growth projections, the International Monetary Fund expects a 6% growth for the year. According to the forecasts of Alphaliner, a shipping consultancy, a growth rate of 5.8% in demand for containers is anticipated for the year. The shipping market is seeking a new balance amid continued supply chain disruptions, and the container market continues to be buoyant. However, factors such as the global pandemic dynamics, new developments in globalism and reshaping of the demand landscape of the shipping market will bring uncertainties to the market.

DEVELOPMENT STRATEGY OF THE COMPANY

1. STRATEGIC POSITION

COSCO SHIPPING Development will integrate shipping logistics-related resources including cargo source, capital, information and equipment, and fully leverage its advantages in the shipping industry to serve and empower the shipping logistics industry, expand the capital flow value of the shipping logistics ecosystem, and develop into a world-class financial operator in the 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 and shipping supply chain finance services as auxiliary business, with a view to pursuing industry-finance integrated development underpinned by investment. Leveraging the advantage of its container industry chain, the Company will explore container-based Fintech integrating the flow of goods, capital and information and provide “one-stop” supply chain finance services covering logistics, financing and risk management, in an effort to empower its shipping logistics ecosystem, enhance the loyalty of industry chain customers and create value for customers. With market-oriented approaches, professional strengths and an international vision, the Company aspires to grow into an excellent financial operator in the industry with COSCO SHIPPING characteristics.

3. DEVELOPMENT PLANS

(1) Shipping and Industry-related Leasing Business

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 enhance its current business model of industry-finance integration for the fleet and build a leading management platform for shipping equipment leasing within the Group. In the long run, it will gradually increase the proportion of external business, explore green zero-carbon vessel leasing and work out a “one-stop” business model leveraging COSCO SHIPPING’s advantages of full industry chain deployment, in an attempt to establish a unique competitive edge in the industry.

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 (“**Florens International**”). In the short term, the Company will follow the guideline of “consolidating core businesses while seizing market opportunities”, strengthen the development on special container and reefer container business, study smart container leasing and power container leasing, improve the coordination between “leasing and manufacturing” and between “leasing and shipping”, promote the dual model of lease and sale, leverage the cyclical supply of and demand for containers to tap profits externally and generate synergy internally. In the long term, the Company will strive to seize market opportunities, actively enhance asset quality, prepare for seizing consolidation opportunities in the industry, optimize its contract portfolios and improve its capital structure so as to enhance the rate of return.

(2) Container Manufacturing Business

In respect of container manufacturing, the Company will focus on industry collaboration, intelligent manufacturing and diversified development, guarantee the container supply security of the principal shipping business, and coordinate with the shipping finance business of the industry-finance platform while creating value for the industry, in a drive to achieve high-quality development of the container manufacturing segment. The Company will enhance the integrated management of entrusted assets and improve quality and efficiency, prepare for assets consolidation, 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 power 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 and high capacity efficiency and profitability.

(3) Supply Chain Finance Services

The Company will focus on the shipping logistics supply chain finance ecosystem to develop industry-finance integration and capital operation, accelerate the construction of risk control data model for medium and small enterprises, seize opportunities to expand the market share of international commercial factoring business, consolidate resources to build the most professional platform for shipping insurance in the country, effectively tap into the advantages of integrated services (comprising leasing, factoring, small loans, insurance and industry funds), focus on customers in the shipping logistics industry, provide “one-stop” supply chain finance services covering logistics, finance and risk management to boost industry stickiness, improve bargaining power, and enhance the value of cargo source. We will actively explore container financial technology to develop and improve the “one-stop” supply chain financial services platform based on block chain technology and achieve the empowerment of finance through technology and form a financial and technological closed loop along the upstream and downstream industry chain of the Company. Based on cargo transportation information from logistics and transport, we will explore synergistic marketing and mutual channelling to boost risk control and customer expansion capabilities, enhance supply chain management and expedite capital turnover of core enterprises.

(4) Investment Management

We will give equal weight to strategic value and financial returns, adhere to the principal business of shipping logistics, aim at integration of industry and finance through investment measures, continuously focus on investment areas, enhance investment portfolios, strengthen asset operation, gradually exit non-core financial investments strategically, reduce the risks from portfolio volatility and increase investment gains to smooth out the shipping business cycle. The Company will maintain its investment focus and make full use of capital to attract and integrate high-quality assets, intellectual property and resources based on the application scenarios of shipping, port and logistics industries, and provide intelligence and capital channelling services for the digital, intelligent and carbon-neutral development of the shipping logistics industry, in an effort to boost industry upgrade.

FINANCIAL REVIEW OF THE GROUP

The Group recorded revenue of RMB12,919,177,000 for the Period, representing an increase of 201.7% as compared with the restated revenue of RMB4,282,415,000 for the same period of last year; profit before tax from continuing operations amounted to RMB2,900,064,000, representing an increase of 509.1% as compared with the restated profit of RMB476,092,000 for the same period of last year; profit attributable to owners of the parent for the Period amounted to RMB2,420,306,000, representing an increase of 183.1% as compared with the profit of RMB855,018,000 for the same period of last year.

Analysis of segment results is as follows:

Unit: RMB'000

Segment	Revenue		Change	Cost		Change
	For the six months ended 30 June 2021	For the six months ended 30 June 2020 (Restated)		For the six months ended 30 June 2021	For the six months ended 30 June 2020 (Restated)	
Shipping and industry-related leasing business	2,752,687	2,151,648	27.9%	1,543,201	1,375,951	12.2%
Container manufacturing business	10,706,056	2,426,441	341.2%	9,034,250	2,192,318	312.1%
Investment and service business	100,429	101,861	(1.4%)	24,196	24,666	(1.9%)
Other business	–	–	–	–	4,413	(100.0%)
Offset amount	(639,995)	(397,535)	61.0%	(532,284)	(377,737)	40.9%
Total	12,919,177	4,282,415	201.7%	10,069,363	3,219,611	212.8%

1. ANALYSIS OF SHIPPING AND INDUSTRY-RELATED LEASING BUSINESS

1) Operating Revenue

The Group recorded revenue from the leasing business of RMB2,752,687,000 for the six months ended 30 June 2021, representing an increase of 27.9% as compared with the restated revenue of RMB2,151,648,000 for the same period of last year, which accounted for 21.3% of the total revenue of the Group. The increase was mainly due to the scale expansion of the Company's shipping and industry-related leasing business during the Period.

Revenue from the vessel leasing business amounted to RMB964,297,000, representing an increase of 180.2% as compared with the restated revenue of RMB344,195,000 for the same period of last year. Revenue from vessel operating leasing amounted to RMB243,558,000 while revenue from vessel finance leasing and other shipping finance leasing amounted to approximately RMB720,739,000. As at 30 June 2021, the Group leased out 95 vessels through finance leasing (as at 31 December 2020: 84 vessels through finance leasing).

Revenue from leasing, management and sale of containers amounted to RMB1,788,390,000, representing a decrease of 1.1% as compared with the restated revenue of RMB1,807,453,000 for the same period of last year. The decrease was mainly due to a surge in revenue from container leasing business recorded by Florens International following a strong rebound in demand for containers globally, coupled with a decrease in sales revenue from second-hand containers business, leading to steady revenue generated by the container leasing business in general during the Period.

2) Operating Costs

Operating costs of the leasing business mainly include the depreciation and maintenance costs of self-owned vessels, depreciation of self-owned containers, staff salaries, net carrying value of sale of containers returned upon expiry and financing costs of leased-in vessels and containers. Operating costs of the leasing business for the six months ended 30 June 2021 amounted to RMB1,543,201,000, representing an increase of 12.2% as compared with the restated costs of RMB1,375,951,000 for the same period of last year. Costs of vessel leasing increased by 213.7% from the restated costs of the same period of last year, mainly due to the completion of the bulk carriers and special vessels of Oriental Fleet during the Period, leading to an increase in operating costs; costs of container leasing decreased by 14.7% from the restated costs of the same period of last year, mainly due to the decrease in used containers available for sale of Florens International, leading to a corresponding decrease in cost of sales of second-hand containers.

2. ANALYSIS OF CONTAINER MANUFACTURING BUSINESS

1) Operating Revenue

For the six months ended 30 June 2021, the Group recorded operating revenue from the container manufacturing business of RMB10,706,056,000, representing an increase of 341.2% as compared with the restated revenue of RMB2,426,411,000 for the same period of last year, primarily attributable to the fact that container turnover rate in major ports in Europe and the USA reduced amid the COVID-19 pandemic, leading to a structural and regional shortage in available containers globally, while the complete industry chain, supply chain and recovered production capacity following rapid pandemic containment in China contributed to a robust growth in China's exports, growing demands in the container market and significant increase in container price index and global new container delivery volume. The Group's container sales amounted to 619,907 TEUs for the Period, representing an increase of 230.4% as compared with 187,636 TEUs for the same period of last year.

2) Operating Costs

Operating costs of the container manufacturing business mainly consist of raw material costs, employee compensation and depreciation expenses. The operating costs for the six months ended 30 June 2021 amounted to RMB9,034,250,000, representing an increase of 312.1% as compared with the restated costs of RMB2,192,318,000 for the same period of last year. Such increase was mainly due to the rising boom in the container manufacturing market, increase in container sales volume and a rise in raw material prices during the Period, the combined effects of which led to an increase in costs of raw materials and labor cost.

3. ANALYSIS OF INVESTMENT AND SERVICE BUSINESS

1) Operating Revenue

For the six months ended 30 June 2021, the Group recorded revenue from the financial service business of RMB100,429,000, representing a decrease of 1.4% as compared with the restated revenue of RMB101,861,000 for the same period of last year, which remained stable.

2) Operating Costs

Operating costs for the six months ended 30 June 2021 amounted to RMB24,196,000, representing a decrease of 1.9% as compared with the restated costs of RMB24,666,000 for the same period of last year.

3) Net Investment Income

For the six months ended 30 June 2021, the Group recorded net income from the investment business of RMB1,400,815,000, representing an increase of 63.7% as compared with the restated income of RMB855,892,000 for the same period of last year. The increase in income was mainly attributable to the increase in profit of associates and joint ventures in which the Group held investments and increase in value of equity interests held by the Group in unlisted entities.

GROSS PROFIT

Due to the above reasons, the Group recorded a gross profit of RMB2,849,814,000 for the six months ended 30 June 2021 (the restated gross profit for the same period of last year was RMB1,062,804,000).

SIGNIFICANT SECURITIES INVESTMENT

For the six months ended 30 June 2021, the Company's equity investments in associates and joint ventures generated a profit of RMB1,149,370,000, which was mainly attributable to the profits from China Everbright Bank Co., Ltd., China Bohai Bank Co., Ltd., COSCO SHIPPING Finance Company Limited and China International Marine Containers (Group) Co., Ltd. for the Period.

1. SHAREHOLDINGS IN OTHER LISTED COMPANIES

Stock code	Company name	Initial investment cost (RMB)	Shareholding at the beginning of the Period (%)	Shareholding at the end of the Period (%)	Book value at the end of the Period (RMB)	Gain during the Period (RMB)	Changes in other reserve during the Period (RMB)	Dividends received during the Period (RMB)	Accounting ledger	Sources of the shareholding
000039/02039	China International Marine Containers (Group) Co., Ltd.	1,964,084,000	4.69	4.66	2,090,844,000	192,988,000	(5,473,000)	46,899,000	Investment in associates	Purchase
601818	China Everbright Bank Co., Ltd.	3,398,255,000	1.34	1.34	4,689,937,000	268,574,000	-	152,040,000	Investment in associates	Purchase
600643	Shanghai AJ Group Co., Ltd.	25,452,000	0.22	0.22	24,674,000	(1,909,000)	-	-	Financial assets at fair value through profit or loss	Purchase
000617	CNPC Capital Company Limited	493,270,000	0.31	0.06	253,074,000	(240,194,000)	-	-	Financial assets at fair value through profit or loss	Purchase
600390	Minmetals Capital Co., Ltd.	996,139,000	3.17	3.17	853,428,000	(142,713,000)	-	-	Financial assets at fair value through profit or loss	Purchase
Total		6,878,331,000	/	/	7,911,957,000	75,887,000	(5,473,000)	198,939,000		

2. SHAREHOLDINGS IN FINANCIAL ENTERPRISES

Name of investee	Initial investment cost (RMB)	Shareholding at the beginning of the Period (%)	Shareholding at the end of the Period (%)	Book value at the end of the Period (RMB)	Gain during the Period (RMB)	Changes in other reserve during the Period (RMB)	Dividends received during the Period (RMB)	Accounting ledger	Sources of the shareholding
China Bohai Bank Co., Ltd.	5,749,379,000	11.12	11.12	9,618,513,000	541,979,000	13,643,000	167,902,000	Investment in associates	Purchase
Bank of Kunlun Co., Ltd.	1,077,153,000	3.74	3.74	1,409,004,000	61,719,000	320,000	16,153,000	Investment in associates	Purchase
Shanghai Life Insurance Co., Ltd	998,400,000	16	16	1,083,168,000	4,002,000	33,163,000	-	Investment in associates	Purchase
CIB Fund Management Co., Ltd	100,000,000	10	10	371,658,000	20,692,000	-	-	Investment in associates	Purchase
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd.	125,000,000	25	25	129,464,000	1,876,000	-	-	Investment in joint ventures	Purchase
Chinese Enterprise Elephant Financial Information Services Company Limited	20,000,000	12.5	12.5	22,142,000	375,000	-	1,000,000	Investment in associates	Purchase
Shanghai COSCO SHIPPING Microfinance Company Limited	90,000,000	45	45	94,294,000	1,477,000	-	-	Investment in associates	Purchase
COSCO SHIPPING Finance Company Limited	1,934,677,000	23.38	23.38	2,101,697,000	51,520,000	(718,000)	68,301,000	Investment in associates	Purchase
Total	10,094,609,000	/	/	14,829,940,000	683,640,000	46,408,000	253,356,000		

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

Name of investee	Exchange	Principal 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	Bank business
Minmetals Capital Co., Ltd.	Shanghai Stock Exchange	Integrated financial business
CIB Fund Management Co., Ltd.	/	Fund management business
Bank of Kunlun Co., Ltd.	/	Bank business
Shanghai Life Insurance Co., Ltd.	/	Insurance business
China Bohai Bank Co., Ltd.	/	Bank business
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd.	/	Leasing business
CNPC Capital Company Limited	Shenzhen Stock Exchange	Integrated financial business
Chinese Enterprise Elephant Financial Information Services Company Limited	/	Financial information service
Shanghai COSCO SHIPPING Microfinance Company Limited	/	Loan extending and other business
COSCO SHIPPING Finance Company Limited	/	Deposit absorbing, loan extending and other business

The stock market was volatile during the six months ended 30 June 2021. The Company expects the investment portfolio of the Group (including the above significant investments) will be subject to the fluctuations of interest rates, market factors and macroeconomic factors, etc. Moreover, the market value of individual shares will be affected by the financial results, development plans as well as prospects of the industries of the relevant companies. To mitigate the relevant risks, the Group will take appropriate measures in due course and adjust its investment strategies in response to market circumstances.

INCOME TAX

For the six months ended 30 June 2021, the corporate income tax (“CIT”) rate applicable to the Company and its subsidiaries in the PRC was 25%.

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

SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

For the six months ended 30 June 2021, the Group’s selling, administrative and general expenses amounted to RMB383,896,000, representing an increase of 28.2% as compared with the restated expenses for the same period of last year.

OTHER GAINS/(LOSSES)

For the six months ended 30 June 2021, other gains of the Group amounted to RMB145,675,000, representing an increase of approximately RMB262,869,000 as compared with the restated other losses of RMB117,194,000 for the same period of last year, mainly attributable to the rise in share prices of unlisted equity investments held by the Group and the increase in exchange loss as a result of depreciation of USD against RMB during the Period.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT FOR THE PERIOD

The profit attributable to owners of the parent of the Company for the six months ended 30 June 2021 was RMB2,420,306,000, representing an increase of 183.1% as compared with the profit of RMB855,018,000 for the same period of last year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

LIQUIDITY AND BORROWINGS

The Group's principal sources of liquidity are operating cash inflow and short-term bank borrowings. The Group's cash is mainly used for operating expenses, repayment of loans, procurement of containers, and the Group's financial leasing business. During the Period, the Group's net operating cash inflow was RMB3,902,747,000. As at 30 June 2021, the Group's cash and cash equivalents amounted to RMB10,728,528,000.

As at 30 June 2021, the Group's total bank and other borrowings amounted to RMB79,072,813,000, with RMB35,662,236,000 repayable within one year. The Group's long-term bank and other borrowings are mainly used for the procurement of vessels and containers, equity acquisitions and replenishment of liquidity.

As at 30 June 2021, the Group's RMB-denominated corporate bonds payables amounted to RMB7,300,000,000, which were used for the purchase of financial lease assets, repayment of loans and replenishment of liquidity.

The Group's RMB-denominated borrowings at fixed interest rates amounted to RMB17,976,071,000. USD-denominated borrowings at fixed interest rates amounted to USD1,228,762,000 (equivalent to approximately RMB7,937,928,000), RMB-denominated borrowings at floating interest rates amounted to RMB1,266,612,000, and USD-denominated borrowings at floating interest rates amounted to USD8,032,724,000 (equivalent to approximately RMB51,892,202,000). 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 working capital and capital expenditure can be funded by the internal cash flow of the Group or external financing. The Board will review the operating cash flow of the Group from time to time. It is the intention of the Group to maintain an appropriate composition of equity and debt to constantly achieve an effective capital structure.

NET CURRENT LIABILITIES

As at 30 June 2021, the Group's net current liabilities amounted to RMB24,040,336,000. Current assets mainly included inventories of RMB1,111,658,000, trade and notes receivables of RMB3,536,447,000, prepayments and other receivables of RMB1,626,198,000, the current portion of finance lease receivables of RMB3,801,588,000, cash and cash equivalents of RMB10,728,528,000, and restricted deposits of RMB115,831,000. Current liabilities mainly included trade payables of RMB4,604,766,000, other payables and accruals of RMB2,387,016,000, contract liabilities of RMB211,150,000, tax payable of RMB327,337,000, short-term bank borrowings of RMB20,566,617,000, current portion of long-term borrowings of RMB15,095,619,000, corporate bonds of RMB3,500,000,000, and current portion of lease liabilities of RMB45,112,000.

CASH FLOWS

For the six months ended 30 June 2021, the Group's net cash inflow generated from operating activities was RMB3,902,747,000, denominated principally in RMB and USD, representing an increase of RMB321,200,000 as compared with the net cash inflow generated from operating activities of RMB3,581,547,000 for the corresponding period of 2020. 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 2021 decreased by RMB1,318,273,000 as compared with that at the beginning of the Period, mainly because the net cash outflow generated from investing activities exceeded the net cash inflow generated from financing activities and operating activities.

The following table provides the information regarding the Group's cash flows for the six months ended 30 June 2021 and 30 June 2020:

Unit: RMB

	30 June 2021	30 June 2020
Net cash generated from operating activities	3,902,747,000	3,581,547,000
Net cash used in investing activities	(10,218,253,000)	(3,537,561,000)
Net cash generated from financing activities	5,037,951,000	1,923,201,000
Impact of exchange rate movement on cash	(40,718,000)	56,158,000

NET CASH GENERATED FROM OPERATING ACTIVITIES

For the six months ended 30 June 2021, the net cash inflow generated from operating activities was RMB3,902,747,000, representing an increase of RMB321,200,000 as compared with RMB3,581,547,000 of net inflow generated from operating activities for the same period of last year. The increase in the Group's net cash generated from operating activities was mainly due to normal operating activities.

NET CASH USED IN INVESTING ACTIVITIES

For the six months ended 30 June 2021, the net cash outflow used in investing activities was RMB10,218,253,000, representing an increase of RMB6,680,692,000 as compared with RMB3,537,561,000 of net outflow used in investing activities for the same period of last year. The increase in the Group's net cash used in investing activities was mainly due to the expanded scale of the finance lease business of the Group, acquisition of containers, machinery and equipment, vessels and other expenditures led to increased cash outflow during the six months ended 30 June 2021.

NET CASH GENERATED FROM FINANCING ACTIVITIES

For the six months ended 30 June 2021, the net cash inflow generated from financing activities was RMB5,037,951,000, representing an increase of RMB3,114,750,000 as compared with the net cash flow generated from financing activities of RMB1,923,201,000 for the same period of last year. For the six months ended 30 June 2021, the Group's bank and other borrowings amounted to RMB37,886,865,000, repayment of bank and other borrowings amounted to RMB28,994,120,000, and proceeds from new issuance of bonds amounted to RMB3,780,000,000.

AVERAGE TURNOVER DAYS OF TRADE AND NOTES RECEIVABLES

As at 30 June 2021, the Group's net amount of trade and notes receivables was RMB3,536,447,000, representing an increase of RMB1,090,683,000 as compared with that for the same period of last year, of which notes receivables decreased by RMB387,460,000 and trade receivables increased by RMB1,478,143,000, which was mainly due to the substantial increase in sales income of the container manufacturing segment.

GEARING RATIO

As at 30 June 2021, the Company's net gearing ratio (i.e. net debts over shareholders' equity) was 291%, which was lower than 402% as at 31 December 2020. The decrease in net gearing ratio was mainly due to an increase in shareholders' equity and a decrease in liabilities as at the end of the Period, leading to a lower net debt ratio.

FOREIGN EXCHANGE RISK

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 2021, the Group recorded an exchange loss of RMB131,722,000, 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 amounted to RMB59,213,000. The Group will continue to monitor the exchange rate fluctuation of RMB and major international settlement currencies, reduce the loss arising from exchange rate fluctuation, and take appropriate measures to mitigate the Group's foreign exchange risk when necessary.

CAPITAL EXPENDITURES

For the six months ended 30 June 2021, the Group's expenditures on the acquisition of containers, machinery and equipment and other expenditures amounted to RMB8,234,024,000, expenditures on the acquisition of finance lease assets amounted to RMB14,647,870,000.

CAPITAL COMMITMENTS

As at 30 June 2021, the Group had RMB2,836,692,000 in capital commitment to fixed assets which had been contracted but not provided for, and RMB425,779,000 in equity investment commitment.

PLEDGES

As at 30 June 2021, certain container vessels and containers with net carrying value of approximately RMB17,529,315,000 (31 December 2020: RMB25,232,185,000), finance lease receivables of RMB18,594,805,000 (31 December 2020: RMB24,367,438,000) and restricted deposits of RMB18,255,000 (31 December 2020: RMB279,603,000) of the Group were pledged for the grant of bank borrowings and issuance of corporate bonds.

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

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

As of 30 June 2021, the Company received the consideration of RMB1.8 billion for the aforementioned share transfer in full, COSCO SHIPPING Leasing completed amendments to its articles of association and reorganized its board of directors, and both parties acknowledged closing of transaction. As such, the Company derecognized the transfer of 35.22% equity interest in COSCO SHIPPING Leasing on 30 June 2021.

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

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

For further details, please refer to the announcement of the Company dated 10 December 2020 and the relevant overseas regulatory announcements.

On 27 January 2021, COSCO SHIPPING Development Co., Ltd. convened a Board meeting to review and approve the Proposal Regarding the Issuance of Shares by COSCO SHIPPING Development Co., Ltd. to Purchase Assets and Raise Ancillary Funds as well as Connected Transaction and other relevant resolutions. On 29 April 2021, the Company convened a Board meeting to review and approve the Report on the Issuance of Shares by COSCO SHIPPING Development Co., Ltd. to Purchase Assets and Raise Ancillary Funds as well as Connected Transaction (Draft) and other relevant resolutions. Pursuant to the disclosures on the draft of such transaction, the Company proposed to acquire 100% of the equity interest in Dong Fang International Container (Qidong) Co., Ltd., 100% of the equity interest in Dong Fang International Container (Qingdao) Co., Ltd., 100% of the equity interest in Dong Fang International Container (Ningbo) Co., Ltd. and 100% of the equity interest in Shanghai Universal Logistics Technology Co., Ltd. held by COSCO SHIPPING Investment through the issuance of shares, and proposed a non-public issuance of shares to not more than 35 (inclusive) qualified specific target subscribers, including an immediate controlling shareholder of the Company, China Shipping Group (“**China Shipping**”), to raise ancillary funds. The total amount of ancillary funds raised is not more than RMB1,464 million, of which RMB600 million will be subscribed by China Shipping. On 10 June 2021, the 2021 first extraordinary general meeting, the 2021 first A shares class meeting, and the 2021 first H shares class meeting considered and approved a series of resolutions including the Report on the Issuance of Shares by COSCO SHIPPING Development Co., Ltd. to Purchase Assets and Raise Ancillary Funds as well as Connected Transaction (Draft) and its summary. The transaction is subject to the approval from the relevant regulatory authority.

Please refer to the announcements of the Company dated 27 January 2021, 10 February 2021, 9 March 2021, 9 April 2021, 29 April 2021 and 21 May 2021 and the circular of the Company dated 24 May 2021 for more information.

Save as disclosed in this report, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures during the Period and there were no future plan for material investments or addition of capital assets approved by the Board as at the date of this report.

SUBSEQUENT EVENTS

There were no significant subsequent events for the Group after 30 June 2021.

CONTINGENT LIABILITIES

As at 30 June 2021, there were no significant contingent liabilities for the Group.

EMPLOYEES, TRAINING AND BENEFITS

As at 30 June 2021, the Group had 5,417 employees, and the total staff costs for the Period (including staff remuneration, welfare and social insurance) amounted to approximately RMB814,172,000 (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; (3) approved schemes, and other items in support of corporate strategies and corporate culture.

To support the Company's human resources management reform, talent development and training, the Company has reconstructed its employee training system to make it base 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 personal attributes.

The Company adopted the A share option incentive scheme (the "A Share Option Incentive Scheme") in 2020 to 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. For further details, please refer to (i) the announcements of the Company dated 16 December 2019, 22 January 2020, 5 March 2020, 30 March 2020 and 6 May 2021; (ii) the circular of the Company dated 17 February 2020; and (iii) the section headed "A Share Option Incentive Scheme" of this report.

DIVIDEND

The Board did not recommend the payment of any dividend for the six months ended 30 June 2021.

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

During the six months ended 30 June 2021, 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 2021, the share capital of the Company was as follows:

Types of shares	Number of issued shares	Percentage (%)
A shares	7,932,125,000	68.33
H shares	3,676,000,000	31.67
Total	11,608,125,000	100.00

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

As at 30 June 2021, the interests or short positions of the directors, 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) 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) were as follows:

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 (%)
Wang Daxiong	Director	A shares	Beneficial owner	1,500,000 (L) (Note 2)	0.02	0.01
		H shares	Other	834,677 (L) (Notes 3 and 4)	0.02	0.01
Liu Chong	Director	A shares	Beneficial owner	1,490,100 (L) (Note 2)	0.02	0.01
		H shares	Other	1,112,903 (L) (Notes 3 and 5)	0.03	0.01
Xu Hui	Director	A shares	Beneficial owner	1,490,100 (L) (Note 2)	0.02	0.01
		H shares	Other	945,968 (L) (Notes 3 and 6)	0.03	0.01

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 2021, 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. Wang Daxiong is one of the participants of the Asset Management Plan through which he holds approximately 12.10% of the total number of units of the Asset Management Plan as at 30 June 2021. Accordingly, the 834,677 H shares represent the interests derived from the units subscribed by Mr. Wang Daxiong in the Asset Management Plan as at 30 June 2021. As at 30 June 2021, Mr. Wang Daxiong does not hold any shares.

5. 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 at 30 June 2021. 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 at 30 June 2021. As at 30 June 2021, Mr. Liu Chong does not hold any shares.
6. Mr. Xu Hui is one of the participants of the Asset Management Plan through which he holds approximately 13.71% of the total number of units of the Asset Management Plan as at 30 June 2021. Accordingly, the 945,968 H shares represent the interests derived from the units subscribed by Mr. Xu Hui in the Asset Management Plan as at 30 June 2021. As at 30 June 2021, Mr. Xu Hui does not hold any shares.

Save as disclosed above, as at 30 June 2021, 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) are 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.

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

As at 30 June 2021, 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 are entitled to exercise or control 5% or more of the voting power at any general meeting of the Company or other persons (other than a director, supervisor 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 the interests or short positions which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO or the interests or short positions 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 ("China Shipping")	A shares	Beneficial owner	4,410,624,386 (L) (Note 2)	55.60	38.00
	H shares	Interest of controlled corporation	100,944,000 (L) (Note 3)	2.75	0.87
China COSCO SHIPPING Corporation Limited	A shares	Beneficial owner	47,570,789 (L)	0.60	0.41
	A shares	Interest of controlled corporation	4,410,624,386 (L) (Note 2)	55.60	38.00
	H shares	Interest of controlled corporation	100,944,000 (L) (Note 3)	2.75	0.87

Notes:

1. "L" means long position in the shares.
2. Such 4,410,624,386 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 2021, 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 would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or any interest or short positions recorded in the register kept by the Company pursuant to Section 336 of the SFO or any interest or short positions which have been notified to the Company and the Hong Kong Stock Exchange.

CHANGES IN INFORMATION ON DIRECTORS AND SUPERVISORS

The changes in the information on the directors or supervisors that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules following the date of the 2020 annual report of the Company are set out as follows:

Name	Position	Change
Hai Chi Yuet	Independent non-executive director	Resigned
	Chairman of the nomination committee of the Company (the " Nomination Committee ")	Resigned
	Member of the remuneration committee of the Company (the " Remuneration Committee ")	Resigned
	Member of the investment strategy committee of the Company (the " Investment Strategy Committee ")	Resigned
Graeme Jack	Independent non-executive director	Resigned
	Member of the Remuneration Committee	Resigned
Shao Ruiqing	Independent non-executive director	Appointed
	Chairman of the Nomination Committee	Appointed
	Member of the Remuneration Committee	Appointed
	Member of the Investment Strategy Committee	Appointed
Zhang Weihua	Member of the Remuneration Committee	Appointed

A SHARE OPTION INCENTIVE SCHEME

On 5 March 2020, the A 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 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.

As set out in the section headed "Employees, Training and Benefits" of this report, 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.

On 30 March 2020 (the “**First Date of Grant**”), an aggregate of 78,220,771 share options were granted to 124 participants, which comprises nine directors and senior management of the Company and 115 core management and business personnel of the Group. The closing price of A shares on the First Date of Grant was RMB1.99 per A Share. Pursuant to the Administrative Measures on Share Incentives of Listed Companies 《上市公司股權激勵管理辦法》, the Listing Rules and other regulations, and the authorization by the 2020 first extraordinary general meeting, the 2020 first A Shares class meeting and the 2020 first H Shares class meeting, the Board determined 6 May 2021 to be the date of grant for the reserved share options (the “**Reserved Share Options**”) (the “**Second Date of Grant**”, together with the First Date of Grant, each hereinafter referred to as the “**Date of Grant**”) on which the remaining 8,847,445 share options, being the Reserved Share Options, were granted to 19 participants determined by the Board, who are other core management and business personnel of the Group (excluding directors and senior management). The closing price of A shares on the Second Date of Grant was RMB2.94 per A Share.

The vesting period of the A Share Option Incentive Scheme is two years from the respective Date of Grant and the exercise period of the share options shall be a term of seven years commencing from the respective Date of Grant. The exercise price of the share options is RMB2.52 per A share. 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

Details of movement of the share options granted under the A Share Option Incentive Scheme during the Period were as follows:

Category	Number of share options					Outstanding as at 30 June 2021	Percentage of total issued A share capital of the Company (%)	Percentage of total issued share capital of the Company (%)
	Outstanding as at 1 January 2021	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period			
Directors								
Wang Daxiong	1,500,000	-	-	-	-	1,500,000	0.0189	0.0129
Liu Chong	1,490,100	-	-	-	-	1,490,100	0.0188	0.0128
Xu Hui	1,490,100	-	-	-	-	1,490,100	0.0188	0.0128
Senior management of the Company	6,662,300	-	-	-	-	6,662,300	0.0840	0.0574
Other core management and business personnel of the Group	67,078,211	8,847,445	-	-	-	75,925,656	0.9572	0.6541
Total	78,220,711	8,847,445	-	-	-	87,068,156	1.0977	0.7501

The Company has selected the Black-Scholes option pricing model to determine the fair value of the share options. Based on the preliminary calculation by the Company, as at the Second Date of Grant, the fair value of each share option granted during the Period is RMB1.10, and the aggregate fair value of the 8,847,445 share options granted is approximately RMB9,732,000, further details of which are set out in Note 16 to the interim condensed consolidated financial information of this report.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") consists of two independent non-executive directors, namely Mr. Lu Jianzhong and Mr. Cai Hongping, and one non-executive director, namely Mr. Huang Jian.

The Audit Committee has reviewed the interim report of the Company for the Period (including a review of the unaudited condensed consolidated financial information for the six months ended 30 June 2021) and agreed to the accounting treatment adopted by the Company.

CORPORATE GOVERNANCE CODE

The Company was in full compliance with all the 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 as set out in Appendix 10 to the Listing Rules. Having made specific enquiry by the Company of all directors and supervisors of the Company, 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.
Cai Lei
Joint Company Secretary

Shanghai, the People's Republic of China
30 August 2021



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Review report on interim condensed consolidated financial information

To the board of directors of COSCO SHIPPING Development Co., Ltd.

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 24 to 56, which comprises the condensed consolidated statement of financial position of COSCO SHIPPING Development Co., Ltd. (the "Company") and its subsidiaries (the "Group") as at 30 June 2021 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and 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 34 Interim Financial Reporting ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made 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 interim financial information 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.

CONCLUSION

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

Ernst & Young

Certified Public Accountants

Hong Kong
30 August 2021

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

		FOR THE SIX MONTHS ENDED	
		30 JUNE	
	Notes	2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
			(Restated)
CONTINUING OPERATIONS			
REVENUE	4	12,919,177	4,282,415
Cost of sales		(10,069,363)	(3,219,611)
Gross profit		2,849,814	1,062,804
Other income	5	33,658	113,650
Other gains/(losses), net	6	145,675	(117,194)
Selling, administrative and general expenses		(383,896)	(299,516)
Expected credit losses		(72,828)	(46,263)
Finance costs		(821,729)	(1,260,892)
Share of profits of:			
Associates		1,144,849	1,023,173
Joint ventures		4,521	330
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	7	2,900,064	476,092
Income tax expense	8	(495,914)	(47,102)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		2,404,150	428,990
DISCONTINUED OPERATION			
Profit for the period from discontinued operations	9	16,156	426,028
PROFIT FOR THE PERIOD		2,420,306	855,018
Attributable to owners of the parent		2,420,306	855,018
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY			
HOLDERS OF THE PARENT (expressed in RMB per share)			
10			
Basic			
– For profit for the period		0.1980	0.0599
– For profit for the period from continuing operations		0.1966	0.0229
Diluted			
– For profit for the period		0.1979	0.0599
– For profit for the period from continuing operations		0.1965	0.0229

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	FOR THE SIX MONTHS ENDED 30 JUNE	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	2,420,306	855,018
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Associates:		
Share of other comprehensive income	51,632	2,496
Reclassification to profit or loss	(52)	–
	51,580	2,496
Share of other comprehensive loss of joint ventures	(102)	(21)
Effective portion of cash flow hedges	21,756	(18,614)
Exchange differences on translation of foreign operations	59,213	(163,980)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	132,447	(180,119)
Other comprehensive loss that will not to be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive loss of associates	(2,855)	(39,688)
Net other comprehensive loss that may not to be reclassified to profit or loss in subsequent periods	(2,855)	(39,688)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	129,592	(219,807)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,549,898	635,211
Attributable to owners of the parent	2,549,898	635,211

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 JUNE 2021

	<i>Notes</i>	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	36,027,085	55,324,708
Investment properties		96,884	98,144
Right-of-use assets		187,994	222,407
Intangible assets		13,427	39,256
Investments in joint ventures		246,671	180,727
Investments in associates		25,144,234	20,841,847
Financial assets at fair value through profit or loss		3,681,831	3,932,754
Finance lease receivables	13	31,898,783	27,568,809
Factoring receivables		492,902	365,032
Deferred tax assets		26,600	284,670
Other long term prepayments		110,298	45,984
Total non-current assets		97,926,709	108,904,338
CURRENT ASSETS			
Inventories		1,111,658	962,410
Trade and notes receivables	14	3,536,447	2,445,764
Prepayments and other receivables		1,626,198	1,054,541
Financial assets at fair value through profit or loss		226,072	654,224
Finance lease receivables	13	3,801,588	18,296,935
Factoring receivables		1,540,980	1,083,635
Derivative financial instruments		15,807	–
Pledged deposits		115,831	590,146
Cash and cash equivalents		10,728,528	12,046,801
Total current assets		22,703,109	37,134,456
Total assets		120,629,818	146,038,794

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

30 JUNE 2021

	<i>Note</i>	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
CURRENT LIABILITIES			
Trade payables	15	4,604,766	3,100,895
Other payables and accruals		2,387,016	4,771,247
Contract liabilities		211,150	162,354
Derivative financial instruments		5,828	8,654
Bank and other borrowings		35,662,236	47,252,731
Corporate bonds		3,500,000	9,272,114
Lease liabilities		45,112	100,998
Tax payable		327,337	198,482
Total current liabilities		46,743,445	64,867,475
NET CURRENT LIABILITIES		(24,040,336)	(27,733,019)
TOTAL ASSETS LESS CURRENT LIABILITIES		73,886,373	81,171,319
NON-CURRENT LIABILITIES			
Bank and other borrowings		43,410,577	45,527,948
Corporate bonds		3,800,000	8,287,546
Lease liabilities		42,181	53,858
Derivative financial instruments		9,162	12,285
Deferred tax liabilities		139,361	104,888
Government grants		9,158	9,934
Other long term payables		471,161	2,804,852
Total non-current liabilities		47,881,600	56,801,311
Net assets		26,004,773	24,370,008

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

30 JUNE 2021

	<i>Note</i>	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
EQUITY			
Share capital		11,608,125	11,608,125
Treasury shares		(233,428)	(233,428)
Special reserves		525	1,360
Other reserves		(2,719,028)	(2,722,662)
Other equity instruments		6,000,000	6,000,000
Retained profits		13,708,722	12,206,348
Other comprehensive income		(2,360,143)	(2,489,735)
Total equity		26,004,773	24,370,008

Wang Daxiong

Director

Liu Chong

Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Share capital	Share premium (a)	Treasury shares	Other equity instruments	Share option reserves (a)	Other capital reserves (a)	Share of other comprehensive income using the equity method (b)	Cash flow hedge reserves (b)	Exchange fluctuation reserves (b)	Special reserves	Surplus reserves (a)(c)	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 2021 (audited)	11,608,125	17,009,944	(233,428)	6,000,000	5,528	(21,345,416)	135,982	(21,660)	(2,603,057)	1,360	1,607,282	12,206,348	24,370,008
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	2,420,306	2,420,306
Other comprehensive income for the period:													
Share of other comprehensive income of associates	-	-	-	-	-	-	48,725	-	-	-	-	-	48,725
Share of other comprehensive loss of joint ventures	-	-	-	-	-	-	(102)	-	-	-	-	-	(102)
Effective portion of changes in fair value of hedging instruments, net of tax	-	-	-	-	-	-	-	21,756	-	-	-	-	21,756
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	-	59,213	-	-	-	59,213
Total comprehensive income for the period	-	-	-	-	-	-	48,623	21,756	59,213	-	-	2,420,306	2,549,898
Equity-settled share option arrangements	-	-	-	-	4,236	-	-	-	-	-	-	-	4,236
Share of other capital reserves using the equity method	-	-	-	-	-	(97)	-	-	-	-	-	-	(97)
Share of other capital reserves using the equity method reclassified to profit or loss upon disposal	-	-	-	-	-	(505)	-	-	-	-	-	-	(505)
Dividends declared	-	-	-	-	-	-	-	-	-	-	-	(645,596)	(645,596)
Dividends to holders of the other equity instruments	-	-	-	-	-	-	-	-	-	-	-	(273,171)	(273,171)
Transfer from retained profits	-	-	-	-	-	-	-	-	-	5,549	-	(5,549)	-
Utilisation of reserve funds	-	-	-	-	-	-	-	-	-	(6,384)	-	6,384	-
At 30 June 2021 (unaudited)	11,608,125	17,009,944	(233,428)	6,000,000	9,764	(21,346,018)	184,605	(904)	(2,543,844)	525	1,607,282	13,708,722	26,004,773

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Notes	Share capital RMB'000	Share premium (a) RMB'000	Treasury shares RMB'000	Other equity instruments RMB'000	Share option reserves (a) RMB'000	Other capital reserves (a) RMB'000	Share of other comprehensive income using the equity method (b) RMB'000	Cash flow hedge reserves (b) RMB'000	Exchange fluctuation reserves (b) RMB'000	Special reserves RMB'000	Surplus reserves (a)(c) RMB'000	Retained profits RMB'000	Total equity RMB'000
At 1 January 2020 (audited)		11,608,125	17,009,944	(233,428)	7,000,000	-	(20,894,013)	491,737	(10,909)	(3,287,840)	1,606	1,545,882	10,976,614	24,207,718
Profit for the period		-	-	-	-	-	-	-	-	-	-	-	855,018	855,018
Other comprehensive loss for the period:														
Share of other comprehensive loss of associates		-	-	-	-	-	(37,192)	-	-	-	-	-	-	(37,192)
Share of other comprehensive loss of joint ventures		-	-	-	-	-	(21)	-	-	-	-	-	-	(21)
Effective portion of changes in fair value of hedging instruments, net of tax		-	-	-	-	-	-	-	(18,614)	-	-	-	-	(18,614)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	(163,980)	-	-	-	(163,980)
Total comprehensive income for the period		-	-	-	-	-	(37,213)	(18,614)	(18,614)	(163,980)	-	-	855,018	635,211
Equity-settled share option arrangements	16	-	-	-	-	2,101	-	-	-	-	-	-	-	2,101
Share of other capital reserves using the equity method		-	-	-	-	-	(4,943)	-	-	-	-	-	-	(4,943)
Dividends declared	11	-	-	-	-	-	-	-	-	-	-	-	(518,782)	(518,782)
Dividends to holders of the other equity instruments		-	-	-	-	-	-	-	-	-	-	-	(312,382)	(312,382)
Transfer from retained profits		-	-	-	-	-	-	-	-	-	14,441	28,690	(43,131)	-
Utilisation of reserve funds		-	-	-	-	-	-	-	-	-	(12,739)	-	12,739	-
At 30 June 2020 (unaudited)		11,608,125	17,009,944	(233,428)	7,000,000	2,101	(20,898,956)	454,524	(29,523)	(3,451,820)	3,308	1,574,572	10,970,076	24,008,923

(a) These accounts comprise the negative consolidated other reserves of RMB2,719,028,000 (31 December 2020: RMB2,722,662,000) in the interim condensed consolidated statement of financial position.

(b) These accounts comprise the consolidated other comprehensive loss of RMB2,360,143,000 (31 December 2020: RMB2,489,735,000) in the interim condensed consolidated statement of financial position.

(c) 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.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Note	FOR THE SIX MONTHS ENDED	
		30 JUNE	
		2021	2020
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations		4,253,743	3,725,599
Income tax paid		(350,996)	(144,052)
Net cash generated from operating activities		3,902,747	3,581,547
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		36,987	73,885
Dividends received from associates		85,454	271,995
Dividends received from joint ventures		–	3,363
Purchases of items of property, plant and equipment		(8,224,077)	(1,547,566)
Proceeds from disposal of items of property, plant and equipment		30,917	70,635
Purchases of intangible assets		(9,947)	(1,694)
Proceeds from disposal of investments in a joint venture		–	10,206
Proceeds from disposal of investments in an associate		18,585	–
Increase of capital in an associate		–	(754,904)
Increase of capital in a joint venture		(61,525)	–
Purchases of financial assets at fair value through profit or loss		(207,000)	(500,000)
Proceeds from disposals of financial assets at fair value through profit or loss		1,114,284	560,604
Proceeds from disposal of a subsidiary	17	1,052,930	–
Increase in finance lease receivables		(3,653,151)	(2,045,356)
Increase/(decrease) in factoring receivables		(597,140)	196,093
Decrease in pledge deposits		39,204	20,397
Increase in other long term payables		156,226	104,781
Net cash flows used in investing activities		(10,218,253)	(3,537,561)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	FOR THE SIX MONTHS ENDED	
	30 JUNE	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of preferred shares by a subsidiary	1,000,000	–
New bank and other borrowings	37,886,865	24,543,267
Repayment of bank and other borrowings	(28,994,120)	(26,980,151)
New corporate bonds	3,780,000	10,616,000
Repayment of corporate bonds	(6,618,024)	(3,399,618)
Payment of principal portion of lease liabilities	(46,682)	(242,276)
Interest paid	(1,514,589)	(2,027,390)
Dividends paid for other equity instrument	(226,371)	(255,843)
Increase in pledge deposits	(229,128)	(330,788)
Net cash flows generated from financing activities	5,037,951	1,923,201
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,277,555)	1,967,187
Cash and cash equivalents at beginning of period	12,046,801	9,635,096
Effect of foreign exchange rate changes, net	(40,718)	56,158
Cash and cash equivalents at end of period	10,728,528	11,658,441

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 JUNE 2021

1. CORPORATE INFORMATION

COSCO SHIPPING Development Co., Ltd. (the “Company”) is a joint stock company with limited liability incorporated 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 2021, the principal activities of the Group were as follows:

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

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated 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 2020.

Going concern

The Group had net current liabilities of RMB24,040,336,000 as at 30 June 2021. The directors 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 2021, the Group will have the necessary liquid funds to finance its working capital and to meet its capital expenditure requirements. Accordingly, the directors are of the opinion that it is appropriate to prepare the interim condensed consolidated financial information on a going concern basis.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

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

Amendments to HKAS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021*

Several amendments apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2021

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 2021 and 2020, respectively:

	For the six months ended 30 June 2021				For the six months ended 30 June 2020					
	Shipping and industry-related leasing RMB'000 (Unaudited)	Container manufacturing RMB'000 (Unaudited)	Investment and service RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Unaudited)	Shipping and industry-related leasing RMB'000 (Restated)	Container manufacturing RMB'000 (Unaudited)	Investment and service RMB'000 (Unaudited)	Others RMB'000 (Unaudited)	Total RMB'000 (Restated)
Segment revenue:										
Sales of containers	-	10,070,986	-	-	10,070,986	-	2,033,181	-	-	2,033,181
Rendering of service	-	-	24,122	-	24,122	-	-	24,424	-	24,424
Total revenue from contracts with customers from external customers	-	10,070,986	24,122	-	10,095,108	-	2,033,181	24,424	-	2,057,605
Other revenue to external customers	2,752,687	-	71,382	-	2,824,069	2,151,648	-	73,162	-	2,224,810
Total revenue to external customers	2,752,687	10,070,986	95,504	-	12,919,177	2,151,648	2,033,181	97,586	-	4,282,415
Intersegment revenue from contracts with customers	-	635,070	4,925	-	639,995	-	393,260	4,275	-	397,535
Total revenue	2,752,687	10,706,056	100,429	-	13,559,172	2,151,648	2,426,441	101,861	-	4,679,950
Segment results										
Elimination of intersegment results	565,819	1,445,967	1,170,788	-	3,182,574 (107,631)	256,571	157,896	442,564	(5,574)	851,457 (19,740)
Unallocated administrative and general expenses					(47,087)					(54,000)
Unallocated finance costs					(127,792)					(301,625)
Profit before tax from continuing operations					2,900,064					476,092

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2021

3. OPERATING SEGMENT INFORMATION (Continued)

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2021 and 31 December 2020, respectively:

	30 June 2021		31 December 2020	
	Shipping and industry-related leasing	Container manufacturing	Shipping and industry-related leasing	Container manufacturing
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
		Investment and service		Investment and service
		(Unaudited)		(Audited)
		Total		Total
		(Unaudited)		(Audited)
Segment assets	83,274,931	8,656,401	126,965,120	152,689,155
Elimination of intersegment assets			(6,335,302)	(6,650,361)
Total assets			120,629,818	146,038,794
Segment liabilities	51,365,110	6,289,705	85,322,973	109,456,635
Unallocated liabilities			14,828,416	17,944,427
Elimination of intersegment liabilities			(5,526,344)	(5,732,276)
Total liabilities			94,625,045	121,668,786

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2021

4. REVENUE

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited) (Restated)
Revenue from contracts with customers	10,095,108	2,057,605
Other revenue	2,824,069	2,224,810
	12,919,177	4,282,415

The disaggregation of the Group's revenue from contracts with customers, including sale of goods and rendering of services above, for the six months ended 30 June 2021 and 30 June 2020 is as follows:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited) (Restated)
Type of goods or services		
Sales of containers	10,070,986	2,033,181
Rendering of service	24,122	24,424
Total revenue from contracts with customers	10,095,108	2,057,605
Geographical markets		
United States	7,773,904	535,402
Hong Kong	861,766	307,072
Mainland China	687,258	712,707
Asia (excluding Hong Kong and Mainland China)	639,166	457,865
Europe	89,671	43,780
Others	43,343	779
Total revenue from contracts with customers	10,095,108	2,057,605
Timing of revenue recognition		
Goods transferred at a point in time	10,070,986	2,033,181
Services transferred at a point in time	24,122	24,424
Total revenue from contracts with customers	10,095,108	2,057,605

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2021

5. OTHER INCOME

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited) (Restated)
Interest income	29,576	70,267
Government grant related to expense items	3,139	22,333
Others	943	21,050
	33,658	113,650

6. OTHER GAINS/(LOSSES), NET

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited) (Restated)
Gain on disposal of items of property, plant and equipment	3,827	20,266
Gain on disposal of investments in an associate	23,236	–
Gain on disposal of investments in a joint venture	–	10,206
Fair value gain/(loss) on financial assets at fair value through profit or loss	228,209	(177,817)
Foreign exchange (loss)/gain, net	(131,722)	34,133
Others	22,125	(3,982)
	145,675	(117,194)

7. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited) (Restated)
Depreciation of right-of-use assets	18,089	16,061
Impairment of finance lease receivables	7,409	17,499
Impairment of trade receivables	56,942	25,122
Foreign exchange loss/(gain), net	131,722	(34,133)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2021

8. INCOME TAX

According to the Corporate Income Tax ("CIT") Law of the PRC, which was effective from 1 January 2008, the CIT rate applicable to the Company and its subsidiaries established in the PRC was 25% for the six months ended 30 June 2021 and 2020.

Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong of the Group's companies operating in Hong Kong for the six months ended 30 June 2021 (six months ended 30 June 2020: 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 associates 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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited) (Restated)
Current income tax		
– PRC	404,608	29,440
– Hong Kong	15,941	4,525
– elsewhere	21,236	6,759
Deferred income tax	54,129	6,378
Total tax charge for the period from continuing operations	495,914	47,102
Total tax charge for the period from discontinued operations	68,127	51,894
	564,041	98,996

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2021

9. DISCONTINUED OPERATIONS

a) Disposal of COSCO SHIPPING Leasing Co., Ltd. ("COSCO SHIPPING Leasing")

For the six months ended 30 June 2021, (i) the Company transferred its 35.2282% equity interests in COSCO SHIPPING Leasing to China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd. for a consideration of RMB1,800,000,000 and, (ii) China Insurance Investment Co., Ltd. ("CII") subscribed to increase the registered capital of COSCO SHIPPING Leasing by RMB2,054,977,000 for a total consideration of RMB3,000,000,000 (the "Subscription"), equivalent to 36.99344% interests in COSCO SHIPPING Leasing. As at 30 June 2021, CII has completed the capital injection of RMB1,000,000,000. Although the Subscription was not fully completed as of 30 June 2021, CII had obtained potential voting rights which were considered substantive. As a result, the Company is deemed to control of less than a majority of voting rights and lost control over COSCO SHIPPING Leasing as of 30 June 2021. COSCO SHIPPING Leasing represents a separate major operation and, therefore, was classified as a discontinued operation.

The results of COSCO SHIPPING Leasing for the period are presented below:

	For the six months end 30 June 2021 RMB'000 (Unaudited)	For the six months end 30 June 2020 RMB'000 (Unaudited) (Restated)
REVENUE	1,415,549	1,300,687
Cost of sales	(706,131)	(680,198)
Selling, administrative and general expenses	(207,121)	(158,110)
Other income	9,626	12,200
Other gains, net	3,856	12,509
Finance costs	(651)	(867)
Expected credit losses	(205,990)	(280,373)
Loss on disposal of COSCO SHIPPING Leasing	(224,855)	–
Profit before tax from the discontinued operation	84,283	205,848
Income tax expense	(68,127)	(51,894)
Profit for the period from the discontinued operation	16,156	153,954

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2021

9. DISCONTINUED OPERATIONS (Continued)

a) Disposal of COSCO SHIPPING Leasing Co., Ltd. ("COSCO SHIPPING Leasing") (Continued)

The net cash flows incurred by the discontinued operation are as follows:

	For the six months end 30 June 2021 RMB'000 (Unaudited)	For the six months end 30 June 2020 RMB'000 (Unaudited) (Restated)
Operating activities	801,148	2,427,413
Investing activities	(4,149,252)	(2,265,597)
Financing activities	3,732,167	519,303
Net cash flow	384,063	681,119

b) Disposal of vessels

As the terms of the previous operating lease contract between the Group (as the lessor) and COSCO SHIPPING Lines Co., Ltd. ("COSCO SHIPPING Lines") (as the lessee) expired on December 2020, the Group and COSCO SHIPPING Lines entered into the Vessel Leasing Service Master Agreement ("the Agreement"). Pursuant to the Agreement, the Group has agreed to provide vessel leasing services to the COSCO SHIPPING Lines. The new lease contract commenced from 1 January 2021 and end on the date on which the age of the vessels reaches 25 years.

Since lease term of the Agreement is for the major part of the economic life of the vessels. The Group does not have control of the vessels as the Group is limited in its ability to direct the use of, and to obtain substantially all of the remaining benefits, from the vessels. Accordingly, the vessel leasing services shall be accounted for as a finance lease arrangement of the Group, as a lessor.

With the Agreement commencing from 1 January 2021, the Group derecognised the carrying amount of the underlying vessels and recognised the finance lease receivables in the lease.

In the opinion of the directors, the vessels represent a separate major operation, which is the provision of vessel chartering. As a result, the vessels were classified as a discontinued operation.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2021

9. DISCONTINUED OPERATIONS (Continued)

b) Disposal of vessels (Continued)

The results of the vessels for the period ended 30 June 2020 are presented below:

	For the six months end 30 June 2020 RMB'000 (Unaudited) (Restated)
REVENUE	2,223,498
Cost of sales	(1,951,424)
Profit before tax from the discontinued operation	272,074
Income tax expense	–
Profit for the period from the discontinued operation	<u>272,074</u>

The net cash flows incurred by the discontinued operation are as follows:

	For the six months end 30 June 2020 RMB'000 (Unaudited) (Restated)
Operating activities and net cash flows	<u>1,132,092</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2021

9. DISCONTINUED OPERATIONS (Continued)

b) Disposal of vessels (Continued)

	For the six months end 30 June 2021 (Unaudited)	For the six months end 30 June 2020 (Unaudited)
Earnings per share (expressed in RMB per share):		
Basic, from the discontinued operation	0.0014	0.0370
Diluted, from the discontinued operation	0.0014	0.0370

The calculations of basic and diluted earnings per share from the discontinued operations are based on:

	For the six months end 30 June 2021 RMB'000 (Unaudited)	For the six months end 30 June 2020 RMB'000 (Unaudited) (Restated)
Profit attributable to ordinary equity holders of the parent from the discontinued operation	16,156	426,028
Weighted average number of ordinary shares (in thousand) in issue during the year used in the basic earnings per share calculations (note 10)	11,528,498	11,528,498
Weighted average number of ordinary shares (in thousand) in issue during the year used in the diluted earnings per share calculations (note 10)	11,533,671	11,528,498

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

30 JUNE 2021

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

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

	For the six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited) (Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:		
From continuing operations	2,266,898	264,576
From a discontinued operation	16,156	426,028
	2,283,054	690,604
Interest on perpetual debts*	137,252	164,414
Profit attributable to equity holders of the parent before interest on perpetual debts	2,420,306	855,018
Attributable to:		
From continuing operations	2,404,150	428,990
From a discontinued operation	16,156	426,028
	2,420,306	855,018
Number of shares for the six months ended		
	2021 <i>'000</i>	2020 <i>'000</i>
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	11,528,498	11,528,498
Effect of dilution-weighted average number of ordinary shares: Share options**	5,173	–
	11,533,671	11,528,498

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2021

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

* The Company issued perpetual debts during the years ended 31 December 2019 and 2018. The dividend distribution and repurchase of shares of the Company triggered the mandatory interest payment event of perpetual debts. For the purpose of calculating basic earnings per ordinary share in respect of the six months ended 30 June 2021 and 2020, the portion of RMB137,252,000 (six months ended 30 June 2020: RMB164,414,000) attributable to perpetual debts was deducted from profits attributable to equity holders of the Company.

** During the six months ended 30 June 2020, the share options didn't have a dilutive impact on the basic earnings per share for the period and were ignored in the calculation of diluted earnings per share. There was no dilution effect on the ordinary shares for six months ended 30 June 2020.

11. DIVIDENDS

	For the six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final declared – RMB0.056 (2020: RMB0.045) per ordinary share	645,596	518,782

During the period, the Company's shareholders approved the 2020 proposed final dividend with a total amount of RMB645,596,000 (six months ended 30 June 2020: RMB518,782,000).

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired items of property, plant and equipment with a cost of RMB7,558,269,000 (six months ended 30 June 2020: RMB1,748,307,000). Depreciation for items of property, plant and equipment was RMB922,469,000 during the period (six months ended 30 June 2020: RMB1,625,794,000).

The Group disposed of items of property, plant and equipment with a carrying amount of RMB25,500,128,000 during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB472,707,000). Among of the disposed assets, container vessels with a net carry amount of approximately RMB25,313,514,000 (six months ended 30 June 2020: Nil) was disposed with the commencement of Vessel Leasing Service Master Agreement in which the Group acts as the lessor, further details of which are given in note 9 to the financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2021

13. FINANCE LEASE RECEIVABLES

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

	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Within one year	4,492,826	21,137,003
After one year but within two years	4,427,459	12,757,673
After two years but within three years	4,333,943	7,693,231
After three years but within four years	3,483,337	3,830,108
After four years but within five years	3,923,310	2,980,850
After five years	25,778,577	4,959,224
<hr/>		
Total minimum finance lease receivables	46,439,452	53,358,089
Unearned finance income	(10,472,347)	(6,212,539)
<hr/>		
Total present value of minimum finance lease receivables	35,967,105	47,145,550
Impairment	(266,734)	(1,279,806)
<hr/>		
Total net finance lease receivables	35,700,371	45,865,744
Current portion	(3,801,588)	(18,296,935)
<hr/>		
Non-current portion	31,898,783	27,568,809
<hr/>		
	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Within one year	3,970,480	18,742,401
After one year but within two years	3,886,581	11,222,681
After two years but within three years	3,810,517	6,782,884
After three years but within four years	2,978,941	3,365,916
After four years but within five years	3,405,300	2,647,081
After five years	17,915,286	4,384,587
<hr/>		
Total present value of minimum finance lease receivables	35,967,105	47,145,550
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2021

14. TRADE AND NOTES RECEIVABLES

	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Trade receivables	3,734,316	2,202,779
Notes receivable	466	387,926
	3,734,782	2,590,705
Impairment	(198,335)	(144,941)
	3,536,447	2,445,764

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

	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Within 3 months	2,992,264	1,615,687
4 to 6 months	349,769	316,036
7 to 12 months	13,037	124,612
Over 1 year	180,911	1,503
	3,535,981	2,057,838

15. TRADE PAYABLES

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

	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Within 3 months	3,965,121	2,557,729
4 to 6 months	389,577	374,716
7 to 12 months	243,530	145,657
Over 1 year	6,538	22,793
	4,604,766	3,100,895

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2021

16. 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.

The Scheme includes two batches, each of which were effective on 30 March 2020 and on 6 May 2021, respectively.

On 30 March 2020, 11,143,000 and 67,078,000 share options were granted to the Company's directors and the Group's other employees, respectively. On 6 May 2021, 8,847,000 options were granted to other employees.

The following share options were outstanding during the period:

	2021 Number of options '000	2020 Number of options '000
At 1 January 2021	66,806	–
Granted during the period	8,847	78,221
At 30 June 2021	75,653	78,221

Exercise period:	Exercise price* RMB per share	30 June 2021 Number of options '000
1 April 2022 to 30 March 2023	2.52	26,067
1 April 2023 to 30 March 2024	2.52	25,112
1 April 2024 to 30 March 2027	2.52	24,474
		75,653

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2021

16. 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:

Exercise period:	31 December 2020	
	Exercise price* RMB per share	Number of options '000
1 April 2022 to 30 March 2023	2.52	23,118
1 April 2023 to 30 March 2024	2.52	22,163
1 April 2024 to 30 March 2027	2.52	21,525
		<hr/> <hr/> 66,806

* 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.

The fair value at grant date is estimated using a Black-Scholes valuation model and such fair values and significant inputs into the model are as follows:

Dividend yield (%)	–
Expected volatility (%)	35.9
Risk-free interest rate (%)	2.87
Expected life of share options (years)	3.83
Weighted average share price (RMB)	2.52

The weighted average fair value of the options granted during the six months ended 30 June 2021 was RMB9,732,000 (RMB1.10 each) (six months ended 30 June 2020: RMB25,031,000 (RMB0.32 each)).

For the six months ended 30 June 2021, the Group has recognised RMB4,236,000 of equity-settled share option expense in the profit or loss (six months ended 30 June 2020: RMB2,101,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2021

17. DISPOSAL OF A SUBSIDIARY

As mentioned in note 9 to the interim condensed consolidated financial information, the details in relation to the disposal of COSCO SHIPPING Leasing are as follows:

	28 June 2021
	RMB'000
	(Unaudited)
Net assets disposed of:	
Property, plant and equipment	19,305
Right-of-use assets	8,758
Intangible asset	31,592
Long term finance lease receivables	20,090,007
Deferred tax assets	260,495
Other long term prepayments	45,711
Trade and notes receivables	530,772
Prepayments and other receivables	59,052
Short term finance lease receivables	18,355,922
Pledged deposits	672,056
Cash and cash equivalents	747,070
Trade payables	(124,613)
Other payables and accruals	(3,257,581)
Short term bank and other borrowings	(15,182,682)
Short term corporate bonds	(4,113,238)
Short term lease liabilities	(9,204)
Tax payable	(34,058)
Long term bank and other borrowings	(6,734,943)
Long term corporate bonds	(3,308,398)
Long term lease liabilities	(645)
Other long term payables	(2,187,841)
	<hr/>
	5,867,537
Loss on disposal of a subsidiary	(224,855)
	<hr/>
	5,642,682
	<hr/> <hr/>
Satisfied by:	
Cash	1,800,000
Investment in an associate	3,575,320
Trade receivables from COSCO SHIPPING Leasing*	256,609
Other receivables from COSCO SHIPPING Leasing*	10,753
	<hr/>
	5,642,682
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2021

17. DISPOSAL OF A SUBSIDIARY (Continued)

* The Company and its certain subsidiaries had trade receivables and other receivables from COSCO SHIPPING Leasing, which had been eliminated before the disposal of COSCO SHIPPING Leasing. Upon the disposal of COSCO SHIPPING Leasing, such receivables had been reflected in the consolidated statement of financial position.

Management has preliminarily assessed the net fair value of the COSCO SHIPPING Leasing's identifiable assets and liabilities, which approximated to their carrying amounts, in applying equity method accounting at the disposal date. Those are provisional amounts and are subject to adjustments within one year after finalisation of valuation work.

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	30 June 2021 RMB'000 (Unaudited)
Cash and cash equivalents disposed of	(747,070)
Cash received	1,800,000
	1,052,930

18. COMMITMENTS

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Contracted, but not provided for:		
Equity investments	425,779	423,215
Property, plant and equipment	2,836,692	7,028,381
	3,262,471	7,451,596

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

30 JUNE 2021

19. SIGNIFICANT RELATED PARTY TRANSACTIONS

	For the six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Interest income from:		
An associate	14,087	29,040
Interest expenses to:		
Immediate holding company	10,860	10,920
Fellow subsidiaries	195	479
An associate	91,206	67,943
Sales of goods to:		
Fellow subsidiaries	1,126,270	772,826
Purchases of goods from:		
Fellow subsidiaries	5,231,278	1,039,116
Purchases of items of property, plant and equipment from:		
Fellow subsidiaries	4,381,307	833,653
Rendering of services to fellow subsidiaries:		
Vessel chartering and container leasing	1,291,524	2,334,229
Shipping related services	–	414,916
Management fee income	10,003	14,833
Finance lease income	107,042	9,751
Others	15,246	17,475
Receiving of services from:		
Fellow subsidiaries	754,429	707,778

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 INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2021

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Bank and other borrowings	43,410,577	45,527,948	43,164,657	45,209,252
Corporate bonds	3,800,000	8,287,546	3,795,777	8,286,332
Other long term payables	471,161	2,804,852	435,506	2,754,647
	47,681,738	56,620,346	47,395,940	56,250,231

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

The non-current portion of finance lease receivables, the non-current portion of factoring receivables and the non-current portion of lease liabilities of the Group approximate to their fair values since 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. The differences between the carrying amounts and fair values of those financial liabilities are not significant.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2021

20. 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 2021

	Fair value measurement categorised into			Total <i>RMB'000</i> (Unaudited)
	Level 1 <i>RMB'000</i> (Unaudited)	Level 2 <i>RMB'000</i> (Unaudited)	Level 3 <i>RMB'000</i> (Unaudited)	
Financial assets at fair value through profit or loss	1,132,635	2,574,792	200,476	3,907,903
Derivative financial instruments	–	15,807	–	15,807
	1,132,635	2,590,599	200,476	3,923,710

31 December 2020

	Fair value measurement categorised into			Total <i>RMB'000</i> (Unaudited)
	Level 1 <i>RMB'000</i> (Unaudited)	Level 2 <i>RMB'000</i> (Unaudited)	Level 3 <i>RMB'000</i> (Unaudited)	
Financial assets at fair value through profit or loss	1,516,558	2,442,815	627,605	4,586,978

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2021

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

Fair value hierarchy (Continued)

Financial liabilities measured at fair value

30 June 2021

	Fair value measurement categorised into			Total RMB'000 (Unaudited)
	Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)	
Derivative financial instruments	–	14,990	–	14,990

31 December 2020

	Fair value measurement categorised into			Total RMB'000 (Audited)
	Level 1 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Level 3 RMB'000 (Audited)	
Derivative financial instruments	–	20,939	–	20,939

For all the financial assets with fair value measurement categorised into Level 2, the Group estimates their fair values using 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 will determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by net assets or net profit. The trading multiple is then discounted for considerations such as illiquidity based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding net assets or net profit of the unlisted equity investments to measure the fair value. The directors 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.

All financial assets at fair value through profit or loss categorised into Level 3 represent wealth management products issued by banks in Mainland China. The Group has estimated their fair value by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (Continued)

30 JUNE 2021

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

Fair value hierarchy (Continued)

The recurring fair value measurement for the Group's financial assets at fair value through profit or loss was performed using significant unobservable inputs (Level 3) as at 30 June 2021. Below is a summary of the valuation techniques used and the key input to the valuation:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Financial assets at fair value through profit or loss	Discounted cash flow method	Discount rate per annum	4.3% (2020: 4.1%-4.6%)	5% (2020:5%) increase/decrease would result in decrease/increase in fair value by 0.2% (2020:0.2%)

The movements in financial assets categorised into Level 3 during the period are as follows:

	Financial assets at fair value through profit or loss RMB'000
At 1 January 2021	627,605
Purchases	200,000
Disposals	(634,479)
Total gains recognised in the statement of profit or loss included in other income and gains	7,350
At 30 June 2021	200,476
At 1 January 2020	457,032
Disposal	(461,371)
Total gains recognised in the statement of profit or loss included in other income and gains	4,339
At 30 June 2020	457,032

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for the financial assets above (six months ended 30 June 2020: Nil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION *(Continued)*

30 JUNE 2021

21. EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 30 June 2021.

22. COMPARATIVE AMOUNTS

The comparative interim condensed consolidated statement of profit or loss has been re-presented as if the operation discontinued during the period had been discontinued at the beginning of the comparative period.

23. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 30 August 2021.