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

ANNUAL REPORT 2022

SHIPPING INDUSTRY AND FINANCE OPERATOR

Company Profile

COSCO SHIPPING Development Co., Ltd. (the "**Company**" or "**COSCO SHIPPING Development**", together with its subsidiaries and/or its associates, the "**Group**") is a subsidiary of China COSCO SHIPPING Corporation Limited ("**China COSCO SHIPPING**") specialized in integrated shipping logistics industry-finance services, which is one of core industries under China COSCO SHIPPING. The Company was established in 1997, with head office in Shanghai, the People's Republic of China (the "**PRC**"), and is listed in both Hong Kong and Shanghai. The registered capital of the Company is RMB13,573 million.

With the focus on integrated logistics industry, the Company is committed to developing shipping leasing, container leasing and container manufacturing business as the core business and shipping logistics industry-finance services as its auxiliary business, with a view to pursuing industry-finance-investment integrated development underpinned by investment management.

The vessel leasing business of the Company involves the leasing business of various vessels, such as container vessels, dry bulk cargo vessels, special-purpose vessels and LNG vessels. The assets are nearly RMB40 billion. Diversified services are provided under container leasing business, such as leasing, trading and management of various types of containers and sales of old containers. The Company managed more than 3,800,000 TEU of containers, ranking among the top in the world.

The container manufacturing business of the Company involves the research, development, production and sales of international standard dry cargo containers, reefer containers, special containers and house containers. The Company had a designed annual capacity of more than 1,400,000 TEU, ranking second in the world, with its customers including the world's famous liner companies and major container leasing companies. Meanwhile, relying on the global transportation network of China COSCO Shipping, the Company provides customers with value-added services of delivery at ports worldwide.

As for investment and management segment, the Company gives equal weight to strategic value and financial returns, adheres to the principal business of shipping logistics, aims at integration of industry and finance utilizing investment measures, continuously focuses on investment areas, strengthens asset operation and increases investment gains. The Company maintains its investment focus and makes full use of capital to provide intellectual and capital guidance services for the development of "digitalization, networking and intelligence" in the shipping logistics industry, in an effort to boost industry upgrading.

Guided by the concept of "**Excellence**", with "**integrity, efficiency, proactiveness and mutual benefit**" as its core values, the Company fully leverages its advantages in shipping industry chain and expands the value of capital flows in the shipping logistics ecosystem to develop into an excellent industry-finance operator in the shipping industry with COSCO SHIPPING's characteristics.

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Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

SUPERVISORS

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

EXECUTIVE COMMITTEE

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

INVESTMENT STRATEGY COMMITTEE

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

RISK CONTROL COMMITTEE

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CHIEF ACCOUNTANT

Mr. Lin Feng

BOARD SECRETARY

Mr. Cai Lei

JOINT COMPANY SECRETARIES

Mr. Cai Lei
Ms. Ng Sau Mei

AUTHORISED REPRESENTATIVES

Mr. Liu Chong
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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Shanghai
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

INTERNATIONAL AUDITOR

SHINEWING (HK) CPA Limited

DOMESTIC AUDITOR

ShineWing Certified Public Accountants LLP

LEGAL ADVISERS

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

HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

TELEPHONE NUMBER

86 (21) 6596 6105

FAX NUMBER

86 (21) 6596 6498

COMPANY WEBSITE

http://development.coscoshipping.com

H SHARE LISTING PLACE

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

LISTING DATE

16 June 2004

NUMBER OF H SHARES IN ISSUE

3,676,000,000 H Shares

BOARD LOT (H SHARES)

1,000 Shares

HONG KONG STOCK EXCHANGE STOCK CODE

02866

A SHARE LISTING PLACE

Shanghai Stock Exchange

LISTING DATE

12 December 2007

NUMBER OF A SHARES IN ISSUE

9,897,299,906 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."

* On 31 January 2023, the Company announced the cancellation of 13,177,395 repurchased Shares. Upon completion of the cancellation, the total share capital of the Company changed from 13,586,477,301 Shares to 13,573,299,906 Shares.

Financial Highlights

COMPARISON OF 2022 AND 2021 KEY FINANCIAL FIGURES BY CHART FORM

Consolidated Results
(Under Hong Kong Financial Reporting Standards ("HKFRS"))

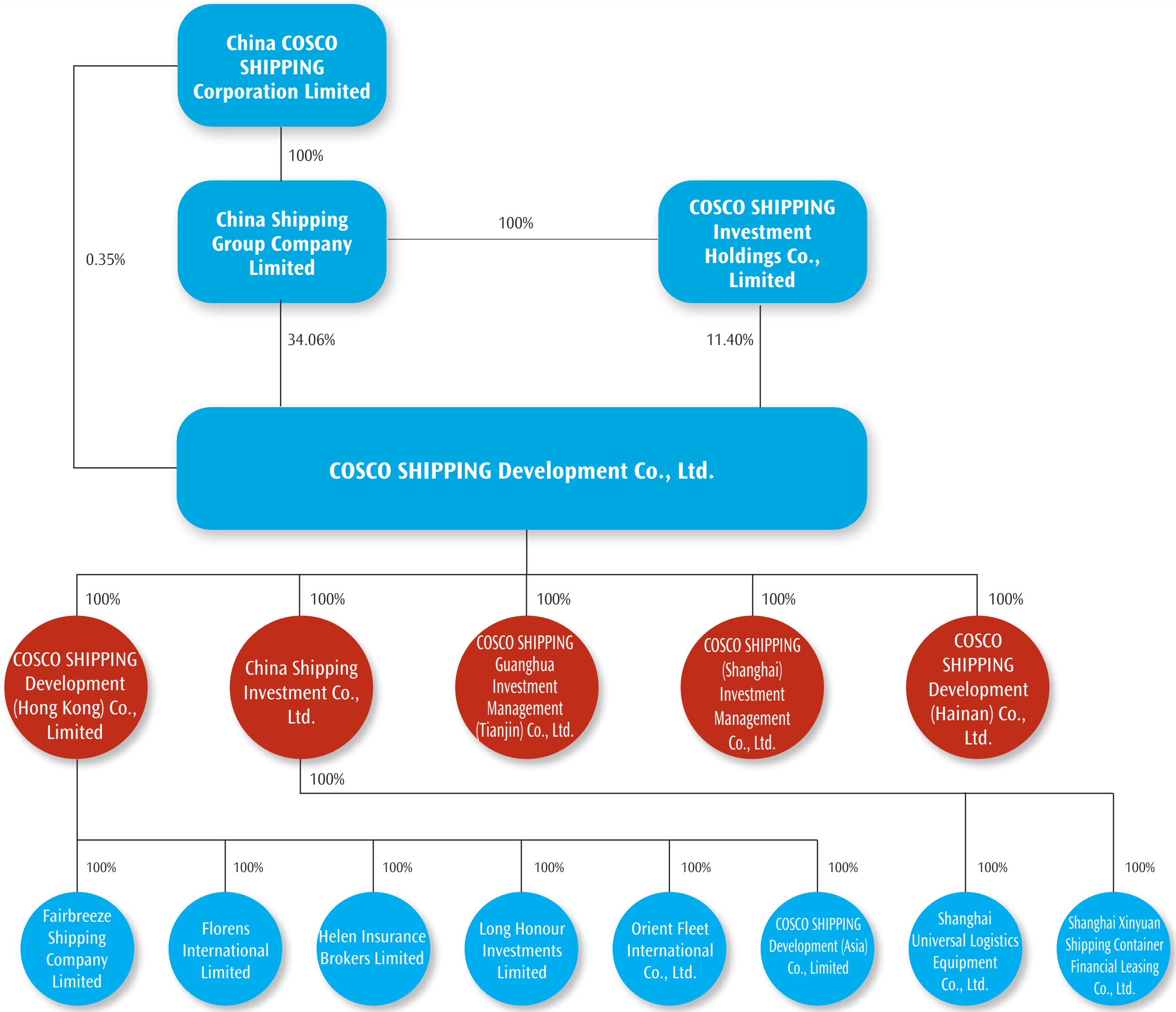
	2022 **RMB'000**	2021 RMB'000	Change %
Revenue	**25,464,673**	34,914,585	(27)
Operating profit	**5,730,666**	7,948,388	(28)
Profit before income tax from continuing operations	**4,828,038**	7,830,582	(38)
Profit for the year from a discontinued operation	**–**	16,156	(100)
Profit for the year attributable to owners of parent	**3,923,130**	6,089,321	(36)
Basic earnings for the year per share	**RMB0.2902**	RMB0.4978	(42)
Gross profit margin (continuing operations)	**26%**	29%	Decreased by 3 percentage points
Profit margin before income tax (continuing operations)	**19%**	22%	Decreased by 3 percentage points
Net gearing ratio[1]	**266%**	223%	Increased by 43 percentage points

1. Net gearing ratio is net debts over shareholders' equity.

Consolidated Assets and Liabilities
(Under HKFRS)

	2022 **RMB'000**	2021 RMB'000	Change %
Total assets	**128,090,631**	132,616,323	(3)
Non-current assets	**103,256,637**	99,048,643	4
Current assets	**24,833,994**	33,567,680	(26)
Total liabilities	**99,196,324**	99,927,426	(1)
Current liabilities	**42,019,557**	53,884,645	(22)
Net current liabilities	**(17,185,563)**	(20,316,965)	(15)
Net assets	**28,894,307**	32,688,897	(12)

The following chart shows the simplified corporate and shareholding structure of the Company and its principal subsidiaries as at 31 December 2022:



Particulars of the subsidiaries, associated companies and joint ventures of the Company are contained in Note 1 to the consolidated financial statements.

Chairman's Statement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Chairman's Statement

In 2022, the evolution of the world economic changes has accelerated due to the interplay of multiple factors such as inflationary pressure and geopolitics. The global economic development was generally slowing down, and the overall economic operation of China remained stable. Under the economic and trade environment, the shipping market gradually returned to normal. Facing the severe and complicated market environment, the Company has solidly pushed forward to improve quality and efficiency and stabilize growth, promoted reform and innovation for new development, achieving stability in economic benefits amid market fluctuations.

In 2022, the Company achieved operating revenue of RMB25,465 million, a decrease of 27.1% compared with 2021. Net profit attributable to shareholders of the Company was RMB3,923 million, a decrease of 35.6% compared with 2021. Basic earnings per share amounted to RMB0.2902.

The Board proposed the payment of a final dividend of RMB0.087 per share (inclusive of applicable tax).

REVIEW OF OPERATIONS

In 2022, the Company firmly followed the "14th Five-Year" development strategy, focused on shipping industrial chains, expanded industry and finance businesses, enhanced corporate management and refined operational measures, continuously promoting the high-quality development of the Company.

I. MAKING FULL USE OF INDUSTRIAL CHAIN ADVANTAGES AND DEMONSTRATING NEW BREAKTHROUGHS IN HIGH-QUALITY DEVELOPMENT

In respect of the shipping leasing business: The Company continuously optimized the models of the integration of industry and finance, further strengthened the coordinated linkage of industrial chains on the integration of "leasing and manufacturing, and leasing and shipping", promoted innovation in leasing models and facilitated the green transformation of the shipping industry. Meanwhile, the Company deeply tapped into market potential and strengthened judgment on market segments. It conducted reasonable layout on external markets on the premise of strictly controlling market risks and achieved business expansion in market segments.

In respect of the container leasing business: The Company always adhered to the "key customer strategy" and advanced diversified leasing services to improve customer satisfaction and enhance customer stickiness. The Company deeply explored market opportunities, actively expanded its business in the field of reefer containers and special containers and achieved new breakthroughs in business sectors. Meanwhile, the Company vigorously promoted the digital transformation, accurately positioned customer demands through the establishment of the customer-centric digital operation system, enhanced the capabilities on global containers trade and boosted the improvement of the overall operational efficiency.

In respect of the container manufacturing business: With the orientation of customer demand, the Company constantly improved the product layout, improved the service capability, actively promoted product R&D and deployed green and environmental protection sectors to advance the expansion of application scenarios of containers. In 2022, the Company and COSCO SHIPPING Specialized Carriers Co., Ltd. jointly developed and produced special collapsible frames for commercial vehicles and vigorously demonstrated its professional advantages in "customized production + oriented services". The Company actively deployed on the market demand for high-end special containers such as energy storage containers in low-carbon and environmental protection sectors. The Company's marine container-type power batteries have obtained the recognition on the overall design by China Classification Society and passed on-site inspections.

In respect of the investment management business: The Company focused on the principal business of shipping logistics, integrated resources in industrial chains and empowered the development of the principal business through "an industry-finance-investment integrated business". Meanwhile, it promoted the development of new shipping technologies, new industries and green shipping through the integration of industry and finance and facilitated the upgrading of industrial structures.

II. ADHERING TO DIGITAL AND INTELLIGENT EMPOWERMENT WITH INNOVATION AND STIMULATING NEW DRIVERS TO HIGH-QUALITY DEVELOPMENT

The Company improved the top design on scientific and technological innovation and digital transformation, released the "14th Five-Year" Plan on Digital Transformation and Cyberspace Work and the "14th Five-Year" Special Plan on Scientific and Technological Development, which specified key projects and set out development targets and orientations.

The Company actively laid out the track of scientific and technological innovation and continuously promoted scientific and technological innovation and the digital transformation and construction. Florens International Limited ("**Florens**"), a subsidiary of the Company, actively promoted the in-depth integration of digital technology with production and operation and the coordination of users' services with industries. Based on the own-designed and developed iFlorens and the containers trade platform, it developed a new business scenario with digital technology empowering business and e-commerce improving customer experience, achieving new breakthroughs in online orders on the platform and sales volume of e-commerce. Florens applied for participating in the first "Professional Competition on Innovation in Digital Scenarios of SOEs" hosted by the State-owned Assets Supervision and Administration Commission and has successfully qualified for the finals. Shanghai Universal Logistics Equipment Co., Ltd., a subsidiary of the Company, vigorously promoted the construction of "digital factories" and facilitated green and intelligent development. It achieved application and breakthroughs in key sectors and key technologies and recorded remarkable results in the updating and upgrading of green and intelligent products and technological equipment. In 2022, the Company applied 184 new patents. As of the end of 2022, the Company had 457 patents.

III. CONTINUOUSLY IMPROVING THE GOVERNANCE STRUCTURE AND BOOSTING NEW VALUE OF HIGH-QUALITY DEVELOPMENT

The Company enhanced and improved corporate governance and standard operation and strived to continuously enhance the quality as a listed company. In August 2022, the Company was rated A by Shanghai Stock Exchange for its information disclosure for the year 2021-2022 and it has been awarded the highest rating for eight consecutive years. In September 2022, the Company was awarded the "Prize for Top 100 Growth Listed Companies in China" at the 16th China Listed Company Value Evaluation hosted by Securities Times. The Company placed great emphasis in creating reasonable returns to investors, strived to safeguard the interests of investors and adhered to the implementation of proactive and steady dividend distribution plans. It has declared dividend distribution in cash to its shareholders for four consecutive years and shared development results with its shareholders.

IV. IMPROVING RISK PREVENTION AND CONTROL CAPABILITY AND CONSOLIDATING THE FOUNDATION FOR HIGH-QUALITY DEVELOPMENT

The Company steadily advanced the rule of law and risk prevention and control, enhanced the deployment on compliance management and continued to improve the capability on operation in accordance with laws the level of and compliance governance. It actively carried out comprehensive risk management, effectively facilitated risk identification, prevention and control, optimized annual risk quota and monitoring indicators and constantly refined risk management systems and operation mechanisms to enhance internal control and management level. In 2022, the overall risk prevention and control of the Company was accurate and effective and all business segments achieved sound development.

V. DEVOTED TO GREEN AND ZERO-CARBON DEVELOPMENT AND ENHANCING NEW RESILIENCE OF HIGH-QUALITY DEVELOPMENT

The Company continued to improve the ESG governance and integrated the special strategic planning on ESG into the "14th Five-year" development plan of the Company to promote the comprehensive implementation of the ESG concept in an orderly manner. In 2022, the Company obtained various recognitions over its ESG management work. The analysis on risks and opportunities related to climate change in the Sustainability Report of the Company was displayed by The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") as an excellent case in TCFD trainings and was awarded the "GoldenBee Excellent CSR Report 2022 – Environmental Protection Disclosure Award" and the prize of the "2022 ESG Golden Bull Award – Pioneer in Governance".

The construction of two 700TEU electric container vessels of the Company was successively commenced. The project is an important measure for the Company to actively practice the national carbon peaking and carbon neutrality strategies and develop demonstration for green and zero-carbon shipping, and won the "Green Growth" Award at the United Nations Industrial Development Organization (UNIDO) Global Call 2022. It was released at the 2023 Pudong New Area Conference on High-quality Development of Core Area of International Shipping Center as one of the annual Top 10 innovation cases in international shipping in Pudong New Area.

In addition, the Company organized the establishment of the China Electric Ship Innovation Alliance to integrate advantageous resources in all links of green shipping industrial chains, jointly promote a green shipping system on the coordinated development of relevant ancillary industries and better facilitate the implementation of the carbon peaking and carbon neutrality strategies in the shipping industry.

VI. PRACTICING SOCIAL AND PUBLIC WELFARE PROGRAMS AND ADHERING TO SENSE OF RESPONSIBILITY ON HIGH-QUALITY DEVELOPMENT

The Company actively participated in practices on pairing assistance, continuously consolidated and expanded the achievements in poverty alleviation, led the industrial development in assisted areas and contributed to rural revitalization. The Company vigorously carried out charitable and public welfare activities and organized student assistance and other public welfare activities to convey warmth and hope. The Company cared about staff health and development and strived to create more possibilities for each of its staff and jointly build a sustainable future with its staff.

OUTLOOK

In 2023, the global economic situation will remain complex and severe and the economic development will face the challenges of various uncertainties. With the gradual unleashing of the effect of a package of economic stabilization policies and the gradual enhancement of new drivers to economic growth, the new horizon of the high-quality development of the PRC economy will embrace new opportunities. In the coming period, the shipping industrial chains will resume periodic fluctuations in supply and demand while the digital, intelligent, green and low-carbon transformation and upgrading will further integrate into the global shipping logistics ecosystem. The shipping industrial chain will step into the new normal with resilient development.

The Company will be devoted to the re-upgrading of service capabilities of industry and finance. With value creation as the orientation, risk management as the driver, low-carbon transformation as an opportunity and driven by scientific and technological innovation, the Company will constantly accumulate momentum for high-quality and sustainable development.

For the shipping leasing segment, the Company will further focus on the digitalization of the shipping industrial chains and the transformation and upgrading of energy conservation and emission reduction, strengthen the judgment on the trends of the shipping market segments, explore market demand in the green and low-carbon transformation of vessels and shipping equipment, promote innovation in business models and enhance the professional service capabilities on the integration of industry and finance.

For the container leasing segment, the Company will constantly improve the global network, seize market opportunities to conduct precision marketing and continue to enhance professional services on reefer containers and special containers; further promote digital empowerment and build the service ecosystem on customer-centric digital supply chains. Meanwhile, the Company will optimize the allocation of resources, bolster the market influence of container leasing and sales businesses and continuously boost the value creation capability.

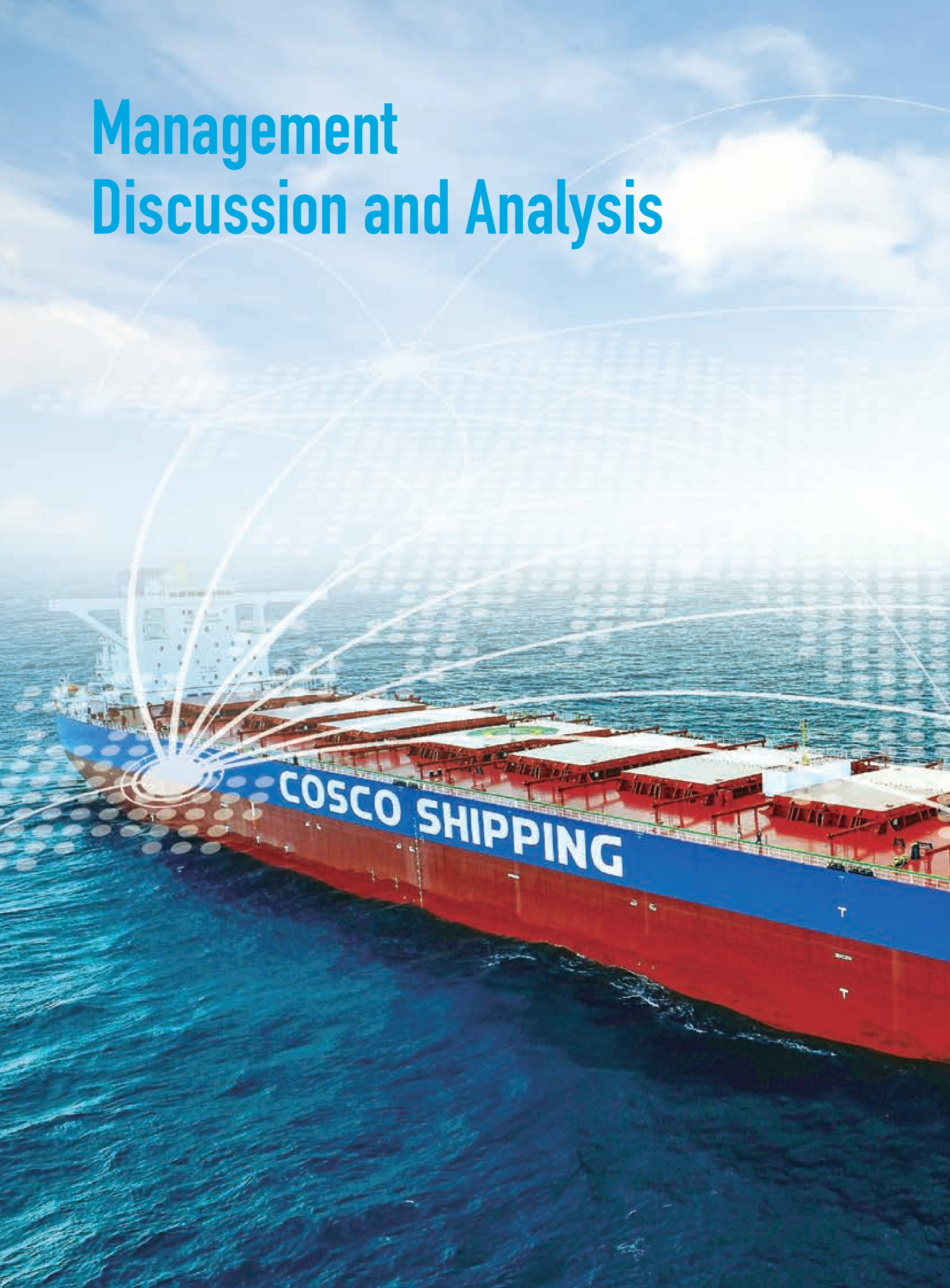
For the container manufacturing segment, the Company will strengthen the synergy of container leasing and manufacturing industrial chains and develop leasing, manufacturing and marketing "complexes"; build our brand image with integrity and quality, enhance customer stickiness and achieve win-win results and mutual benefit; bolster market insight, actively promote market exploitation for special containers and develop special containers with the characteristics of the Company. Meanwhile, the Company will vigorously advance the establishment of the ecosystem on digital and intelligent containers and accumulate strong development power.

For investment management segment, the Company will strengthen judgment on the capital market and continue to optimize investment portfolios and improve investment returns. Meanwhile, the Company will strengthen the integration of industry and finance and provide intelligence and capital injection services for the "digital, networking and intelligent" development of the shipping logistics industry to boost industry upgrading.

In addition, the Company will continuously reinforce the risk management system, beef up internal control and supervision to safeguard development safety, and further improve the construction of the safety production system and consolidate the foundation for development; actively practice sustainable development and build development brands.

As we set sail for a new journey, new trends stimulate new momentum and new opportunities promote new development. COSCO SHIPPING Development will take root in the integration of industry and finance, establish in digital and intelligent empowerment, focus on value creation and forge ahead with the pursuit of excellence to embark on a new journey of high-quality development.

Management Discussion and Analysis




COSCO
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OPERATING ENVIRONMENT

In 2022, the international situation was complex and global inflation continued to spread, which had a profound impact on the global economy and financial markets. The growth momentum of global trade declined, and the shipping industry faced challenges. In 2023, the global economic and political environment is severe and complex, and economic development and commodity trade are facing challenges. However, with the gradual release of the effect of a package of economic stabilization policies in China, China's high-quality economic development has opened up a new situation, ushering in new opportunities and injecting new momentum into the recovery of the world economy. The container shipping industry will face realistic challenges such as slowing demand growth and increasing transportation capacity supply, and will enter the rational development trend of cyclical fluctuation, while the transformation and upgrading of digital intelligence and green low-carbon will further integrate into the global shipping logistics ecology, and the shipping industry chain will enter the new normal of resilient development.

For the shipping leasing market, the demand for ship leasing has slowed down in the past two years, and coupled with factors such as rising market benchmark interest rates, the market has become more competitive. However, with the new development trend of the shipping market, there are new opportunities in the market in future. The global green agenda is further promoted and the demand for green financing in the market continues to increase.

For container leasing, as the shipping supply chain gradually returns to normal, some empty containers flow back to the market, which to a certain extent affects the rental demand of shipping companies, and the overall market demand has slowed down. The overall rent level in 2023 will fluctuate due to the impact of future market supply and demand. In the long run, under the influence of factors such as the demand for container allocation and the renewal of old containers with new market capacity, the demand for container leasing will gradually return to a stable situation.

For container manufacturing, in 2023, the container manufacturing market is still facing challenges such as inflation in overseas economies and a decline in the growth momentum of export trade, and overall demand will slow down. However, it still maintains a supportive foundation and resilience: the demand for renewal of old containers, shipping companies with new capacity to increase inventory of new containers, and the expansion of demand for diversified special containers in container application scenarios, etc., will promote the gradual formation of a new balance in the future container market.

1. STRATEGIC POSITION

COSCO SHIPPING Development will integrate shipping logistics-related resources including cargo source, capital, information and equipment, and fully leverage its advantages in the shipping industry to serve and empower the shipping logistics industry, expand the capital flow value of the shipping logistics ecosystem, and develop into an excellent world-class industry and finance operator in the shipping industry with COSCO SHIPPING characteristics.

2. DEVELOPMENT GOALS

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

3. DEVELOPMENT PLANS

(1) *Shipping leasing business*

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

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

(2) Container manufacturing business

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

(3) Investment management

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

MAJOR RISKS AND COUNTERMEASURES

1. MACROECONOMIC RISKS

At present, the world is undergoing changes at an accelerated pace, with increased fluctuation sources and risk triggers, the increased volatility in overseas financial markets as a result of the local liquidity crisis in the banking sector in Europe and the United States, ongoing international geopolitical conflicts and further escalation and intensification, the re-arrangement of the global trade and industrial chains, the internal recovery of the economy moving forward in the midst of twists and turns, and more and greater predictable and unpredictable risks and challenges. As the Company is a shipping industry-finance operating platform that focuses on shipping leasing, container leasing and container manufacturing business and relies on shipping industry experience, with an extensive business network at home and abroad, it has broad exposure to macroeconomic environment both domestically and globally. To tackle the macroeconomic uncertainties, the Company has built and kept improving its risk monitoring and management system to guarantee operation and asset security.

2. CREDIT RISK

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

3. MARKET RISK

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

4. CAPITAL LIQUIDITY RISK

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

5. STRATEGY RISK

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

6. COMPANY-WIDE CONCENTRATION RISK

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

7. RISK OF INDUSTRY COMPETITION

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

8. ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE RISKS

Environmental, social and corporate governance (ESG) risks refer to the combination of environmental, social and corporate governance risks that the Company faces. The Company continues to improve its governance system for sustainable development, systematically identifies and manages ESG risks, integrates production safety, environmental protection and other ESG risk monitoring indicators into the comprehensive risk management framework system, and regularly collects relevant risk information through the information system. Timely analyze and evaluate the performance of indicators and carry out effective control and response.

9. POLICY RISK

Changes in domestic and international political policy factors, including changes in geopolitics, industrial policies, energy and resource policies, may affect the normal implementation of the Company's strategies and operating plans. The Company adhered to the development strategy of its principal businesses, paid active attention to changes in the international political environment and policies and regulations, strengthened the tracking and research of relevant domestic and foreign laws and regulations, macro and industry policies, incorporated potential policy risk factors into its strategic decision-making and feasibility studies for material projects, established and implemented a sanction risk prevention and control system to effectively identify and respond to policy risks.

FINANCIAL REVIEW OF THE GROUP

The Group recorded revenue of RMB25,464,673,000 during the Period, representing a decrease of 27.1% as compared with revenue of RMB34,914,585,000 for the same period of last year; profit before income tax from continuing operations amounted to RMB4,828,038,000, representing a decrease of 38.3% as compared with profit of RMB7,830,582,000 for the same period of last year; profit attributable to owners of the parent of the Company for the year amounted to RMB3,923,130,000, representing a decrease of 35.6% as compared with the profit of RMB6,089,321,000 for the same period of last year.

Analysis of segment results is as follows:

Unit: RMB' 000

	Revenue			Cost		
Segment	**2022**	**2021**	**Change (%)**	**2022**	**2021**	**Change (%)**
Shipping leasing business	**7,845,690**	8,043,308	(2.5)	**3,879,840**	5,265,024	(26.3)
Container manufacturing business	**20,541,844**	31,275,636	(34.3)	**17,918,069**	23,707,551	(24.4)
Investment management business	**168,256**	261,797	(35.7)	**24,866**	50,318	(50.6)
Offset amount	**(3,091,117)**	(4,666,156)	(33.8)	**(2,875,710)**	(4,077,959)	(29.5)
Total	**25,464,673**	34,914,585	(27.1)	**18,947,065**	24,944,934	(24.0)

1. ANALYSIS OF SHIPPING LEASING BUSINESS

1) *Operating Revenue*

The Group recorded revenue from the leasing business of RMB7,845,690,000 for the year ended 31 December 2022, representing a decrease of 2.5% as compared with the revenue of RMB8,043,308,000 for the same period of last year, which accounted for 30.8% of the total revenue of the Group.

Revenue from the vessel leasing business amounted to RMB2,408,963,000, representing an increase of 16.6% as compared with the revenue of RMB2,066,578,000 for the same period of last year. The increase was mainly due to the year-on-year increase of the scale of fleet under operating leases. As at 31 December 2022, the number and amount of the Group's vessel assets under operating leases increased by 21.7% and 23.9% year-on-year, respectively.

Revenue from leasing, management and sales of containers amounted to RMB5,436,727,000, representing a decrease of 9.0% as compared with the revenue of RMB5,976,730,000 for the same period of last year. The decrease was mainly due to the decline in the container leasing market as a result of changes in market supply and demand, and the gradual adjustment of container rental rates and old container sales prices from high levels.

2) *Operating Costs*

Operating costs of the leasing business mainly include the depreciation and maintenance costs of self-owned vessels and containers, net carrying value of sale of containers returned upon expiry and interest costs of finance lease business. Operating costs of the leasing business for the year ended 31 December 2022 amounted to RMB3,879,840,000, representing a year-on-year decrease of 26.3% as compared with the costs of RMB5,265,024,000 for the same period of last year, which was mainly due to the year-on-year decrease of the cost for sales of old containers.

3) *Details of the Company's finance leasing business*

The Group entered into finance lease arrangements with leased assets for certain vessels, machinery, equipment and facilities used in shipping, transportation and logistics industries, etc. The terms of finance leases entered into mainly range from one to ten years. The interest rate of finance leases mainly ranges from 1.91% to 13.92%. Finance lease receivables of the Group are secured over the assets leased. As of 31 December 2021 and 31 December 2022, the total present value of minimum finance lease receivables of the Company amounted to RMB35,075,510,000 and RMB35,444,820,000, respectively.

As of 31 December 2021 and 31 December 2022, the balance of finance lease transactions for the largest single client of the Group accounted for approximately 11.23% and 12.18% of the total assets of the Group, respectively, while the balance of finance lease transactions for the largest single group client accounted for approximately 17.86% and 19.19% of the total assets of the Group, respectively.

The following table sets forth the degree of concentration of single client and single group client of the Group as at 31 December 2022:

Concentration indicator	**Balance of finance lease transactions as of 31 December 2022 (RMB)**	**Balance of finance lease transactions as a percentage of the total assets of the Group**
Degree of concentration of single client financing	15,601,192,000	12.18%
Degree of concentration of single group client financing	24,581,948,000	19.19%

The following table sets forth details of the balance of finance lease transactions of the top ten single clients of the Group as of 31 December 2022:

Name of the client	Business segment	Balance of finance lease transactions (RMB)	Percentage of finance lease related assets before allowance for impairment losses
Client A Note (1)	Ship leasing	15,601,192,000	44.02%
Client B Note (1)	Ship leasing	5,157,127,000	14.55%
Client C Note (1)	Ship leasing	3,823,629,000	10.79%
Client D	Container leasing	2,702,144,000	7.62%
Client E	Ship leasing	769,204,000	2.17%
Client F	Ship leasing	548,077,000	1.55%
Client G	Ship leasing	432,149,000	1.22%
Client H	Ship leasing	253,436,000	0.72%
Client I	Ship leasing	253,436,000	0.72%
Client J	Ship leasing	245,807,000	0.69%
Total	**–**	**29,786,201,000**	**84.05%**

Note:

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

The following table sets forth the industrial distribution of net amount of finance lease receivables of the Group as at 31 December 2022:

Business segment	Balance of finance lease transactions at 31 December 2022 (RMB in 100 millions)	Percentage of finance lease related assets before allowance for impairment losses
Ship leasing	317.05	89.45%
Transportation and logistics	8.54	2.41%
Container leasing	28.86	8.14%
Total	**354.45**	**100%**

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

(1) the shipping leasing division (航運租賃事業部) of the Company has implemented an asset management policy to proactively manage potential risks in connection with the Company's leased assets;

(2) the asset management department (資產管理部門) of the Company's shipping leasing division conducts regular inspections of the leased assets to identify any potential risks in the lessees' operations and to ensure that the leased assets are in satisfactory condition. On-site inspections shall be carried out immediately in the event of emergency (including but not limited to serious accidents, seizure of the leased assets by authorities, or bankruptcy of the lessees);

(3) in the event of non-payment of rent, the asset management department will attempt to collect the unpaid amount and any interests thereof from the lessee by making telephone or written demand, or carry out onsite collection from the lessees, depending on the number of day(s) such payment is overdue and the circumstances of the lessees;

(4) depending on factors such as the value of the leased assets, business operations and creditworthiness of the lessees and how the Company monitors the assets, the asset management department categorizes the leased assets into five classes and takes appropriate monitoring/collection actions according to the classes assigned to specific assets from time to time; and

(5) for leased assets the rental payment of which is overdue for more than 30 days, the shipping leasing division may further attempt to collect from the lessees, bring legal or arbitral proceedings against the lessees, or apply for seizure of property or specific performance from the court, depending on the circumstances.

2. ANALYSIS OF CONTAINER MANUFACTURING BUSINESS

1) Operating Revenue

For the year ended 31 December 2022, the Group's container manufacturing business realized operating revenue of RMB20,541,844,000, representing a year-on-year decrease of 34.3% as compared with the revenue of RMB31,275,636,000 for the same period of last year, primarily attributable to the declined demand for new containers in the second half of the year as a result of the increase in the number of containers in the market and gradual recovery of the container turnover rate. During the Period, the aggregate container sales was 958,900 TEU, representing a year-on-year decrease of 41.7% as compared with 1,645,000 TEU 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 amounted to RMB17,918,069,000 for the year ended 31 December 2022, representing a year-on-year decrease of 24.4% as compared with the costs of RMB23,707,551,000 for the same period of last year. Such decrease was mainly due to the decrease in production costs such as materials and labor costs as the sales volume of containers decreased.

3. ANALYSIS OF INVESTMENT MANAGEMENT BUSINESS

1) Operating Revenue

For the year ended 31 December 2022, the investment management business realized revenue of RMB168,256,000, representing a year-on-year decrease of 35.7% as compared with the revenue of RMB261,797,000 for the same period of last year, primarily due to the Company's reasonable slowdown in the scale of factoring business according to market conditions.

2) Operating Costs

For the year ended 31 December 2022, the operating costs were RMB24,866,000, representing a decrease of 50.6% as compared with the costs of RMB50,318,000 for the same period of last year, mainly due to a corresponding decrease in operating costs as a result of a reduction in the scale of investments.

3) Investment Income

For the year ended 31 December 2022, the net income from the investment management business was RMB1,783,828,000, representing an increase of 25.5% as compared with the income of RMB1,420,835,000 for the same period of last year, mainly due to the improvement in the efficiency of some associates and joint ventures.

GROSS PROFIT

Due to the above reasons, the Group recorded gross profit of RMB6,517,608,000 for the year ended 31 December 2022 (gross profit for the same period of last year: RMB9,969,651,000).

SIGNIFICANT SECURITIES INVESTMENT

As of 31 December 2022, the Group's equity investments in associates and joint ventures generated a profit of RMB1,624,999,000, which was mainly attributable to the profits from China Everbright Bank Co., Ltd., Powchan Financial Group Co., LTD. and China Bohai Bank Co., Ltd. for the year.

1. *Shareholdings in Other Listed Companies*

Stock code	Company name	Investment cost *(RMB)*	Shareholding at the beginning of the Period *(%)*	Shareholding at the end of the Period *(%)*	Book Value at the end of the Period *(RMB)*	Gain during the Period *(RMB)*	Changes in other reserve during the Period *(RMB)*	Gain from the disposal *(RMB)*	Dividends received during the Period *(RMB)*	Accounting ledger	Sources of the shareholding
09668	China Bohai Bank Co., Ltd.	5,749,379,000	11.12	11.12	9,976,479,000	573,564,000	(25,047,000)	–	171,852,000	Investment in associates	Purchase
601818/06818	China Everbright Bank Co., Ltd.	3,398,255,000	1.34	1.34	5,295,176,000	535,946,000	(50,143,000)	–	145,524,000	Investment in associates	Purchase
000039/02039	China International Marine Containers (Group) Co., Ltd.	784,978,000	3.61	1.53	582,702,000	87,917,000	5,445,000	88,610,000	37,754,000	Financial assets at fair value through profit or loss	Purchase
600643	Shanghai AJ Group Co., Ltd.	25,451,000	0.22	0.22	19,513,000	–	–	–	778,000	Financial assets at fair value through profit or loss	Purchase
600390	Minmetals Capital Co., Ltd.	1,207,117,000	3.17	3.17	724,984,000	–	–	–	19,266,000	Financial assets at fair value through profit or loss	Purchase
Total		**11,165,180,000**	/	/	**16,598,854,000**	**1,197,427,000**	**(69,745,000)**	**88,610,000**	**375,174,000**		

2. *Shareholdings in Financial Enterprises*

Name of investee	Investment amount *(RMB)*	Shareholding at the beginning of the Period *(%)*	Shareholding at the end of the Period *(%)*	Book Value at the end of the Period *(RMB)*	Gain during the Period *(RMB)*	Changes in other reserve during the Period *(RMB)*	Gain from the disposal *(RMB)*	Dividends received during the Period *(RMB)*	Accounting ledger	Sources of the shareholding
Bank of Kunlun Co., Ltd.	1,077,153,000	3.74	3.74	1,483,088,000	102,999,000	(1,412,000)	–	38,076,000	Investment in associates	Purchase
CIB Fund Management Co., Ltd.	100,000,000	10.00	10.00	433,449,000	38,349,000	–	–	5,000,000	Investment in associates	Purchase
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd.	125,000,000	25.00	25.00	32,992,000	(96,985,000)		–	–	Investment in joint ventures	Purchase
Chinese Enterprise Elephant Financial Information Services Company Limited	12,500,000	14.29	14.29	14,410,000	(35,000)	–	–	–	Investment in associates	Purchase
Shanghai COSCO SHIPPING Microfinance Company Limited	90,000,000	45.00	45.00	91,990,000	5,693,000	–	–	9,891,000	Investment in associates	Purchase
COSCO SHIPPING Finance Company Limited	2,914,166,000	23.38	13.38	3,096,583,000	126,324,000	(434,000)	4,968,100	–	Investment in associates	Purchase
Powchan Financial Group Co., LTD.	3,575,320,000	49.70	40.81	3,867,936,000	377,487,000	(76,557,000)	–	111,514,000	Investment in associates	Purchase
Total	**7,894,139,000**	/	/	**9,020,448,000**	**553,832,000**	**(78,403,000)**	**4,968,100**	**164,481,000**		

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

Name of Investee	Exchange	Principal businesses
China Bohai Bank Co., Ltd.	Hong Kong Stock Exchange	Bank business
Bank of Kunlun Co., Ltd.	/	Bank business
Powchan Financial Group Co., LTD.	/	Leasing business
CIB Fund Management Co., Ltd.	/	Fund management business
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd.	/	Leasing business
Chinese Enterprise Elephant Financial Information Services Company Limited	/	Financial information service
Shanghai COSCO SHIPPING Microfinance Company Limited	/	Loan extending and other business
COSCO SHIPPING Finance Company Limited	/	Bank business
China International Marine Containers (Group) Co., Ltd. ("**CIMC**")	Shenzhen Stock Exchange/ Hong Kong Stock Exchange	Manufacturing and sales of containers
Shanghai AJ Group Co., Ltd.	Shanghai Stock Exchange	Investment in industries and other financial business
China Everbright Bank Co., Ltd.	Shanghai Stock Exchange/ Hong Kong Stock Exchange	Bank business
Minmetals Capital Co., Ltd.	Shanghai Stock Exchange	Integrated financial business

The stock market was volatile in 2022. The Company expects that the investment portfolio of the Group (including the above major investments) will be subject to, among other things, the movement of interest rates, market factors and macroeconomic factors. Moreover, the market value of individual shares will be affected by relevant companies' financial results, development plan as well as the prospects of the industry where they operate. To mitigate relevant risks, the Group will take appropriate measures in due course and adjust its investment strategies in response to the changes in market conditions.

INCOME TAX

From 1 January 2022 to 31 December 2022, the corporate income tax ("**CIT**") rate applicable to the Company and its other subsidiaries in the PRC was 25%.

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

SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

For the year ended 31 December 2022, the Group's selling, administrative and general expenses were RMB1,233,738,000, representing a decrease of 14.8% as compared with the expenses for the same period of last year.

OTHER GAINS, NET

For the year ended 31 December 2022, other gains of the Group were RMB344,353,000, representing an increase of approximately RMB30,787,000 as compared with other gains of RMB313,566,000 for the same period of last year, which was mainly attributable to the increase in exchange income caused by the fluctuation of the exchange rate between USD and RMB in the Period.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT FOR THE YEAR

For the year ended 31 December 2022, the profit attributable to owners of the parent of the Company for the year was RMB3,923,130,000, representing a decrease of 35.6% as compared with the profit of RMB6,089,321,000 for the same period of last year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

ANALYSIS OF LIQUIDITY AND BORROWINGS

The Group's principal sources of liquidity are cash flow from operating business and short-term bank borrowings. The Group's cash is mainly used for expenses of operating cost, repayment of loans, construction of new vessels, procurement of containers, and support of the Group's financial leasing business. During the Period, the Group's net operating cash inflow was RMB11,212,791,000. As at 31 December 2022, the Group's cash and cash equivalents were RMB15,440,560,000.

As at 31 December 2022, the Group's total bank and other borrowings amounted to RMB84,445,080,000, with RMB35,925,365,000 repayable within one year, RMB19,056,186,000 repayable within two years, RMB21,828,523,000 repayable within three to five years and RMB7,635,006,000 repayable after five years. 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 31 December 2022, the Group's RMB-denominated corporate bonds payables amounted to RMB8,000,000,000, 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 RMB14,598,000,000. USD-denominated borrowings at fixed interest rates amounted to USD1,090,915,000 (equivalent to approximately RMB7,597,785,000), RMB-denominated borrowings at floating interest rates amounted to RMB6,559,154,000, and USD-denominated borrowings at floating interest rates amounted to USD7,996,172,000 (equivalent to approximately RMB55,690,141,000). 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 31 December 2022, the Group's net current liabilities amounted to RMB17,185,563,000. Current assets mainly included inventories of RMB4,049,879,000, trade and notes receivables of RMB556,145,000, prepayments and other receivables of RMB527,972,000, financial assets at fair value through profit or loss of RMB639,606,000, the current portion of finance lease receivables of RMB3,170,009,000, cash and cash equivalents of RMB15,440,560,000, restricted deposits of RMB120,443,000, factoring receivables of

RMB329,380,000. Current liabilities mainly included trade payables of RMB2,479,634,000, other payables and accruals of RMB2,968,317,000, contract liabilities of RMB304,062,000, tax payable of RMB303,090,000, bank and other borrowing of RMB35,925,365,000, and current portion of lease liabilities of RMB39,089,000.

CASH FLOWS

For the year ended 31 December 2022, the Group's net cash inflow generated from operating activities was RMB11,212,791,000, denominated principally in RMB and USD, representing a decrease of RMB3,293,004,000 as compared with the net cash inflow generated from operating activities of RMB14,505,795,000 for the corresponding period of 2021. 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 31 December 2022 decreased by RMB2,430,587,000 as compared with that at the beginning of the Period, mainly because the net cash outflow generated from financing activities exceeded the net cash inflow generated from investing activities and operating activities.

The following table provides the information regarding the Group's cash flow for the years ended 31 December 2022 and 31 December 2021:

Unit: RMB

	2022	2021
Net cash generated from operating activities	**11,212,791,000**	14,505,795,000
Net cash used in investing activities	**(300,660,000)**	(15,136,136,000)
Net cash (used in)/generated from financing activities	**(14,492,259,000)**	5,901,791,000
Impact of exchange rate movement on cash	**1,149,541,000**	(189,797,000)
Net (decrease)/increase in cash and cash equivalents	**(2,430,587,000)**	5,081,653,000

NET CASH GENERATED FROM OPERATING ACTIVITIES

For the year ended 31 December 2022, the net cash inflow generated from operating activities was RMB11,212,791,000, representing a decrease of RMB3,293,004,000 as compared with RMB14,505,795,000 of net cash inflow generated from operating activities for the same period of last year. The Group's cash flow generated from operating activities was mainly due to the decrease in the business volume of the container segment.

NET CASH USED IN INVESTING ACTIVITIES

For the year ended 31 December 2022, the net cash outflow generated from investing activities was RMB300,660,000, representing a decrease of RMB14,835,476,000 as compared with RMB15,136,136,000 of net cash outflow used in investing activities for the same period of last year. The increase in the Group's net cash generated from investing activities was mainly due to the deconsolidation of Powchan Financial Group Co., LTD. (海發寶誠融資租賃有限公司)(formerly known as COSCO SHIPPING Leasing Co., Ltd. (中遠海運租賃有限公司)) for the Period and the slow down of the investment in vessels and container leasing business according to market conditions.

NET CASH USED IN FINANCING ACTIVITIES

For the year ended 31 December 2022, the net cash outflow used in financing activities was RMB14,492,259,000, representing a decrease of RMB20,394,050,000 as compared with the net cash inflow generated from financing activities of RMB5,901,791,000 for the same period of last year, primarily because the Group continued to promote "reducing leverage and liabilities", fully optimized the Company's capital structure, reduced the scale of liabilities, strictly controlled the costs of funding and rewarded shareholders with dividends. For the year ended 31 December 2022, the Group's new bank and other borrowings amounted to RMB51,756,670,000, repayment of bank and other borrowings amounted to RMB54,912,204,000, and proceeds from new issuance of bonds amounted to RMB10,000,000,000.

USE OF PROCEEDS AND FUTURE PLANS

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

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

As of 31 December 2022, the use of proceeds from the Non-public Issuance of A Shares is as follows:

Unit: RMB

Item	Amount of proceeds
Net proceeds	1,460,904,954.84
Less: total accumulated proceeds used	1,352,762,791.74
Including: amount of projects financed by the proceeds in 2022	1,121,951,717.00
Portion of replacement of the pre-invested internal funds with the proceeds	230,811,074.74
Less: bank charges	618.57
Plus: interest income recorded in the special account	1,182,840.68
Balance in the special account for proceeds as of 31 December 2022	109,324,385.21

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

Unit: RMB

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

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

As of 31 December 2022, the use of proceeds from the Non-public Issuance of A Shares is as follows:

Unit: RMB0'000

Item	Total committed investment of proceeds	Total investment of proceeds after adjustment	Proceeds utilized	Proceeds unutilized	Date of project reaching the scheduled usable status
Production lines technology transformation project	19,400.00	19,400.00	19,412.99	–	May 2023
Container production lines technology transformation project	20,000.00	20,000.00	16,773.87	3,226.13	July 2023
Logistics equipment transformation project	9,200.00	9,200.00	4,035.33	5,164.67	May 2024
Information system upgrade and setup project	8,800.00	8,800.00	6,363.59	2,436.41	May 2023
Replenishment of the working capital of the Company	89,000.00	88,690.50	88,690.50	–	N/A
Total	146,400.00	146,090.50	135,276.28	10,827.21	–

As of 31 December 2022, the use and intended use of proceeds from the Non-public Issuance of A Shares are in line with the use of proceeds as previously disclosed. For the details of intended use of proceeds from the Non-public Issuance of A Shares, please refer to the circular of the Company dated 24 May 2021 and the relevant overseas regulatory announcements.

TRADE AND NOTES RECEIVABLES

As at 31 December 2022, the Group's net amount of trade and notes receivables was RMB556,145,000, representing a decrease of RMB816,161,000 as compared with the same period of last year, of which note receivables increased by RMB14,285,000 and trade receivables decreased by RMB830,446,000.

GEARING RATIO ANALYSIS

As of 31 December 2022, the Group's net gearing ratio (i.e. net debts over shareholders' equity) was 266%, higher than 223% of last year. The net gearing ratio increased slightly compared to last year.

FOREIGN EXCHANGE RISK ANALYSIS

Revenues and costs of the Group's shipping leasing business and container manufacturing operations are settled or denominated in USD. As a result, the impact on the net operating revenue due to RMB exchange rate fluctuation can be offset by each other to a certain extent. During the Period, the Group recorded an exchange gain of RMB1,149,947,000, which was mainly due to fluctuations of the USD exchange rate in 2022; the increase in exchange difference which was charged to equity attributable to shareholders of the parent company amounted to RMB453,533,000. The Group will continue to monitor the exchange rate fluctuation of RMB and major international settlement currencies, reduce the loss arising from exchange rate fluctuation, and take appropriate measures to mitigate the Group's foreign exchange risk when necessary.

CAPITAL EXPENDITURES

For the year ended 31 December 2022, the Group's expenditures on the acquisition of container vessels, vessels under construction and containers and other expenditures amounted to RMB6,877,625,000, expenditures on the acquisition of financial lease assets amounted to RMB4,224,975,000.

CAPITAL COMMITMENTS

As at 31 December 2022, the Group had RMB471,600,000 in capital commitment to property, plant and equipment which had been contracted but not provided for, and RMB64,972,000 in equity investment commitment.

PLEDGE

As at 31 December 2022, certain container vessels and containers with net carrying value of approximately RMB18,611,895,000 (31 December 2021: RMB18,672,682,000), finance lease receivables of RMB12,969,610,000 (31 December 2021: RMB12,497,828,000) and pledged deposits of RMB5,340,000 (31 December 2021: RMB57,775,000) 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

References are made to the announcement and the circular of the Company respectively dated 19 May 2022 and 9 June 2022, in relation to the shareholding restructuring and the capital increase agreement of COSCO SHIPPING Finance Company Limited ("**COSCO SHIPPING Finance**").

Pursuant to the shareholding restructuring, the following agreements were entered into by relevant parties on 19 May 2022:

(1) the equity transfer agreement entered into by COSCO SHIPPING Holdings Co., Ltd.("**COSCO SHIPPING Holdings**"), COSCO International Freight Co., Ltd., COSCO (Tianjin) Co., Ltd., COSCO (Qingdao) Co., Ltd., COSCO (Xiamen) Co., Ltd., China Marine Bunker (Petro China) Co., Ltd., COSCO Shipbuilding Industry Company Ltd. and COSCO Shipyard Group Co., Ltd., pursuant to which COSCO SHIPPING Holdings conditionally agreed to purchase an aggregate of 15.1258% of the equity interests of COSCO SHIPPING Finance from other parties thereto;

(2) the equity transfer agreement entered into by China Ocean Shipping Company Limited ("**COSCO**") and the Company, pursuant to which the Company conditionally agreed to sell and COSCO conditionally agreed to purchase 10.0000% of the equity interests of COSCO SHIPPING Finance;

(3) the equity transfer agreement entered into by COSCO SHIPPING Logistics Co., Ltd.("**COSCO SHIPPING Logistics**"), China Ocean Shipping Agency Co., Ltd. ("**China Agency**") and China Ocean Shipping Tally Co., Ltd. ("**China Tally**"), pursuant to which COSCO SHIPPING Logistics conditionally agreed to purchase, China Agency and China Tally conditionally agreed to sell an aggregate of 4.8018% of the equity interests of COSCO SHIPPING Finance; and

(4) the equity transfer agreement entered into by COSCO SHIPPING Specialized Carriers Co., Ltd. ("**COSCO SHIPPING Specialized**") and Guangzhou Ocean Shipping Co., Ltd. ("**Guangzhou Ocean**"), pursuant to which COSCO SHIPPING Specialized conditionally agreed to purchase and Guangzhou Ocean conditionally agreed to sell 3.5214% of the equity interests of COSCO SHIPPING Finance.

In addition to the shareholding restructuring, in order to increase the capital adequacy ratio for COSCO SHIPPING Finance to further develop its business and enhance its overall profitability, on 19 May 2022, each of the post-restructuring shareholders (including (1) the Company, (2) COSCO SHIPPING Lines Co., Ltd., (3) China COSCO Shipping Corporation Ltd., (4) COSCO, (5) COSCO SHIPPING Holdings, (6) COSCO SHIPPING Energy Transportation Co., Ltd., (7) COSCO SHIPPING Specialized and (8) COSCO SHIPPING Logistics) entered into the capital increase agreement, pursuant to which the post-restructuring shareholders conditionally agreed to increase the registered capital of COSCO SHIPPING Finance by an aggregate of RMB13,500,000,000 (equivalent to approximately HK$16,200,000,000) in proportion to their respective shareholdings of COSCO SHIPPING Finance after completion of the shareholding restructuring. Accordingly, the Company agreed to contribute RMB1,806,840,000 (equivalent to approximately HK$2,168,208,000) pursuant to the capital increase agreement. Upon completion of the shareholding restructuring and the capital increase, the registered capital of COSCO SHIPPING Finance will be increased from RMB6,000,000,000 to RMB19,500,000,000, while the shareholding by the Company in COSCO SHIPPING Finance will remain at 13.3840%.

For further details, please refer to the announcement dated 19 May 2022, the circular dated 9 June 2022 and the announcement on poll results of the 2021 annual general meeting of the Company dated 30 June 2022.

SUBSEQUENT EVENTS

On 30 March 2023, the Board proposed the payment of a final dividend of RMB0.087 per share (inclusive of applicable tax) for the year ended 31 December 2022, totaling approximately RMB1,176,884,731.77 calculated based on 13,527,410,710 shares, being the total number of issued shares of the Company of 13,573,299,906 as at 30 March 2023 deducting 45,889,196 A shares repurchased by the Company, which is subject to the approval of shareholders of the Company at the forthcoming annual general meeting (the "**AGM**") of the Company.

CONTINGENT LIABILITIES

As at 31 December 2022, there were no significant contingent liabilities for the Group.

EMPLOYEES, TRAINING AND BENEFITS

As of 31 December 2022, the Group had 10,586 employees, and the total staff costs for the Period (including staff remuneration, welfare cost and social insurance fees etc.) amounted to approximately RMB2,532,521,000 (including outsourced labour costs).

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

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

In addition, through the implementation of the stock option incentive scheme, the Company will further establish and improve the long-term incentive mechanism of the Company to attract and retain outstanding talents, fully mobilize the enthusiasm of the senior management and core staff of the Company, promote business innovation and expansion, and facilitate the achievement of the Company's long-term strategic objectives, thereby maximizing shareholder value and preserving the value of state-owned assets.

DIVIDEND

The Board proposed to distribute a final dividend of RMB0.087 per share (inclusive of applicable taxes) for the year ended 31 December 2022 (2021: RMB0.226 per share), subject to the approval of shareholders of the Company at the forthcoming AGM. The final dividend will be denominated and declared in RMB, payable to the holders of A shares and H shares of the Company in RMB and Hong Kong dollars, respectively within two months after the approval at the AGM.

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

EXECUTIVE DIRECTORS

MR. LIU CHONG (劉沖), AGED 52

is currently the chairman of the Board, an executive Director and secretary of the Party Committee of the Company, and a non-executive director of China Everbright Bank Company Limited, a non-executive director of China Cinda Asset Management Co., Ltd., and a non-executive director of China Merchants Securities Co., Ltd.. He successively served as the deputy director of the Guangzhou branch of the settlement centre of China Shipping (Group) Company; the deputy general manager of China Shipping Logistics Co., Ltd.; the chief accountant of China Shipping (Hainan) Haisheng Shipping Co., Ltd.; the chief accountant of China Shipping Container Lines Co., Ltd.; the general manager of China Shipping Investment Co., Ltd.; and an executive Director and the general manager of COSCO SHIPPING Development Co., Ltd.*. Mr. Liu graduated from Sun Yat-sen University majoring in economics and is a senior accountant.

MR. ZHANG MINGWEN (張銘文), AGED 44

is currently an executive Director, the general manager and deputy secretary of the Party Committee of the Company, and has more than 20 years of experience in shipping industry and extensive experience in areas including finance and capital management, shipping finance and capital operation. Mr. Zhang successively served as the deputy section chief, vice director of the capital centre of the planning and finance department, the assistant to the general manager of the planning and finance department, and the assistant to the general manager of the financial capital department of China Shipping (Group) Company, the deputy chief financial officer (副總會計師) and the chief financial officer (總會計師) of China Shipping Container Lines Co., Ltd., the chief financial officer (總會計師) of COSCO SHIPPING Development Co., Ltd.*, the chief financial officer (總會計師) of COSCO SHIPPING Holdings Co., Ltd., the chief financial officer of Orient Overseas (International) Limited, and a director, the chief financial officer and a member of the executive committee of Orient Overseas Container Line Ltd.. Mr. Zhang graduated from the Faculty of Finance of Shanghai University of Finance and Economics majoring in investment economics and from the Antai College of Economics & Management of Shanghai Jiao Tong University majoring in business administration, and obtained a bachelor’ s degree in economics and a master’ s degree in business administration. Mr. Zhang is a Chartered Financial Analyst (CFA) and a senior accountant.

NON-EXECUTIVE DIRECTORS

MR. HUANG JIAN (黃堅), AGED 53

is currently a non-executive Director. Mr. Huang has been serving as the general manager of the capital operation department of China COSCO Shipping Corporation Ltd. since September 2016. He previously held positions at the financial department and administrative department of a number of companies, and has financial-related management experience. His experience includes: serving as a director of COSCO SHIPPING Captive Insurance Co., Ltd. from August 2017; a director of Lanhai Medical Investment Co., Ltd. from May 2017; a non-executive director of COSCO SHIPPING Development Co., Ltd.* since June 2016; a non-executive director of China Merchants Securities Co., Ltd. from August 2012; a director of Shanghai Rural Commercial Bank Co., Ltd. from June 2018 to December 2022; a director of COSCO Shipping Technology Co., Ltd. from December 2017 to March 2019; the deputy general manager (in charge of work) of the capital operations department of China COSCO Shipping Corporation Ltd. from February to August 2016; the deputy general manager of the finance department of COSCO Group from February 2012 to February 2016; the chief financial officer and general manager of the finance department of COSCO Americas from November 2006 to February 2012; the vice president and the general manager of the finance department of COSCO Logistics (Americas) Inc. (formerly known as Intermodal Bridge Services Inc.) from September 2004 to November 2006; a staff member of COSCO Group with his last position being the chief of capital office of the finance department from July 1996 to September 2004; and a staff member of the finance department of Shenzhen Ocean Shipping Co., Ltd. from July 1993 to July 1996. Mr. Huang obtained a bachelor's degree in economics with a major in auditing from the Capital University of Economics and Business (formerly known as Beijing Institute of Finance and Trade) and a master's degree in business administration from Beijing University of Technology respectively in July 1992 and March 2002. Mr. Huang was qualified as an accountant and senior accountant by the Ministry of Finance in May 1997 and December 2015, respectively.

MR. LIANG YANFENG (梁岩峰), AGED 57

is currently a non-executive Director of the Company, the chairman of the board of directors and secretary of the Party Committee of COSCO SHIPPING Heavy Industry Co., Ltd., the chairman of the board of directors and secretary of the Party Committee of Shanghai Shipping Transportation Science Research Institute Co., Ltd./COSCO SHIPPING Technology Co., Ltd.. He successively served as the deputy director of the cadre department of the organization division of China Ocean Shipping (Group) Company, deputy general manager of the human resources department of China Ocean Shipping (Group) Company, deputy general manager of the human resources department and director of staff management department of China Ocean Shipping (Group) Company, the general manager, a member of the Party Committee and the director of COSCO talent service centre of COSCO Human Resources Development Company, the general manager of capital operations division of China Ocean Shipping (Group) Company, a standing committee member of Luzhou Municipal Committee of the Communist Party of China and the deputy mayor (temporary) of Luzhou Municipal Government of Sichuan Province, the deputy general manager of COSCO SHIPPING International Holdings Limited, the general manager of COSCO SHIPPING International Holdings Limited, the vice president, a member of the Party Committee and the legal counsel of COSCO (Hong Kong) Group Limited, the secretary of the Party Committee and deputy general manager of Dalian Ocean Shipping Company Limited; and the general manager and deputy secretary of the Party Committee of COSCO Shipyard Group Co., Ltd.. Mr. Liang Yanfeng obtained a master's degree and an executive master of business administration (EMBA) degree from Tsinghua University and is a senior economist.

MR. IP SING CHI (葉承智), AGED 69

is currently a non-executive Director of the Company, the group managing director of Hutchison Port Holdings Limited and the chairman of Yantian International Container Terminals Limited. Mr. Ip is also an executive director of Hutchison Port Holdings Management Pte. Limited; a non-executive director of Orient Overseas (International) Limited; an independent non-executive director of Piraeus Port Authority S.A.; and an independent non-executive director of Westports Holdings Berhad. He was the founding chairman (2000-2001) of the Hong Kong Container Terminal Operators Association Limited, and served as a non-executive director of Tradelink Electronic Commerce Limited; an external director of HMM Company Limited (formerly known as Hyundai Merchant Marine Co., Ltd.); an independent non-executive director of COSCO SHIPPING Ports Limited from November 2012 to October 2016; and an independent non-executive director of COSCO SHIPPING Energy Transportation Co., Ltd. from June 2014 to June 2020. Besides, Mr. Ip was a member of the Hong Kong Port Development Council from 2009 to the end of December 2014, with over 40 years of experience in the shipping industry. Mr. Ip holds a Bachelor of Arts degree.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MR. LU JIANZHONG (陸建忠), AGED 68

is currently an independent non-executive Director of the Company. Mr. Lu graduated from the department of accounting of Shanghai University of Finance and Economics with a bachelor's degree in economics in January 1983. He started his career in the field of finance in the same year. Mr. Lu was a lecturer and an Associate Professor of Finance and Accounting at the Shanghai Maritime University from September 1986 to August 1997; a certified accountant and a partner of the audit department of PricewaterhouseCoopers Zhong Tian LLP from September 1997 to June 2012; a partner of Shanghai De'an Certified Public Accountants LLP, the marketing director of Daxin Certified Public Accountants LLP, and a partner of Zhongxinghua Certified Public Accountants LLP from July 2012 to September 2016; and a certified accountant of Da Hua Certified Public Accountants LLP from October 2016 to December 2021. He has been a certified accountant of Zhongxinghua Certified Public Accountants LLP since January 2022. Currently, Mr. Lu concurrently serves as a supervisor of Hangzhou Hikvision Digital Technology Co., Ltd.; an independent director of Bomike Marine Engineering Company Limited; an independent director of Shanghai Xinnanyang Only Education & Technology Co., Ltd.; an independent non-executive director of Bank of Tianjin Co., Ltd.; and an independent director of Shanghai Weike Precision Moulding Co., Ltd.. Mr. Lu is an enterprise mentor for the Master of Professional Accounting (MPAcc)/the Master of Auditing programs (Maud) of Antai College of Economics and Management of Shanghai Jiao Tong University; an external expert of the Asset Securitization Task Group under the Economic Research Center of the State Council; and a member of Jiusan Society in the PRC.

MR. SHAO RUIQING (邵瑞慶), AGED 65

is currently an independent non-executive Director of the Company. Mr. Shao currently serves as an accounting professor (level-2 professor) in Shanghai Lixin University of Accounting and Finance, and a doctoral tutor in Shanghai Maritime University, and concurrently as an independent director of Shanghai International Port (Group) Co., Ltd., an independent non-executive director of China Everbright Bank Company Limited, an independent director of China Enterprise Co., Ltd., and an independent director of Arcplus Group Plc. He has been a professor in Shanghai Lixin University of Accounting and Finance since June 2016. He served as a professor in Shanghai Lixin University of Accounting from February 2015 to May 2016, a vice president and professor of Shanghai Lixin University of Accounting from February 2004 to January 2015, the dean, a professor and doctoral tutor of School of Economics and Management of Shanghai Maritime University from January 2002 to January 2014, the vice dean and a professor of School of Management of Shanghai Maritime University from October 1999 to December 2001, the head, an assistant professor and a professor of the Finance and Accounting Department of Shanghai Maritime University from May 1994 to September 1999, and a teaching assistant, a lecturer and an assistant professor of the Management Department and the Economics Department of Shanghai Maritime University from August 1982 to April 1994. Mr. Shao has been engaged in professional teaching and scientific research on accounting since 1982. He graduated from the Accounting Department of Shanghai Maritime University as an undergraduate (with a bachelor's degree in economics), the Accounting Department of Shanghai University of Finance and Economics as a master (with a master's degree in management) and the Technological Economics and Management Department of Tongji University as a doctor (with a doctoral degree in management). Mr. Shao has been appointed as a member of the Accounting & Finance Expert Advisory Committee by the Ministry of Transport, and concurrently serves as the vice president of the China Communications Accounting Society, an executive director of the Accounting Society of China, the vice president and chairman of the Academic Committee of Shanghai Accounting Association, and an executive director of the Auditing Society of Shanghai. Mr. Shao serves as a deputy to the 13th

Shanghai Municipal People's Congress and is entitled to a special government allowance provided by the State Council.

MS. ZHANG WEIHUA (張衛華), AGED 61

is currently an independent non-executive Director. Ms. Zhang graduated from the Faculty of Business of University of Southern Queensland in Australia with a master's degree in business. She served as the compliance director of China Merchants Securities Co., Ltd. and concurrently as the chairperson of the board of supervisors of China Merchants Fund Management Co., Ltd. Ms. Zhang successively held a number of positions, including the chief auditor, assistant to the president, and general manager of the audit department of China Merchants Securities Co., Ltd.; and the assistant to the general manager of the securities business division of the head office of China Merchants Bank.

MR. CHAN KWOK LEUNG (陳國樑), AGED 65

is currently an independent non-executive Director of the Company. Mr. Chan was appointed as the chief operating officer and an executive director of Singamas Container Holdings Limited and a director of various subsidiaries of this company in 2012. Mr. Chan has been redesignated as a non-executive director of this company since 1 January 2022 and has resigned since 24 February 2023. Mr. Chan previously served as the chief technical officer of XTRA Corporation, Genstar Container Corporation and Unicon International Ltd. Mr. Chan Kwok Leung has over 40 years of experience in factory management, marketing, container leasing, container depot management and container quality management. Mr. Chan studied in Hong Kong Baptist University with a major in production management and received professional training in container inspection from the Institute of International Container Lessors.

MEMBERS OF SUPERVISORY COMMITTEE

MR. YE HONGJUN (葉紅軍), AGED 60

is currently a Supervisor of the Company, and also the chief legal counsel of China COSCO SHIPPING Corporation Limited. Mr. Ye previously worked in Beijing Communications Management Institute for Executives, and successively served as the deputy section chief and section chief of the Department of Policies and Regulations and the deputy director of the Legal Section of the Ministry of Transport, the deputy director and director of the Price Regulatory Section of the Water Transportation Management Department of the Ministry of Transport, the director of the Regulatory Section of the Water Transportation Department of the Ministry of Transport, the assistant to the head (temporary) of the Maritime Safety Administration of the Ministry of Transport, and the director of the Section of Domestic Shipping Management of the Water Transportation Bureau of the Ministry of Transport. Mr. Ye graduated from the Law School of Fudan University with a master's degree.

MS. ZHU MEI (朱媚)，AGED 54

is currently a Supervisor of the Company. Ms. Zhu previously worked in the office of the general manager of Shanghai Shipping (Group) Company, the transport department of China Shipping (Group) Company, the Oil Tanker Company of China Shipping Development Co., Ltd., and the office of the board of directors/ the office of the general manager of China Shipping (Group) Company. During her tenure as the General Party Branch Secretary and the Vice Principal of the Party School of China Shipping (Group) Company, and the deputy dean of the Group Management Cadre College, she temporarily served as a member of the Municipal Party Committee, a member of the Standing Committee and the deputy mayor of the Municipal Government of Lincang City of Yunnan Province. Currently, she serves as a director of COSCO SHIPPING

(Shanghai) Co., Ltd. and COSCO SHIPPING Seafarer Management Co., Ltd. Ms. Zhu graduated from Shanghai Maritime University with a master's degree, and obtained a Master of Business Administration degree from Fudan University. She is a senior economist.

MR. ZHAO XIAOBO (趙小波), AGED 37

is currently an employee supervisor of the Company and the chief accountant of Orient International Containers (Jinzhou). He had previously served as a supervisor, senior supervisor, assistant manager and deputy manager of the financial management department of China Shipping Investment Co., Ltd. and/or Shanghai Universal Logistics Equipment Co., Ltd. as well as the chief accountant of Orient International Containers (Guangzhou). Mr. Zhao Xiaobo graduated from the University of Shanghai for Science and Technology majoring in national economics, and obtained a master's postgraduate degree. He holds the titles of senior accountant and certified public accountant (CPA).

JOINT COMPANY SECRETARY

MR. CAI LEI (蔡磊), AGED 43

is currently the Board Secretary of the Company, Mr. Cai successively served as an officer and an assistant director of the commercial office of the shipping department of Oil Tanker Company of China Shipping Development Company Limited from 2004 to 2011, as the senior chief of the general office of China Shipping (Group) Company and the secretary to the Group's Party leadership group from 2011 to 2016, as the secretary to the Party leadership group of China COSCO Shipping Corporation Limited from January 2016 to June 2019, and as the secretary to the Board and general manager of the securities and public relations department of COSCO SHIPPING Development Co., Ltd. from August 2019. Mr. Cai graduated from the Graduate School of Shanghai Maritime University majoring in civil and commercial law with a master of laws. He is qualified as a national judicial professional and an insurance assessor, and holds the title of senior economist. He has also been a member of the Review Committee of the Shanghai Stock Exchange since December 2022.

SENIOR MANAGEMENT

MR. MING DONG (明東), AGED 52

is currently deputy general manager and a member of the Party committee of the Company, Mr. Ming began his career in 1994 and successively worked in COSCO Finance Company Limited and at the asset operation centre, president affairs department, capital operation department and securities affairs division of China Ocean Shipping (Group) Company and the Company. He served as the general manager of the investor relations division of COSCO SHIPPING Holdings Co., Ltd. from July 2005 to December 2008, and the general manager of the securities affairs division of COSCO SHIPPING from January 2009 to February 2016. He has been the deputy general manager and a member of the Party Committee of COSCO Shipping Development Co., Ltd. since March 2016, Mr. Ming Dong graduated from Central University of Finance and Economics majoring in international finance and investment economics, and obtained a master's degree in economics. He is a senior economist.

MR. LIN FENG (林鋒), AGED 47

is currently Chief accountant of the Company. Mr. Lin served as a financial officer of the branch office of Shanghai Haixing Freight Co., Ltd., and the deputy chief financial officer and the chief financial officer of the finance department in Shanghai of China Shipping Bulk Carrier Co., Ltd. from July 1997 to December 2007. He served as the deputy director and the director of the planning section and the budget management office of China Shipping (Group) Company (currently known as **China Shipping Group Company Limited**) from January 2008 to January 2014. From January 2014 to August 2018, Mr. Lin served as the chief accountant and the deputy general manager of COSCO SHIPPING Investment Holdings Co., Limited (formerly known as **China Shipping (Hong Kong) Holdings Co., Limited**). Mr. Lin has served as a director of COSCO SHIPPING Finance Group Co., Ltd. since May 2019. He was chairman of the supervisory committee of China International Marine Containers (Group) Co., Ltd. from June 2019 to March 2021. Mr. Lin graduated from Shanghai School of Agriculture (currently known as **Shanghai Jiao Tong University School of Agriculture and Biology**) with a bachelor's degree in economics, majoring in currency banking. He holds the title of accountant.

MS. DU HAIYING (杜海英), AGED 47

is currently deputy general manager of the Company. Ms. Du started working in 1998 and served as the director of the development department of China Shipping (Hainan) Haisheng Shipping Co., Ltd. from March 2009 to September 2015, and the vice principal of the Party School of the China Shipping (Group) Company. She has concurrently served as the deputy dean of the Management Cadre College of China Shipping (Group) Company from September 2013. From September 2015 to December 2019, she served as the deputy general manager and a member of CCP Committee of China Shipping Investment Co., Ltd., an assistant to the general manager of COSCO Shipping Development Co., Ltd. and the deputy general manager of China Shipping Investment Co., Ltd. and an assistant to the general manager and the general manager of the financial business department of COSCO SHIPPING Development Co., Ltd. and the deputy general manager of China Shipping Investment Co., Ltd. Since January 2020, she serves as the deputy general manager of COSCO SHIPPING Development Co., Ltd. Ms. Du graduated from the Antai College of Economics and Management, Shanghai Jiao Tong University, majoring in business administration with a master of business administration. She holds the title of economist.

MR. YU ZHEN (俞震), AGED 45

is currently deputy general manager of the Company. Mr. Yu Zhen started his career in 1999, and had successively served as a section clerk and section chief of the finance department of China Shipping International Trading Co., Ltd., manager of the finance department of China Shipping (Romania) Agency Co., Ltd., the general manager of the finance department of China Shipping (Europe) Holding GmbH, deputy general manager of the board secretary office of China Shipping Container Lines Company Limited) (former name of the Company), deputy general manager of general management department/director secretary office of the Company, the board secretary, joint company secretary and company secretary of the Company, secretary of the Party Committee, director, secretary of the discipline inspection committee and deputy general manager of Shanghai Universal Logistics Equipment Co., Ltd.. Mr. Yu Zhen graduated from the finance and accounting faculty of Shanghai Shipping College with a bachelor's degree in economics. He is a certified public accountant (CPA) of the PRC and holds the title of intermediate accountant.

Report of the Board of Directors

The Board submits its annual report together with the audited consolidated financial statements for the year ended 31 December 2022 (the "**Year**").

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activities of the Group and its subsidiaries are set out in Note 1 to the consolidated financial statements.

An analysis of the Group's operation results for the Year by business and geographical segments is set out in Note 4 to the consolidated financial statements.

RESULTS

The operation results of the Group for the Year are set out in the consolidated statement of profit or loss on page 120 of this Annual Report.

BUSINESS REVIEW

Business review of the Group for the year ended 31 December 2022, an analysis of the Group's performance for the Year using key financial metrics, recent development, a discussion on the future business development of the Group, subsequent events after the period and a description of the potential major risks and uncertainties facing the Group are set out in "Chairman's Statement" on pages 6 to 13 and "Management Discussion and Analysis" on pages 14 to 37 of this Annual Report. The Company's environmental policy and performance, its compliance with relevant laws and regulations that have significant effects on the Group and the relationship between the Group and its employees, customers and suppliers are set out in "Report of the Board of Directors" and "Corporate Governance Report" on pages 44 to 110 of this Annual Report.

DIVIDENDS

	31 December 2022 RMB'000	31 December 2021 RMB'000
Proposed final dividend – RMB0.087 (2021: RMB0.226) per ordinary share	**1,176,885**	3,057,195

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

The Board proposed the payment of a final dividend of RMB0.087 (2021: RMB0.226) per share (inclusive of applicable tax), totalling about RMB1,176,884,731.77 (2021: RMB3,057,194,836.90) calculated based on 13,527,410,710 shares of the Company, being the number of issued shares of the Company of 13,573,299,906 as at 30 March 2023 deducting 45,889,196 A shares repurchased by the Company, for the year ended 31 December 2022.

RESERVES

Movement of the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity on pages 124 to 125 of this Annual Report, Note 39 and Note 51 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in Note 38 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

In accordance with the PRC Company Law, the Company may only distribute dividends out of its distributable profits (i.e. the Company's profit after income tax after deducting: (i) the accumulated losses brought forward from the previous years; and (ii) the allocations to the statutory surplus reserve and, if any, the balance after discretionary surplus reserve (allocated into various funds in such order of priorities)). In determining the appropriate amount of dividends, the Board takes into account, among other things, the distributable profits realized by the Company, the liquidity of the Company, the capital needs and cash flow requirements satisfying the normal operation of the Company, the profitability and stage of development of the Company.

According to the Company's articles of association (the "**Articles of Association**"), for the purpose of determining profit available for distribution, the distributable profit of the Company is the lesser of its profit after income tax calculated in accordance with: (i) the PRC accounting standards and regulations; and (ii) Hong Kong Financial Reporting Standards.

As at 31 December 2022, the retained earnings of the Company, calculated based on the above principles, amounted to approximately RMB2,549 million, which was prepared in accordance with the PRC accounting standards and regulations.

PRE-EMPTIVE RIGHTS

Under the Articles of Association and the laws of the PRC, no pre-emptive rights exist which require the Company to submit proposal of new shares offering to its existing shareholders in proportion to their shareholdings.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out on page 4 of this Annual Report.

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

EMOLUMENTS OF DIRECTORS,SUPERVISORS AND SENIOR MANAGEMENT

The remuneration of the non-executive Directors and independent non-executive Directors mainly consists of fees. The executive Directors and the employee Supervisors, who are employed as management or non-management personnel of the Company, shall receive remuneration after the remuneration proposal of their positions has been approved, and shall receive no additional remuneration as a Director or an employee Supervisor. The Remuneration Committee formulates specific remuneration plans or programs based on the scope of work, responsibilities and importance of the Directors and Supervisors and the remuneration levels of relevant positions in other relevant enterprises. The remuneration plans for Directors and Supervisors are considered and approved at a general meeting after being proposed by the Remuneration Committee.

The remuneration of the Company's senior management mainly consists of salary for position/duty, performance-based bonus, special incentives and allowances, and the remuneration plan of the senior management is proposed by the Remuneration Committee and approved by the Board. In the appraisal of performance of senior management, the Company organically integrated the basic business objectives, key strategic tasks, risks and management constraints of the Company through the structure of "basic indicators, classification indicators and constraint indicators" according to the basic principle of "integration of unification and division", and the specific assessment index system is refined for each senior management position's division of responsibilities.

Details of the remuneration of the Directors, chief executive and the five highest paid individuals of the Group are set out in notes 10 and 11 of the consolidated financial statements. There were no arrangements under which a Director or chief executive had waived or agreed to waive any remuneration for the year ended 31 December 2022.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors who held office as at the date of this Annual Report are:

DIRECTORS

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

SUPERVISORS

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

According to the Articles of Association, the term of service of the Directors and Supervisors of the Company shall be three years.

Notes: 1. Due to age reasons, Mr. Wang Daxiong and Mr. Xu Hui retired as Chairman of the Company, executive Directors and members of the relevant special committees under the Board respectively on 16 June 2022. Mr. Liu Chong and Mr. Zhang Mingwen took over the positions of Chairman of the Company and executive Director respectively on the same day.

2. In accordance with the requirements for the term of office of independent non-executive Directors under the Listing Rules, Mr. Cai Hongping retired as an independent non-executive Director and members of the relevant special committees under the Board on 27 February 2023. On the same day, Mr. Chan Kwok Leung took over the positions of independent non-executive Director and members of the relevant special committees under the Board.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors of the Board and Supervisors of the Supervisory Committee for this term has a service contract with the Company until the conclusion of the seventh session of the Board of Directors and the Supervisory Committee of the Company.

The Company did not enter into any service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation) with any Director or Supervisor.

DIRECTORS' AND SUPERVISORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this Report of the Board of Directors (including but not limited to the connected transactions and continuing connected transactions stated below), no transactions, arrangements or contracts of significance (as defined in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")), in which a Director or a Supervisor of the Company or their connected entities are or were materially interested, directly or indirectly, subsisted during the Year or at the end of the Year.

Save as disclosed in this Report of the Board of Directors (including but not limited to the connected transactions and continuing connected transactions stated below), no contracts of significance in which the Company or any of its subsidiary and its controlling shareholders (as defined in Appendix 16 to the Listing Rules) or a subsidiary of its controlling shareholders was a party, subsisted during the Year or at the end of the Year.

Save as disclosed in this Report of the Board of Directors (including but not limited to the connected transactions and continuing connected transactions stated below), no contracts of significance in relation to the service provided by controlling shareholders or their subsidiaries to the Company or its subsidiaries, subsisted during the Year or at the end of the Year.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Year. The Company has arranged appropriate insurance cover for its Directors and senior management in respect of legal action that may be brought against them in connection with company activities.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors, Supervisors and senior management are set out on pages 38 to 43 of this Annual Report. As at 31 December 2022, Mr. Ye Hongjun and Mr. Huang Jian were respectively the chief legal adviser and department general manager of China COSCO SHIPPING. As at 31 December 2022, China COSCO SHIPPING and China Shipping had interests or short positions in the Company's shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "**SFO**").

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

No arrangements to which the Company or its subsidiary is or was a party to enable the Directors, Supervisors or chief executives of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate subsisted at any time during the Year.

INTERESTS OR SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, 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 SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors or chief executive(s) of the Company was taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was 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**") 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 (%)
Liu Chong	Chairman	A shares	Beneficial owner	1,490,100 (L) *(Note 2)*	0.02	0.01
		H shares	Other	1,112,903 (L) *(Notes 3 and 4)*	0.03	0.01

Notes:

1. "L" means long position in the shares.

2. Such interest relates to share options granted to the Director on 30 March 2020 pursuant to A Share Option Incentive Scheme of the Company.

3. 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 31 December 2022, 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.

4. 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 31 December 2022. 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 31 December 2022. As at 31 December 2022, Mr. Liu Chong does not hold any shares.

Save as disclosed above, as at 31 December 2022, 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 was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors or chief executive(s) of the Company was taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was 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 31 December 2022, to the knowledge of the Directors, Supervisors or chief executive(s) of the Company, the interests or short positions of the shareholders who were entitled to exercise or control 5% or more of the voting power at any general meeting 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 notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO or which have been notified to the Company and the Hong Kong Stock Exchange were as follows:

Name of shareholder	**Class of shares**	**Capacity**	**Number of shares interested** *(Note 1)*	**Approximate percentage of the total number of the relevant class of shares of the Company (%)**	**Approximate percentage of the issued share capital of the Company (%)**
China Shipping Group Company Limited ("**China Shipping**")	A shares	Beneficial owner	4,628,015,690 (L)	46.70	34.06
	A shares	Interest of controlled corporation	1,447,917,519 (L) *(Note 2)*	14.61	10.66
	H shares	Interest of controlled corporation	100,944,000 (L) *(Note 3)*	2.75	0.74
China COSCO SHIPPING Corporation Limited	A shares	Interest of controlled corporation	6,075,933,209 (L)	61.31	44.72
	A shares	Beneficial owner	47,570,789 (L)	0.48	0.35
	H shares	Interest of controlled corporation	100,944,000 (L) *(Note 3)*	2.75	0.74
COSCO SHIPPING Investment Holdings Co., Limited	A shares	Beneficial owner	1,447,917,519 (L) *(Note 2)*	14.61	10.66

Notes:

1. "L" means long position in the shares.

2. Such 1,447,917,519 A shares represent the same block of shares.

3. Such 100,944,000 H shares represent the same block of shares held by Ocean Fortune Investment Limited, an indirectly wholly-owned subsidiary of China Shipping.

Save as disclosed above, as at 31 December 2022, no other person (other than Directors, Supervisors or chief executive(s) of the Company) had any interest or short position in any shares or underlying shares of the Company which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or which was required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO or which have been notified to the Company and the Hong Kong Stock Exchange.

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As of the date of this Report, the changes in Directors, Supervisors or Senior Management that are required to be disclosed by the Company pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Name	Position	Change	Reason for changes
Wang Daxiong(1)	Chairman	Resigned	Note (1)
	Executive Director	Resigned	
	the chairman of the Executive Committee	Resigned	
	the chairman of the Investment Strategy Committee	Resigned	
	the member of the Nomination Committee	Resigned	
Xu Hui(2)	Executive Director	Resigned	Note (2)
	the member of the Executive Committee	Resigned	
Liu Chong(3)	Chairman	Appointed	Note (3)
	the chairman of the Executive Committee	Appointed	
	the chairman of the Investment Strategy Committee	Appointed	
	the member of the Nomination Committee	Appointed	
Zhang Mingwen(4)(5)(6)	Executive Director	Appointed	Notes (4)(5)(6)
	General Manager	Appointed	
	the member of the Executive Committee	Appointed	
	the member of the Investment Strategy Committee	Appointed	
Cai Hongping(7)	Independent non-executive Director	Resigned	Note (7)
	the chairman of the Remuneration Committee	Resigned	
	the member of the Audit Committee	Resigned	
	the member of the Nomination Committee	Resigned	
	the member of the Investment Strategy Committee	Resigned	
	the member of the Risk Control Committee	Resigned	
Chan Kwok Leung(8)	Independent non-executive Director	Appointed	Note (8)
	the chairman of the Nomination Committee	Appointed	
	the member of the Audit Committee	Appointed	
	the member of the Remuneration Committee	Appointed	
	the member of the Investment Strategy Committee	Appointed	
	the member of the Risk Control Committee	Appointed	
Shao Ruiqing(9)	the chairman of the Remuneration Committee	Appointed	Note (9)
	the member of the Nomination Committee	Appointed	

Notes:

(1) Due to his age, Mr. Wang Daxiong retired as Chairman, executive Director, and from relevant special committees of the Board of the Company on 16 June 2022. For further details, please refer to the Company's announcement dated 16 June 2022.

(2) Due to his age, Mr. Xu Hui retired as the executive Director and from the relevant Special Committee of the Board on 16 June 2022. For further details, please refer to the Company's announcement dated 16 June 2022.

(3) On 16 June 2022, Mr. Liu Chong (being the executive Director of the Company at the time) was appointed by the Board as the Chairman of the Company and therefore resigned from the position of general manager of the Company. On the same day, Mr. Liu Chong was appointed as the chairman of the Executive Committee, the chairman of the Investment Strategy Committee, and the member of the Nomination Committee. For further details, please refer to the Company's announcement dated 16 June 2022.

(4) On 16 June 2022, Mr. Zhang Mingwen was appointed by the Board as the General Manager, and was recommended by the Board to be appointed as an executive Director. For details, please refer to the Company's announcement dated 16 June 2022 and circular dated 20 June 2022.

(5) On 30 June 2022, the resolution of the Board to appoint Mr. Zhang Mingwen as an executive Director was considered and approved at the annual general meeting. For details, please refer to the Company's announcement dated 30 June 2022.

(6) On 5 July 2022, Mr. Zhang Mingwen was appointed by the Board as a member of the Executive Committee and a member of the Investment Strategy Committee. For details, please refer to the Company's announcement dated 5 July 2022.

(7) Due to the six-year restriction in respect of the term of office of independent non-executive Directors, Mr. Cai Hongping retired as an independent non-executive Director of the Company and from the relevant special committees of the Board on 27 February 2023. For details, please refer to the Company's announcements dated 2 February 2023 and 27 February 2023 and the circular dated 8 February 2023.

(8) On 27 February 2023, the resolution of the Board for re-election and the election of Directors and Supervisors was considered and approved at the extraordinary general meeting, and Mr. Chan Kwok Leung was appointed as the independent non-executive Director of the Company. On the same day, Mr. Chan Kwok Leung was appointed as the chairman of the Nomination Committee, member of the Audit Committee, member of the Remuneration Committee, member of the Investment Strategy Committee and member of the Risk Control Committee. For details, please refer to the Company's announcements dated 2 February 2023 and 27 February 2023 and the circular dated 8 February 2023.

(9) On 27 February 2023, due to the re-election and election of Directors, Mr. Shao Ruiqing, an independent non-executive Director, was re-appointed as the chairman of the Remuneration Committee and member of the Nomination Committee. Mr. Shao Ruiqing's positions in other special committees of the Board remained unchanged. For details, please refer to the Company's announcement dated 27 February 2023.

A SHARE OPTION INCENTIVE SCHEME

1. PURPOSE OF THE A SHARE OPTION INCENTIVE SCHEME

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

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

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

On 30 March 2020 (the "**Date of Grant for the First Batch of the Share Options**"), 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 exercise price was RMB2.52 per A Share, which shall be adjusted upon the occurrence of ex-right or ex-dividend events before the exercise of the share options ("**First Batch of the Share Option Granted**"). The closing price of A shares on the trading day immediately before 30 March 2020 was RMB2.00 per A Share. For details, please refer to the Company's announcement dated 30 March 2020.

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

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

As at the date of this report, the Company had 57,120,827 share options outstanding under the A Share Option Incentive Scheme (which includes 2,384,186 A share options outstanding in the Exercise of the First Batch of the Share Option Granted). Pursuant to the terms of the A Share Option Incentive Scheme, the exercise in full of the outstanding share options would result in the transfer of a total of 48,273,382 A shares held as treasury shares or repurchased from the secondary market to the option grantees, and the transfer of 8,847,445 A shares of the Company directionally issued to the option grantees. The 57,120,827 A shares which would be transferred to the option grantees upon the full exercise of the outstanding share options represented approximately 0.58% of the total issued A shares of the Company and approximately 0.42% of the total issued Shares of the Company, as at the date of this report.

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

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

Name of Participant	Position	Outstanding as at 1 January 2022 (1)(2)	Granted during the Year	Exercised during the Year (3)(4)	Cancelled during the Year (5)	Lapsed during the Year	Outstanding as at 31 December 2022 (1) (3)	Percentage of total issued A share capital of the Company (%)	Percentage of total issued share capital of the Company (%)	Date of grant
Wang Daxiong	Chairman (retired)	1,500,000	–	–	1,500,000	–	–	0.0000%	0.0000%	Note (6)
Liu Chong	Chairman (in office)	1,490,100	–	–	–	–	1,490,100	0.0151%	0.0110%	Note (6)
Xu Hui	Director (retired)	1,490,100	–	496,700	–	–	993,400	0.0100%	0.0073%	Note (6)
Total	–	4,480,200	– -	496,700	1,500,000	– -	2,483,500	0.0251%	0.0183%	

B. Share options granted to all Participants

Category of participant	Number of Participant	Outstanding as at 1 January 2022 (1)(2)	Granted during the Year	Exercised during the Year (3)(4)	Cancelled during the Year (5)	Lapsed during the Year	Outstanding as at 31 December 2022 (1)(3)	Percentage of total issued A share capital of the Company (%)	Percentage of total issued share capital of the Company (%)	Date of grant
Directors and chief executives of the Company	2(8)	2,980,200	–	496,700	–	–	2,483,500	0.0251%	0.0183%	Note (6)
	1(9)	1,500,000	–	–	1,500,000	–	–	–	–	Note (6)
Senior management of the Company	6	6,662,300	–	1,168,099	–	–	5,494,201	0.0555%	0.0405%	Note (6)
Other key business personnel and management personnel of the Company	102	59,191,294	–	18,895,613	–	–	40,295,681	0.4071%	0.2969%	Note (6)
	19	8,847,445	–	–	–	–	8,847,445	0.0894%	0.0652%	Note (7)
	13	7,886,917	–	–	7,886,917	–	–	–	–	Note (6)
Total	143	87,068,156	0	20,560,412	9,386,917	0	57,120,827	0.5771%	0.4208%	

C. Share options granted to the five highest paid individuals during the Year

Category of participant	Outstanding as at 1 January 2022 (1)(2)	Granted during the Year	Exercised during the Year (3)(4)	Cancelled during the Year (5)	Lapsed during the Year	Outstanding as at 31 December 2022 (1)(3)	Percentage of total issued A share capital of the Company (%)	Percentage of total issued share capital of the Company (%)	Date of grant
Five highest paid individuals during the Year (in total)	1,760,999	–	421,433	–	–	1,339,566	0.0135%	0.0099%	Note(6)

For details of the remuneration of the five highest paid individuals during the Year, see Note 11 to the consolidated financial statements.

Notes:

(1) The validity period, vesting period, exercisable date and exercise period of the share options were set out below.

(2) The exercise price was RMB2.52 per share.

(3) On 29 April 2022, relevant resolutions were considered and approved at the Company's fifty-third meeting of the sixth session of the Board and the twenty-first meeting of the sixth session of the Supervisory Committee, the exercise price under the Share Option Incentive Scheme has been adjusted from RMB2.52 per share to RMB2.419 per share. The compliance of the first exercise period of the first grant of share options under the Share Option Incentive Scheme with exercise conditions, and approve the exercise of share options by the participants who meet the conditions. On 23 May 2022, the Group exercised the first batch of share options granted at an exercise price of RMB2.419 per share, and a total of 20,560,412 A shares were exercised.

(4) The weighted average closing price of the relevant shares immediately before the share options exercise date was RMB3.14 per share.

(5) On 29 April 2022, due to reasons such as the resignation of participants, the list of participants of the first grant and number of share options were adjusted accordingly, and the number of participants changed from 124 to 110, the number of share options under the first grant changed from 78,220,711 to 68,833,794, and 9,386,917 share options were cancelled. On the same day, the exercise price has been adjusted from RMB2.52 per share to RMB2.419 per share.

(6) Such A share options were granted on 30 March 2020 (i.e., the Date of Grant for the First Batch of the Share Options).

(7) Such A share options were granted on 6 May 2021 (i.e., the Date of Grant for Reserved Share Options).

(8) Being Mr. Liu Chong, the Chairman of the Company, and Mr. Xu Hui, a retired director of the Company. For details, please refer to "A. Share options granted to the directors and chief executive of the Company".

(9) Being Mr. Wang Daxiong, the retired Chairman of the Company. For details, please refer to "A. Share options granted to the directors and chief executive of the Company".

During 2022, the number of share options may be granted by the Company under the Share Option Incentive Scheme but not yet granted was 1,406,232, and the underlying A shares subject to these share options were cancelled on 1 February 2023. The Company did not issue shares under the Share Option Incentive Scheme during the Year.

At the beginning of the reporting period, the Company may issue or transfer 87,068,156 A shares in respect of the A share option incentive scheme, representing approximately 0.88% of the weighted average number of issued A shares in the Company's share capital for the reporting period. At the end of the reporting period, 20,560,412 A shares of share capital were transferred pursuant to the exercise of share options, 9,386,917 share options were cancelled and 57,120,827 share options were granted but not exercised at the end of the reporting period, representing 0.21%, 0.09% and 0.58% of the weighted average number of A shares of the Company in issue during the reporting period respectively.

During 2022, there were no participants with share options granted and to be granted in excess of the individual limit of 1%, or related entity participants or service providers with share options granted or to be granted during the year in excess of 0.1% of the relevant class of shares of the Company in issue.

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

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

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

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

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

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

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

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

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

(i) the average trading price of A shares on the last trading day immediately before the announcement date of the Share Option Incentive Scheme (i.e., approximately RMB2.52 per A share);

(ii) the average trading price of A shares in the 20 trading days immediately before the announcement date of the Share Option Incentive Scheme (i.e., approximately RMB2.50 per A share); and

(iii) par value of A share (i.e., RMB1.00 per A share).

Pursuant to the Share Option Incentive Scheme of the Company, from the date of grant of the share options and prior to the exercise of the share options, in the event of any dividend payment and other ex-rights and ex-dividend matters of the Company, the corresponding exercise price shall be adjusted accordingly with reference to the relevant provisions of A Share Option Incentive Scheme. The adjustment method is as follows: P = P0 – V where: P0 represents the exercise price before adjustment; V represents the dividend per share; and P represents the exercise price after adjustment. On 29 April 2022, since the Company has implemented the 2019 and 2020 profit distribution plan, the exercise price under the Share Option Incentive Scheme has been adjusted from RMB2.52 per share to RMB2.419 per share.

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

Further details of the A Share Option Incentive Scheme were set out in note 39 to the consolidated financial statements of this report.

DIRECTORS AND EMPLOYEES OF THE SUBSTANTIAL SHAREHOLDERS

Certain Directors and Supervisors of the Company are the directors or employees of COSCO SHIPPING and/or China Shipping (details of which are set out on pages 38 to 43 of this Annual Report), and COSCO SHIPPING and China Shipping have interests in the shares and underlying shares of the Company which fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on public information that is within the knowledge of the Company and also known to the Directors, as at the date of this Annual Report, there was sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

MANAGEMENT CONTRACTS

No contracts were entered into and subsisted (other than the service contracts with any Directors or Supervisors or any of the full-time staff of the Company), and pursuant to which, the management and administration of the whole or any substantial part of the business of the Company were undertaken by any individuals, firms or body corporates.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2022, the Group sold in aggregate 45% of its goods and services to its five largest customers during the Year, including 13% to its largest customer.

During the Year, the Group purchased in aggregate 49% of its goods and services from its five largest suppliers, including 14% to its largest supplier.

COSCO SHIPPING Group, the controlling shareholder of the Company indirectly holding 45.81% of the total issued share capital of the Company, is beneficially interested in one of the Group's five largest customers.

Save as disclosed above, none of the Directors, their close associates or any shareholders (who to the knowledge of the Board owns more than 5% of the issued shares of the Company) has interest in the five largest customers or the five largest suppliers of the Group.

EQUITY-LINKED AGREEMENT

No equity-linked agreements were entered into by the Group or subsisted during the Year.

CHARITABLE DONATIONS

There was a charitable donation with a total amount of approximately RMB30,000,000 made by the Group during the Year.

RELATIONSHIP WITH KEY STAKEHOLDERS

RELATIONSHIP WITH EMPLOYEES

COSCO SHIPPING Development strictly adheres to the Labour Law of the People's Republic of China《(中華人民共和國勞動法》) and the Labour Contract Law of the People's Republic of China《(中華人民共和國勞動合同法》) and other laws and regulations, and at the same time, it continuously improves its internal employee management system, improves its employee management system, optimizes management in employee recruitment, training, promotion, remuneration and welfare benefits, to effectively safeguard the basic rights and interests of every employee.

Safety is the lifeline for corporate development, and the occupational health and safety of employees is an important cornerstone of the Company's sustainable development. We strictly abide by the Law on Work Safety of the People's Republic of China, the Fire Protection Law of the People's Republic of China, and the Law on Prevention and Control of Occupational Diseases, and other governing laws and regulations. During the reporting period, the Company revised the "Regulations on the Management of Work Safety and Ecological and Environmental Protection Responsibilities of COSCO SHIPPING Development Co., Ltd." and the "Regulations for Work Safety Risk Management of COSCO SHIPPING Development Co., Ltd.", compiled the "Self-check List of Key Tasks of the '15 Measures' for Work Safety in 2022", and continuously improved the occupational health and work safety management system to ensure that safety work is carried out in practice and to protect the occupational health of employees. Shanghai Universal and its six factories all passed the ISO 45001(OHSMS) Occupational Health and Safety Management System Certification.

COSCO SHIPPING Development has been improving its recruitment and human resources management system, enhancing employee quality training, optimizing employee compensation mechanism and career development path, empowering employee professional growth, creating a fair and diversified career development platform for employees to grow together.

COSCO SHIPPING Development promotes a balance between life and work for its employees, organizes rich cultural and sports activities, actively carries out employee care and sympathy for employees in need, and creates a happy and harmonious working environment for employees.

RELATIONSHIP WITH CUSTOMERS

COSCO SHIPPING Development fully implements the value of "Promising integrity to customers and satisfying customer experience", establishes a sound customer complaint response mechanism, makes every effort to protect customer privacy and information security, and continuously improves customer service experience. The Company has formulated policies and measures concerning customer privacy and trade secrets, including the Administrative Measures for Information Disclosure and the Administrative Measures for the Protection of Trade Secrets. We also sign confidentiality agreements and add confidentiality clauses in lease contracts to protect trade secrets, customers' privacy, and information security. Shanghai Universal has formulated the Administrative Measures for Handling Customer Complaints and established the corresponding processes and policies. The department for complaint handling is decided based on the type of problems. The complaint handling process is classified into different levels according to the actual impact of the complaint. We propose solutions in reference to customers' requirements, and try our best to recover their losses and improve customer satisfaction.

During the reporting period, Shanghai Universal carried out a satisfaction survey for 59 DFICHK (寰宇東方香港) customers, which included five dimensions such as "execution of production scheduling according to the contract", "production quality", "delivery of boxes and cabinets", "timely customer complaint handling rate", "communication and customer service". Shanghai Universal obtained full marks from all 59 customers.

RELATIONSHIP WITH SUPPLIERS

Our Procurement and Supplier Management Committee coordinates procurement and supplier management. We have formulated the Supplier Management Measures which comprehensively and systematically regulate the supplier review, admission, regular audits and dynamic assessment mechanisms of the Headquarter and subsidiaries, enhancing our supply chain management. At the same time, we promote CSR management along the supply chain, and supervise the environmental and safety performance of suppliers and subcontractors, playing our guiding role in the value chain to contribute to the creation of a responsible shipping industry chain.

Suppliers who join the Company's supplier database must follow the prescribed procedures and sign the "Supplier Social Code Compliance Self-audit Questionnaire" to meet the requirements of health, safety, environment and so on. For example, during the reporting period, 90% of COSCO SHIPPING Development's timber suppliers were FSC certified.

The Company implements supplier grading management, incorporates supplier environmental and social performance into the supplier evaluation mechanism, and establishes a supplier evaluation team including relevant procurement experts, procurement personnel and personnel from the end-use units, etc. Based on the supplier evaluation report, we grade suppliers into five levels of A, B, C, D and E, based on their credentials, cost competitiveness, contract performance, quality control, customer service, business innovation, and safety and environmental performance, with different management measures applied. We also carry out dynamic quantitative assessments and upgrade or downgrade the suppliers according to the assessment results, to achieve timely and targeted supplier management.

We have promoted in-depth supplier management by optimizing the mechanisms of subcontractor registration, access review, regular evaluation, and elimination, and have made it clear that subcontractors are also subject to the Company's unified safety management. In addition, we have invited safety management experts to conduct research on subcontractor management. Through analysis of typical safety incidents, it identified the weak links in subcontractors' safety management, and provided targeted safety management trainings for subcontractors, thus improving the supply chain management efficiency.

ENVIRONMENTAL POLICY AND PERFORMANCE

Lucid waters and lush mountains are invaluable assets, and improving the ecological environment is developing productivity. COSCO SHIPPING Development actively responds to the requirements of the national "**dual carbon**" strategy, incorporates the idea of green development into all aspects of our production and operations, and strives to lead upstream and downstream partners in the green transformation, promotes the transformation of production and services to zero carbon, and contributes to the global carbon emission reduction.

OPTIMIZATION OF ENVIRONMENT MANAGEMENT SYSTEM

COSCO SHIPPING Development continually improves its environment management system. On the one hand, the Company strictly adheres to the Environmental Protection Law of the People's Republic of China《(中華人民共和國環境保護法》), the Atmospheric Pollution Prevention Law of the People's Republic of China《(中華人民共和國大氣污染防治法》) and Energy Conservation Law of the People's Republic of China《(中華人民共和國節約能源法》) and other national and industrial environment protection laws and regulations; on the other hand, the Company actively organizes its business departments and direct business units to improve environment management regulations and systems.

The Company formulated "Regulations on Wastewater Discharge", "Regulations on Exhaust Emission Management", "Regulations on Solid Waste Environment Pollution Prevention Management" and "Regulations on Treatment of Domestic Sewage" to minimize the impact of emissions on the environment. The Company also formulated "Regulations on Noise Management" to minimize noise pollution, "Energy Conservation and Emission Reduction Management System" to manage resource usage, "Contingency Plan for Workplace Safety and Environmental Protection of COSCO SHIPPING Development Co., Ltd."to optimize the system of emergency response and protection.

Shanghai Universal and its six container factories in Jinzhou, Qingdao, Lianyungang, Qidong, Ningbo and Guangzhou have all been certified by GB/T 24001-2016/ISO 14001:2015 environmental management system. In addition, six container factories in Jinzhou, Qingdao, Lianyungang, Qidong, Ningbo and Guangzhou were certified by ISO 50001:2018 energy management system. China Classification Society Certification Company was engaged to review the operation of management system every year, and will conduct a certificate-renewal review including a comprehensive environmental impact assessment every three years.

RESPONSE TO CLIMATE CHANGE

Aware of the necessity and urgency of participating in global climate governance and contributing to China's 30·60 Decarbonization Goal, COSCO SHIPPING Development has taken active actions to address climate change. In order to strengthen climate change risk management, we have established a climate change management framework in four dimensions: governance, strategy, risk management, indicators and goals, etc., in accordance with the disclosure framework recommended by the Task Force on Climate-related Financial Disclosures (TCFD). At the same time, we actively look for opportunities for building a green and low-carbon shipping industry chain, empowering the green development of the shipping and logistics industry.

PROMOTING GREEN MANUFACTURING

COSCO SHIPPING Development has been actively developing green manufacturing in container manufacturing business, integrating green and low-carbon concepts into the entire manufacturing process, including raw material procurement, production and waste treatment, to enhance the environmental benefits of container manufacturing. During the reporting period, Shanghai Universal attached great importance to the research and development of green and environmentally friendly technologies, with 10 out of 147 patents licensed involving green, low-carbon, and environmental protection; Shanghai Universal replaced the hot spray zinc process with water-based zinc-rich primer process to effectively improve safety, environmental protection and occupational health; further expanded the construction of decentralized photovoltaic projects on the roof of container plants, following the container factory in Jinzhou, the photovoltaic project in the dry container plant area of Qingdao container plant was successfully completed and started grid-connected power generation, and a total of 13,463,500 kWh of clean energy was used in container factories in Jinzhou, Qidong and Qingdao, reducing CO_2 emissions by 10,657.45 tons. Shanghai Universal Jinzhou Container Factory under COSCO SHIPPING Development was awarded the honorary title of "National Green Factory" in 2022.

PROMOTING GREEN SHIPPING

COSCO SHIPPING Development has been actively implementing the national strategic plan of "carbon peak and carbon neutrality", giving full play to the synergy between industry and finance, and actively deploying the green shipping field, promoting the 700TEU class electric container vessel project, which won the third prize in the BRICS Industrial Innovation Competition and the champion of the green growth course in the 2022 UNIDO Global Call. In order to ensure the convenience of charging and exchanging power for marine containerized power supply, COSCO SHIPPING Development has taken the lead in establishing the "Green Water Zero Carbon Project Group", which will build an energy base system for electrification of inland and coastal vessels – a charging and exchanging network for marine containerized power supply to solve the problems of economy and endurance of purely electric vessels, laying the foundation for large-scale and commercial promotion of electric vessels.

SOCIAL RESPONSIBILITIES

The Company has prepared the 2022 Environmental, Social and Governance (ESG) Report of COSCO SHIPPING Development Co., Ltd. in accordance with the requirements of the Guidelines on Environmental, Social and Governance Reporting in Appendix 27 to the Hong Kong Listing Rules. For details, please see the Company's website at http://development.coscoshipping.com and the HKExnews's website at www.hkexnews.hk. During the reporting period, the Company complied with the "Comply or Explain" provisions set out in the Guidelines on Environmental, Social and Governance Reporting.

COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS WHICH HAVE A SIGNIFICANT IMPACT ON THE GROUP

After the material asset restruction, the Group is principally engaged in shipping and other industry leasing, container manufacturing and investment and services businesses. The businesses of the Company and its subsidiaries are subject to a number of laws and regulations such as the Company Laws of the People's Republic of China, the Securities Law of the People's Republic of China, the Contract Law of the People's Republic of China, Notice of the Ministry of Commerce and the State Administration of Taxation on Relevant Issues Concerning Undertaking Financing Lease Business (《商務部、國家稅務總局關於從事融資租賃業務有關問題的通知》), Interpretation of the Supreme People's Court on Issues concerning the Application of Law in the Trial of Cases Involving Disputes over Financial Leasing Contracts (《最高人民法院關於審理融資租賃合同糾紛案件適用法律問題的解釋》), Measures for the Administration of Finance Companies of Enterprise Groups (《企業集團財務公司管理辦法》), Provisions on the Supervision of Insurance Brokerage Institutions《(保險經紀機構監管規定》 and other applicable rules, polices and normative legal documents based on these laws and regulations. The Group has the procedure of compliance in place to ensure compliance with applicable laws, regulations and normative legal documents, and in particular those would have material effects on its principal businesses such as leasing, investment and integrated financial services. The Group will notify the relevant employees and operating teams of any change in applicable laws, rules and normative legal documents relating to its principal businesses from time to time.

In addition, certain requirements under other applicable laws and regulations also apply to the Group (e.g. the Labour Law of the People's Republic of China, the Stock Listing Rules of the Shanghai Stock Exchange (《上海證券交易所股票上市規則》), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Companies Ordinance (Cap 622 of the Laws of Hong Kong) and the Employment Ordinance (Cap. 57 of the Laws of Hong Kong)). The Group has strived to allocate its resources to different aspects in accordance with processes of internal control and approval, and ensures its compliance with these requirements by training and supervising over different business units. Implementation of these measures requires substantial internal resources and will incur additional operating costs. Nevertheless, the Group has put particular emphasis on compliance with applicable laws and regulations.

CONNECTED TRANSACTIONS

During the year ended 31 December 2022, the Company entered into the following connected transactions:

(1) DISPOSAL OF EQUITY INTERESTS OF COSCO SHIPPING FINANCE

Unless the context otherwise requires, the terms in the following contents will be as defined in the Company's announcement dated 19 May 2022.

- Date, parties and details of the transaction:

  On 19 May 2022, the Company held the 54th Meeting of the 6th Session of the Board of Directors to consider and approve the Resolution on the Transfer of 10% Equity Interest in COSCO Shipping Finance by COSCO Shipping Development. The Board agreed that the Company and other relevant parties should jointly participate in the shareholding adjustment of COSCO Shipping Finance, in which the Company proposed to transfer 10% equity interest in the COSCO SHIPPING Finance. On the same day, COSCO entered into an equity transfer agreement with our Company. The aforesaid resolution was also considered and approved at the 2021 annual general meeting of the Company. On 31 August 2022, the above share transfer was completed and the industrial and commercial changes were registered.

- Connected relationship of the parties to the transaction:

  COSCO SHIPPING Group and its associates control or are entitled to exercise control over the voting rights in respect of 6,123,503,998 A Shares and 100,944,000 H Shares, representing approximately 45.81% of the total issued share capital of the Company. Accordingly, COSCO SHIPPING Group is an indirect controlling shareholder of the Company and therefore a connected person of the Company. COSCO SHIPPING Finance is a non-wholly owned subsidiary of COSCO SHIPPING and COSCO is a wholly-owned subsidiary of COSCO SHIPPING. Therefore, each of COSCO SHIPPING Finance and COSCO is an associate (as defined under the Hong Kong Listing Rules) of COSCO SHIPPING and therefore a connected person of the Company.

- Total consideration and terms:

  The consideration for the Disposal of Equity Interests under the Equity Transfer Agreement in the amount of RMB911,638,820 (equivalent to approximately HK$1,093,966,584) was determined after arm's length negotiations between the parties with reference to the appraised value of the entire equity interests of COSCO SHIPPING Finance as at 31 December 2021 by an independent valuer. Pursuant to the valuation report issued by an independent valuer, the appraised value of the entire equity interests of COSCO SHIPPING Finance as at 31 December 2021 was approximately RMB9,116,388,200 (equivalent to approximately HK$10,939,665,840) under income approach, therefore the corresponding appraised value of 10.0000% of the equity interests of COSCO SHIPPING Finance as at 31 December 2021 was approximately RMB911,638,820 (equivalent to approximately HK$1,093,966,584). The Company transferred 10% equity interests of COSCO SHIPPING Finance at the total consideration of RMB911,638,820 (equivalent to approximately HK$1,093,966,584).

- The purpose of the transaction and the nature of the interests of the connected parties in the transaction

  In order to optimize the shareholding structure of COSCO SHIPPING Finance and improve the overall performance of financial services provided to its shareholders, the financial shareholding restructuring of COSCO SHIPPING Finance was carried out. The Disposal of Equity Interests could further optimize the layout of the Company's industrial structure with focus on the Company's main business of shipping leasing and container leasing and manufacturing. The Disposal of Equity Interests could also enable COSCO SHIPPING Finance to further optimize its shareholding structure, better comply with the regulatory requirements and establish a corporate governance system that is more suitable for its development, so that the shareholding structure of COSCO SHIPPING Finance is more compatible with its business scale.

  For further details of the above transaction, please refer to the announcement of the Company dated 19 May 2022.

(2) THE CAPITAL INCREASE IN COSCO SHIPPING FINANCE

Unless the context otherwise requires, the terms in the following contents will be as defined in the Company's announcement dated 19 May 2022.

- Date, parties and description of the transaction:

  On 19 May 2022, the Company convened the 54th meeting of the sixth session of the Board, at which the Proposal on the Capital Increase of COSCO SHIPPING Finance Company Limited was considered and approved. The Board approved the Capital Increase Agreement with conditions precedent entered into by the Company, China COSCO Shipping Corporation Ltd., COSCO SHIPPING Holdings, COSCO SHIPPING Energy Transportation Co., Ltd., COSCO, COSCO SHIPPING Lines Co., Ltd., COSCO SHIPPING Specialized and COSCO SHIPPING Logistics, and agreed that after the adjustment of the shareholding structure of COSCO SHIPPING Finance was approved by the banking regulatory authority and the delivery was completed, the Company and the aforementioned parties will jointly increase the capital of the COSCO SHIPPING Finance of RMB13,500,000,000 (equivalent to approximately HK$16,200,000,000) in cash in proportion to their respective shareholdings. The aforementioned resolution was also considered and approved at the Company's 2021 annual general meeting. On the same day, all post-restructuring shareholders (including the Company) entered into the Capital Increase Agreement. On 8 November 2022, the above-mentioned capital increase industrial and commercial registration of changes were completed.

  Upon completion of the shareholding restructuring and the Capital Increase, the registered capital of COSCO SHIPPING Finance will be increased from RMB6,000 million to RMB19,500 million, while the shareholding of the Company in COSCO SHIPPING Finance will remain at 13.3840%.

- Connected relationship of the parties to the transaction:

  COSCO SHIPPING Group and its associates control or are entitled to exercise control over the voting rights in respect of 6,123,503,998 A Shares and 100,944,000 H Shares, representing approximately 45.81% of the total issued share capital of the Company. Accordingly, COSCO SHIPPING Group is an indirect controlling shareholder of the Company and therefore a connected person of the Company. COSCO SHIPPING Finance is a non-wholly owned subsidiary of COSCO SHIPPING and COSCO is a wholly-owned subsidiary of COSCO SHIPPING. Therefore, each of COSCO SHIPPING Finance and COSCO is an associate (as defined under the Hong Kong Listing Rules) of COSCO SHIPPING and therefore a connected person of the Company.

- Total consideration and terms:

  As confirmed and agreed by all parties involved in the Capital Increase, the amount for the Capital Increase is RMB13,500,000,000 (equivalent to approximately HK$16,200,000,000). After the adjustment of the shareholding structure of COSCO SHIPPING Finance is completed, each capital increase party will contribute capital in monetary funds in proportion to their respective shareholdings at that time, and the shareholdings of each party will remain unchanged after the Capital Increase. The amount for the Capital Increase payable by the Company in the amount of RMB1,806,840,000 (equivalent to approximately HK$2,168,208,000) will be funded by the internal resources of the Group.

The amount of capital contribution for the Capital Increase was determined after arm's length negotiations among the post-restructuring Shareholders with reference to, among other things, (i) their respective shareholdings in COSCO SHIPPING Finance and (ii) the estimated business needs and future business development of COSCO SHIPPING Finance.

- The purpose of the transaction and the nature of the interests of the connected parties in the transaction:

  The Capital Increase will provide additional capital for COSCO SHIPPING Finance to increase its capital adequacy ratio, increase its risk resistance capacity and effectively prevent and control the investment risk of its shareholders. In addition, the Capital Increase could also optimize the asset portfolio of COSCO SHIPPING Finance and enhance the efficiency and performance of its capital utility, provide stable and adequate return on investment to the Company and reduce the risks arising from fluctuation of the shipping market. Moreover, the Capital Increase will further strengthen its capacity of providing credit and loan-related services and in turn enable COSCO SHIPPING Finance to provide stable and favorable financial services to the Group in the future.

  The terms of the Capital Increase Agreement and the transactions contemplated thereunder were agreed after arm's length negotiations among the post-restructuring shareholders. By participating in the Capital Increase in proportion to its shareholding in COSCO SHIPPING Finance, the Group can prevent dilution of its shareholding in COSCO SHIPPING Finance, which can maximize value to shareholders and further increase return on investment from COSCO SHIPPING Finance.

  Taking into account the above, the Board (including the independent non-executive Directors) considers that the terms of the Capital Increase Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the shareholders as a whole.

  For further details of the above transaction, please refer to the announcement of the Company dated 19 May 2022.

(3) VESSEL BUILDING CONTRACTS

Unless the context otherwise requires, the terms in the following contents will be as defined in the Company's announcement dated 18 March 2022.

- Date, parties and description of the transaction:

  On 18 March 2022, Shanghai Xinyuanhaiji Finance Leasing Co., Ltd. ("**Shanghai Xinyuan**"), a wholly-owned subsidiary of the Company, entered into the Vessel Building Contracts with COSCO SHIPPING Yangzhou, pursuant to which COSCO SHIPPING Yangzhou shall design, build, launch, test, equip, complete and sell, and Shanghai Xinyuan shall purchase, the Electric Vessels at the aggregate consideration of RMB116.0 million.

- Connected relationship of the parties to the transaction:

  COSCO SHIPPING Group and its associates control or are entitled to exercise control over the voting rights in respect of 6,123,503,998 A Shares and 100,944,000 H Shares, representing approximately 45.81% of the total issued share capital of the Company. Accordingly, COSCO SHIPPING Group is an indirect controlling shareholder of the Company and therefore a connected person of the Company. As COSCO SHIPPING Yangzhou is an indirect wholly-owned subsidiary of COSCO SHIPPING, it is an associate of COSCO SHIPPING and therefore a connected person of the Company, and the Vessel Building Contracts and the transactions contemplated thereunder constitute connected transactions of the Company.

- Total Consideration and Term

  The aggregate consideration payable for two Electric Vessels under the Vessel Building Contracts is RMB116.0 million. The consideration for each Electric Vessel under their respective Vessel Building Contract will be payable in five instalments in an aggregate of RMB58.0 million in accordance with the following manner:

  (a) First instalment: upon signing such Vessel Building Contract, RMB17.4 million (representing 30% of the total consideration for such Electric Vessel) would be payable;

  (b) Second instalment: when commencing building of such Electric Vessel, RMB11.6 million (representing 20% of the total consideration for such Electric Vessel) would be payable;

  (c) Third instalment: when keeling such Electric Vessel, RMB11.6 million (representing 20% of the total consideration for such Electric Vessel) would be payable;

  (d) Fourth instalment: when launching such Electric Vessel, RMB5.8 million (representing 10% of the total consideration for such Electric Vessel) would be payable;

  (e) Fifth instalment: when delivering such Electric Vessel, RMB11.6 million (representing 20% of the total consideration for such Electric Vessel) would be payable.

The consideration for each Electric Vessel is subject to adjustments in the event of: (i) any delay in the delivery of such Electric Vessel; (ii) insufficient speed of such Electric Vessel; and/or (iii) insufficient deadweight of such Electric Vessel. The aforesaid adjustments shall be settled together with the foregoing fifth instalment.

The said consideration was agreed after arm's length negotiations between the parties by reference to the market price for building similar vessels in the PRC, which the Group is aware of. The said consideration will be funded from internal resources of the Group.

- The purpose of the transaction and the nature of the interests of the connected parties in the transaction:

  With a focus on the 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. With market-oriented approaches, professional strengths and an international vision, the Company aspires to grow into an excellent financial operator in the shipping industry with COSCO SHIPPING characteristics.

  Through focusing on the electric vessel industry chain, the Company builds advanced zero-carbon smart vessels, and is committed to improving the ability to develop and manufacture marine power battery containers for the development of the vessel charging and battery replacement network in key domestic waters. In addition, the Company explores the high-end special container business and ancillary sectors of green energy, so as to achieve the synergetic development in the industry chain by joint equity investment in enterprises and strategic partners.

  For further details of the above transaction, please refer to the announcement of the Company dated 18 March 2022.

CONTINUING CONNECTED TRANSACTIONS

As of 31 December 2022, the Company had the following non-exempt continuing connected transactions and partially exempt continuing connected transactions, and relevant annual caps which were announced and subsequently revised and approved at the Company's general meeting. The actual annual figures as of 31 December 2022 in relation to those continuing connected transactions are also set out below. Unless otherwise defined, terms used in the following table shall have the same meanings as defined in the Company's announcements dated 6 May 2019 and 30 October 2019.

No.	Continuing connected transactions	Signing date of the transaction and effective period after renewal every three years	Parties and connected relationship	Nature of transaction	Pricing terms[8]	Transaction amount Year ended 31 December 2020 RMB'000	Year ended 31 December 2021 RMB'000	**Year ended 31 December 2022 RMB'000**	**Cap for the year ended 31 December 2022 RMB'000**
A	Revenue from COSCO SHIPPING Group								
1	Services provided by the Group under the Master Operating Lease Services Agreement	1 January 2020 31 December 2022	The Company and COSCO SHIPPING Group[1]	Operating lease services	(i) State-prescribed prices[3]; (ii) where there is no state- prescribed price, then according to relevant market prices[4] and based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	1,096,610	1,251,069	**1,191,620**	**1,500,000**
2	Products and services provided by the Group under the Master Containers Services Agreement	1 January 2020 31 December 2022	The Company and China COSCO SHIPPING[1]	Manufacture of containers	(i) State-prescribed prices[3]; (ii) where there is no state- prescribed price, then according to relevant market prices[4] and based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	1,485,315	2,495,319	**606,628**	**8,200,000**
3	Service provided by the Group under the Master Finance Lease Services Agreement	1 January 2020 31 December 2022	The Company and COSCO SHIPPING Group[1]	Finance lease .	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5]	25,326	424,537	**566**	**3,000,000**
4	Service provided by the Group under the Master Vessel Charter Agreement	1 January 2020 31 December 2022	The Company and COSCO SHIPPING Group[1]	Charter of vessels	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	4,557,464	1,066,522	**833,928**	**6,000,000**
5	Services provided by the Group under the Master Factoring Services Agreement	1 January 2020 31 December 2022	The Company and COSCO SHIPPING Group[1]	Factoring services	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	561,572	509,627	**–**	**700,000**

No.	Continuing connected transactions	Signing date of the transaction and effective period after renewal every three years	Parties and connected relationship	Nature of transaction	Pricing terms[8]	Transaction amount: Year ended 31 December 2020 RMB'000	Year ended 31 December 2021 RMB'000	**Year ended 31 December 2022 RMB'000**	**Cap for the year ended 31 December 2022 RMB'000**
6	Services provided by the Group under the Master Insurance Brokerage Services Agreement	1 January 2020 31 December 2022	The Company and COSCO SHIPPING Group[1]	Insurance brokerage services	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	23,096	32,364	**30,617**	**35,000**
B	Revenue from COSCO SHIPPING Investment								
7	Management services provided by COSCO SHIPPING Development under the Management Services Agreement	1 January 2020 31 August 2022	The Company, China COSCO SHIPPING[1] and COSCO SHIPPING Investment	Management services	(i) Fixed management fee[6] plus floating income fee[7]	30,000	15,170	**12,579**	**80,000[10]**
	Management services provided by COSCO SHIPPING Development under the New Management Services Agreement	1 September 2022 31 August 2025	The Company, China COSCO SHIPPING[1] and COSCO SHIPPING Investment	Management services	(i) Basic management fee[9] plus floating income fee[7]			**6,289**	
C	Expenditure to China COSCO SHIPPING								
8	Services provided to the Group under the Master Vessel Services Agreement	1 January 2020 31 December 2022	The Company and China COSCO SHIPPING[1]	Vessel services	(i) State-prescribed prices[3]; (ii) where there is no state-prescribed price, then according to relevant market prices[4] and based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	1,359,593	202,439	**290,909**	**1,500,000**
9	Products and services provided to the Group under the Master Containers Services Agreement	1 January 2020 31 December 2022	The Company and China COSCO SHIPPING[1]	Container management services	(i) State-prescribed prices[3]; (ii) where there is no state- prescribed price, then according to relevant market prices[4] and based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	6,721,472	1,130,314	**793,765**	**14,000,000**

No.	Continuing connected transactions	Signing date of the transaction and effective period after renewal every three years	Parties and connected relationship	Nature of transaction	Pricing terms[8]	Transaction amount Year ended 31 December 2020 RMB'000	Year ended 31 December 2021 RMB'000	**Year ended 31 December 2022 RMB'000**	**Cap for the year ended 31 December 2022 RMB'000**
10	Services provided to the Group under the Master General Services Agreement	1 January 2020 31 December 2022	The Company and China COSCO SHIPPING[1]	General services	(i) State-prescribed prices[3]; (ii) where there is no state- prescribed price, then according to relevant market prices[4] and based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	71,289	72,830	**101,551**	**120,000**
11	Lease of properties to the Group under the Master Tenancy Agreement	1 January 2020 31 December 2022	The Company and China COSCO SHIPPING[1]	Property leasing services	(i) State-prescribed prices[3]; (ii) where there is no state prescribed price, then according to relevant market prices[4] and based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price[5].	133,608	28,197	**22,149**	**300,000**
D	Expenditure to COSCO SHIPPING Insurance								
12	Insurance services provided to the Group under the Insurance Services Agreement	1 January 2020 31 December 2022	The Company and COSCO SHIPPING Insurance[2]	Insurance services	Not higher than: (i) fee charged by any independent third party for the same type of insurance services; or (ii) fee charged by any independent third party for the same type of insurance services.	36,521	971	**1,292**	**110,000**
E	Financial Transactions with COSCO SHIPPING Finance								
13	The maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the Group at COSCO SHIPPING Finance under the Master COSCO SHIPPING Finance Financial Services Agreement	1 January 2020 31 December 2022	The Company and COSCO SHIPPING Finance[2]	Deposit services	Interest rate not lower, or thus more favourable (if applicable), than: (i) the deposit benchmark interest rate set by the PBOC from time to time under the same deposit conditions; or (ii) the interest rate charged by major independent commercial banks in the service place or adjacent areas for the same type of deposit services.	11,200,915	12,764,477	**13,707,844**	**14,620,000**

Notes:

1 China COSCO SHIPPING, its subsidiaries and/or its associates are indirect controlling shareholders (as defined in the Listing Rules) of the Company, which are connected persons of the Company.

2 Such companies are associates (as defined in the Listing Rules) of China COSCO SHIPPING, which are connected persons of the Company.

3 Representing the price for providing such products and services set by the relevant laws, regulations and other governmental regulatory documents issued by the relevant departments of the PRC government.

4 Representing the price at which the same or comparable type of services are provided from independent third parties in the same area on normal commercial terms in the ordinary course of business.

5 Representing the relevant cost incurred in providing the same or comparable type of products or services plus a profit margin ranging from 0% to 12.25% thereof.

6 The fixed management fee is RMB20,000,000 per year.

7 The variable income is calculated by reference to a benchmark rate of return on the net asset value of the target equities.

8 For details of the specific pricing terms and pricing policy, please refer to the announcements dated 6 May 2019 and 30 October 2019 of the Company. The pricing and transaction terms of continuing connected transactions actually conducted by the Company are in accordance with the relevant pricing policy.

9 The Basic management service fee is RMB20,000,000 per year.

10 The actual amount of transactions under the Management Services Agreement and the New Management Services Agreement will not exceed the annual cap of RMB80,000,000 on an aggregate basis for the year ending 31 December 2022.

The reasons for the above continuing connected transactions (excluding the financial services provided by COSCO SHIPPING Finance to the Group), and the nature and extent of the interests of the connected party in the relevant continuing connected transactions are as follows:

Due to the long-established and close business relationship between the members of the Group and China COSCO SHIPPING, a number of transactions have been and will continue to be entered into between the Group and China COSCO SHIPPING, which are individually significant and collectively essential to the core business of the Group, and will continue to be beneficial to the Group. In addition, the renewal of the continuing connected transactions under the Agreements is in line with the business strategy of the Company and will facilitate the Company to achieve its strategic target of building a financial services platform for the logistic industry.

In addition, as China Shipping and China COSCO SHIPPING are key state-owned enterprises and large shipping conglomerates that operate across different regions, sectors and countries, and the relevant connected persons (most of them are associates of China Shipping and/or China COSCO SHIPPING) are well-known marine transportation corporations with outstanding competency in shipping industry and have developed good experience and service systems in respect of the products and services under the continuing connected transactions set out above. The cooperation with China Shipping, China COSCO SHIPPING and other connected persons enables the Group to fully leverage on their advantages to achieve better operating performance.

Finally, the terms and conditions provided by the relevant connected persons in relation to the continuing connected transactions set out above are generally more favourable to the Group than those provided by independent third parties to the Group, or those provided by the relevant connected persons to independent third parties.

The reasons for the transactions under which COSCO SHIPPING Finance provides financial services to the Group, and the nature and extent of the interests of the connected party in the relevant continuing connected transactions are as follows:

The terms and conditions of deposit services, loan services, settlement services and other financial services provided by COSCO SHIPPING Finance under the Master Financial Services Agreement are generally more favourable to the Group than those provided by independent third parties, or those provided by COSCO SHIPPING Finance to independent third parties. Furthermore, the Group is not restricted under the Master Financial Services Agreement to approach, and in fact may choose, any bank or financial institution to satisfy its financial service needs. Its criteria in making the choice could be made on costs and quality of services. Therefore, the Group may, but is not obliged to, continue to use COSCO SHIPPING Finance's deposit services, loan services, settlement services and other financial services if the service quality provided is competitive. Having such flexibility afforded under the Master Financial Services Agreement, the Group is able to better manage its current capital and cash flow position.

In addition, it is also expected that COSCO SHIPPING Finance will mainly provide more efficient deposit services, loan services and settlement services to the Group, as compared to independent third-party banks. As COSCO SHIPPING Finance is familiar with the Group's business, it is able to provide funds required by the Group in a more efficient and timely way as compared to independent third-party banks. In view of the Group's business transformation and its strong demand for funds, the Group hopes to obtain financial assistance from COSCO SHIPPING Finance, which may help broaden the Group's financing channels and lower its financing costs.

For further details regarding the above connected transactions and continuing connected transactions, please refer to Note 46 to the consolidated financial statements. The Company confirmed that it has disclosed the connected transactions and continuing connected transactions pursuant to the definitions of "connected transaction" and "continuing connected transaction" (as the case may be) of Chapter 14A of the Listing Rules and pursuant to the disclosure requirements of Chapter 14A of the Listing Rules.

For further information about the Group's significant transactions with related parties, please refer to Note 46 to the consolidated financial statements. The Company confirms that the significant transactions with related parties fall within the definitions under Chapter 14A of the Listing Rules in relation to "connected transaction" and "continuing connected transaction" as set out in Chapter 14A (as the case may be) and met the disclosure requirements under Chapter 14A under the Listing Rules.

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 30 November 2022, and considering the term of the above Continuing Connected Transaction Agreements expired on 31 December 2022, in view of the Company's intention to continue to enter into transactions of similar nature from time to time after the relevant expiry date, on 30 November 2022, the Company entered into the following agreements with COSCO SHIPPING:

(1) Master Operating Lease Services Agreement, pursuant to which the Group agreed to provide to the COSCO SHIPPING Group, and the COSCO SHIPPING Group agreed to purchase from the Group, the operating lease services;

(2) Master Finance Lease Services Agreement, pursuant to which the Group agreed to provide to the COSCO SHIPPING Group, and the COSCO SHIPPING Group agreed to purchase from the Group, the finance lease services;

(3) Master Vessel Services Agreement, pursuant to which the COSCO SHIPPING Group agreed to provide to the Group, and the Group agreed to purchase from the COSCO SHIPPING Group, the vessel and other ancillary services;

(4) Containers Services Procurement Agreement, pursuant to which the Group and the COSCO SHIPPING Group agreed to mutually provide/purchase container and other ancillary services;

(5) Master Insurance Brokerage Services Agreement, pursuant to which the Group agreed to provide to the COSCO SHIPPING Group, and the COSCO SHIPPING Group agreed to purchase from the Group, the insurance brokerage services;

(6) Master General Services Agreement, pursuant to which the COSCO SHIPPING Group agreed to provide to the Group, and the Group agreed to purchase from the COSCO SHIPPING Group, the general services;

(7) Master Tenancy Agreement, pursuant to which the COSCO SHIPPING Group agreed to provide to the Group, and the Group agreed to purchase from the COSCO SHIPPING Group, the property leasing services and other ancillary services; and

(8) Trademark License Agreement, pursuant to which the COSCO SHIPPING Group agreed to grant a non-exclusive license to the Group with the right to use certain trademarks owned by the COSCO SHIPPING Group.

On 30 November 2022, the Company and COSCO SHIPPING Finance entered into the Master Financial Services Agreement, pursuant to which COSCO SHIPPING Finance agreed to provide to the Group, and the Group agreed to purchase from COSCO SHIPPING Finance, the financial services.

The term of the aforesaid Agreement shall be three years from 1 January 2023 to 31 December 2025. For more details, please refer to the announcement and circular of the Company dated 30 November 2022. The non-exempt continuing connected transactions under the above agreement together with their respective proposed annual caps were considered and approved at the extraordinary general meeting held on 19 December 2022. For details, please refer to the announcement of the Company dated 19 December 2022.

INTERNAL CONTROL PROCEDURES

Pursuant to the terms of the continuing connected transaction framework agreements of the Group, the Group may, from time to time and as necessary, enter into separate implementation agreements for each of the specific transactions contemplated under the continuing connected transaction framework agreements of the Group.

Each implementation agreement shall set out the specific terms and other relevant conditions for the particular transaction, including but not limited to rights and benefits of the parties, coordination of the parties, fees and expenses, payments, use of information, breach of agreement and exclusion of liabilities. Any execution and amendments of such implementation agreements shall not contravene the relevant continuing connected transaction framework agreements.

In addition to the annual review by the auditors and independent non-executive Directors pursuant to the requirements of Chapter 14A of the Listing Rules, the Company has implemented the following internal control procedures to ensure that the terms offered by the relevant connected parties are no less favourable than those available to or from independent third parties (as the case may be) and the continuing connected transactions of the Group are conducted in accordance with the pricing policy under the respective continuing connected transaction framework agreements:

(i) the Company has prepared and implemented the Methods for Management of Connected Transactions which sets out, among other things, the relevant requirements for and identification of connected transactions, the responsibilities of relevant departments in the conduct and management of connected transactions, reporting procedures and ongoing monitoring, with a view to ensuring compliance of the Group with applicable laws and regulations (including the Listing Rules) in relation to connected transactions;

(ii) before entering into any implementation agreements pursuant to the continuing connected transaction framework agreements, the relevant executives of the relevant departments of the Company will review contemporaneous prices and other relevant terms offered by at least two independent third parties operating at the same or nearby area before the commencement of the relevant transaction, and ensure that the terms offered by the relevant connected persons are fair and reasonable and comparable to those offered by independent third parties. In case where the offers made by independent third parties are more favourable to the Company, the Company would take up those offers of the independent third parties;

(iii) following the entering into of the implementation agreements pursuant to the continuing connected transaction framework agreements, the Company will regularly examine the pricing of the transactions under the continuing connected transaction framework agreements to ensure that they are conducted in accordance with the pricing terms thereof, including reviewing the transaction records of the Company for the purchase or provision of similar goods or services to or from independent third parties, as the case may be;

(iv) the Company will regularly convene meetings to discuss any issues in the transactions under the continuing connected transaction framework agreements and recommendations for improvement;

(v) the Company will regularly summarise the transaction amounts incurred under the respective continuing connected transaction framework agreements and submit periodic reports which sets out, among other things, the historical transaction amounts, the estimated future transaction amounts and the applicable annual caps, to the management of the Company. If the aforementioned transaction amount incurred reach 80% of the respective applicable annual cap, immediate reporting will be made to the management of the Company. In doing so, the management and the relevant departments of the Company can be informed of the status of the continuing connected transactions in a timely manner such that the transactions can be conducted within the applicable annual caps;

(vi) if it is anticipated that the existing annual caps may be exceeded in the event that the Company continues to conduct the continuing connected transactions, the relevant business departments shall report to the management of the Company at least two months in advance, the Company will then take all appropriate steps in advance to revise the relevant annual caps in accordance with the relevant requirements of the Listing Rules and if necessary, the Company will refrain from further conducting the relevant continuing connected transactions until the revised annual caps are approved; and

(vii) the supervision department of the Company will periodically review and inspect the process of the relevant continuing connected transactions.

By implementing the above procedures, the Directors consider that the Company has established sufficient internal control measures to ensure the pricing basis of each of the continuing connected transaction agreements will be on normal commercial terms (or better to the Group), fair and reasonable, in accordance with the pricing policy of the Company and in the interests of the Company and its Shareholders as a whole.

The relevant departments (such as finance department and securities department) of the Company will also collect statistics of each of the continuing connected transaction agreements on a quarterly basis to ensure the annual caps approved by the independent Shareholders or as announced are not exceeded.

The independent non-executive Directors, Mr. Lu Jianzhong, Ms. Zhang Weihua, Mr. Shao Ruiqing have and Mr. Chan Kwok Leung reviewed the above continuing connected transactions and confirmed that these transactions have been entered into:

(1) in the ordinary and usual course of business of the Company;

(2) on normal commercial terms or, if there are not sufficient comparable transactions to judge whether the above continuing connected transactions are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as the case may be) independent third parties; and

(3) in accordance with the relevant agreement terms of the above continuing connected transactions and these transaction terms are fair and reasonable and in the interests of the shareholders of the Company as a whole.

For the purpose of Rule 14A.56 of the Listing Rules, SHINEWING (HK) CPA Limited, the international auditor of the Company, has confirmed to the Company regarding the continuing connected transactions disclosed above that nothing has come to the auditor's attention that causes them to believe that:

1. the disclosed continuing connected transactions have not been approved by the Company's Board of Directors;

2. the transactions were not conducted, in all material respects, in accordance with the pricing policies of the Company;

3. the transactions were not conducted, in all material respects, in accordance with the relevant agreements governing such transactions; and

4. the continuing connected transactions have exceeded the relevant maximum aggregate annual cap amount disclosed in the previous announcements of the Company in respect of each of the disclosed continuing connected transactions.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has made an annual confirmation of his/her independence as required by the Listing Rules. The Company is of the view that all the independent non-executive Directors have been in compliance with the independence guidelines requirements as set out in the Listing Rules and are independent in accordance with the provisions of the guidelines.

PENSION SCHEME

Details of the Group's pension scheme for the year ended 31 December 2022 are set out in Note 2.4 to the consolidated financial statements.

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December 2022, the Group had not placed any designated deposits with any financial institution in the PRC, nor had it failed to collect any time deposits upon maturity during the Year.

TAX RELIEF AND EXEMPTION

The Company is not aware that holders of securities of the Company are entitled to any tax relief or exemption by reason of their holding of such securities.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the "Corporate Governance Report" on pages 80 to 110.

AUDIT COMMITTEE

The audit committee of the Company is comprised of two independent non-executive Directors, namely Mr. Lu Jianzhong and Mr. Chan Kwok Leung, and one non-executive Director, namely Mr. Huang Jian. The Group's final results for the year ended 31 December 2022 and interim results for the year ended 30 June 2022 have been reviewed by the audit committee.

AUDITOR

Auditor appointed by the Company in the past three years is as follows:

2020 and 2021: Ernst & Young
2022：SHINEWING (HK) CPA Limited

The financial statements set out in this Annual Report have been audited by SHINEWING (HK) CPA Limited.

Ernst & Young retired as the international auditor of the Company upon expiration of its term of office at the conclusion of the AGM held on 30 June 2022. Ernst & Young had been the international auditor of the Company for 10 years and the Board considered the rotation of its international auditor after an appropriate period of time as a good corporate governance practice.

Upon the recommendation of the audit committee of the Company, the appointment of SHINEWING (HK) CPA Limited as the new international auditor of the Company upon the retirement of Ernst & Young was considered and approved at the 25th meeting of the audit committee of the sixth session of the Board and the 55th meeting of the sixth session of the Board.

By order of the Board

Liu Chong
Chairman

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

Corporate Governance Report

The Group always strives to enhance corporate governance standards and views corporate governance as a part of value creation and a reflection of the commitment of all Directors and senior management to comply with corporate governance. Transparency is maintained for shareholders and we aim to maximize the interests of all shareholders.

Save as disclosed in this Corporate Governance Report, the Board confirms that the Company has complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2022.

The Company will continue to consistently review the corporate governance practices of the Group to ensure that they are thoroughly implemented. Improvements will also be made continuously to comply with the latest trends of corporate governance, including any new amendments to the Corporate Governance Code in the future.

A. BOARD OF DIRECTORS

1. COMPOSITION OF THE SEVENTH SESSION OF THE BOARD

The current members of the seventh session of the Board include:

DIRECTORS
Executive Directors
Mr. Liu Chong *(Chairman)*
Mr. Zhang Mingwen

Non-executive Directors
Mr. Huang Jian
Mr. Liang Yanfeng
Mr. Ip Sing Chi

Independent non-executive Directors
Mr. Lu Jianzhong
Ms. Zhang Weihua
Mr. Shao Ruiqing
Mr. Chan Kwok Leung

Notes:

1. Due to age reasons, Mr. Wang Daxiong and Mr. Xu Hui retired as Chairman of the Company, executive Directors and members of relevant special committees under the Board respectively on 16 June 2022. Mr. Liu Chong and Mr. Zhang Mingwen took over the positions of Chairman of the Company and executive Director respectively on the same date.

2. In accordance with the requirements for the term of office of independent Directors under the Listing Rules, Mr. Cai Hongping retired as an independent non-executive Director and members of the relevant special committee under the Board on 27 February 2023. On the same day, Mr. Chan Kwok Leung took over the positions of independent non-executive Director and members of the relevant special committees under the Board.

The list of current Directors (including names, duties and brief biographies) is shown on the Company's website: http://development.coscoshipping.com. There is no relationship (including financial, business, family or other material/relevant relationship(s)) among the Board members, especially among the Chairman and the General Manager.

In 2022, the Board had at least three independent non-executive Directors (and representing at least one-third of the Board members) in accordance with the requirement of the Listing Rules, of whom one had appropriate professional qualifications or accounting or related financial management expertise. Each independent non-executive Director has re-confirmed his/her independence to the Company in accordance with the requirement of the Listing Rules. Based on their confirmation, the Company considers that they are independent.

2. RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

The Board is responsible for managing the businesses and affairs of the Group with the aim of enhancing shareholder value; presenting a balanced, clear and comprehensible assessment of the Group's performance, position and prospects as set out in the annual and interim reports, other price sensitive announcements and other financial information disclosed pursuant to the requirement of the Listing Rules; and reporting to regulators any information which is required to be disclosed as per statutory requirements.

The Board owes fiduciary and statutory duties to the Company and the Group. Other duties include: formulating the general strategy and policies of the Group, and establishing corporate and management goals, major operational measures and risk management policies in accordance with the strategic objectives of the Group; supervising and monitoring the operational and financial performance; and approving expenditure budget and key capital spending, key investments, major acquisitions and disposals of assets, corporate or financial reorganization, major finance consent and management matters.

The Board also delegates authority and obligation to the management to manage and decide matters relating to the day-to-day business of the Group, and to report to the Board on the day-to-day business management of the Group.

The Board has set up the Audit Committee, the Remuneration Committee, the Investment Strategy Committee, the Nomination Committee, the Risk Control Committee and the Executive Committee successively. Please refer to the following paragraphs for the composition and duties of the Audit Committee, the Remuneration Committee, the Investment Strategy Committee, the Nomination Committee, the Risk Control Committee and the Executive Committee. Each committee should make recommendations to the Board in accordance with its own duties; such recommendations should be ultimately determined by the Board, unless prescribed clearly in each committee's terms of reference.

The Company Secretary provides information regarding the latest developments in relation to the Listing Rules and other applicable regulatory requirements for all Directors. The Company confirms that the Company Secretary had attended over 15 hours of professional training during the Year. Any Director may require the Company Secretary to arrange independent professional advice at the expense of the Company to assist the Director(s) in performing his/her/their duties to the Company effectively. The Company has reviewed the mechanism and confirmed its effective implementation.

3. CORPORATE GOVERNANCE FUNCTION

The Board is responsible for the formulation of corporate governance policies of the Group and the performance of the following corporate governance duties:

(1) to formulate and review the Group's policies and practices on corporate governance;

(2) to review and monitor the training and continuing professional development of the Directors and senior management;

(3) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

(4) to formulate, review and monitor the code of conduct of Directors and employees; and

(5) to review the Group's compliance with the Corporate Governance Code and disclosures in the Corporate Governance Report.

In 2022, the Board performed its corporate governance duties through the Board Diversity Policy, reviewing and monitoring the training and continuing professional development of the Directors and senior management and compliance with relevant laws and regulations, and other practices. It also puts great effort into improving the Group's corporate governance practices.

4. CHAIRMAN AND GENERAL MANAGER

During 2022, due to age reasons, Mr. Wang Daxiong retired as Chairman of the Company on 16 June 2022 and Mr. Liu Chong acted as the new Chairman of the Company; Mr. Zhang Mingwen took over the positions of the General Manager of the Company on the same day. As required by the Articles of Association, the Chairman and the General Manager perform their duties separately. The Chairman of the Board exercises the duties to preside over the general meetings, convene and preside over the meetings of Board of Directors and supervise and inspect the implementation of the resolutions of the Board of Directors, to sign the securities certificates issued by the Company, to listen to the work report on the rule of law construction of the Company and such other authorities as may be delegated by the Board. The Chairman of the Board takes primary responsibility for the Company and ensures that sound corporate governance practices and procedures are in place. The Chairman of the Board also attends the annual general meeting and invites the chairman of the Audit Committee, the Remuneration Committee, the Nomination Committee and other committees of the Company to attend. The General Manager is responsible for organizing the implementation of the decisions, resolutions, approaches, policies and development plans of the Board and the Supervisory Committee, and reporting to the Board; organizing the implementation of the Company's annual business plans, budgets and investment plans; coordinating the Company's internal and external relations; formulating the Company's internal management department establishment plans; devising the Company's basic management systems; drawing up the Company's basic rules and regulations; submitting annual work reports and other reports to the Board; employing or dismissing management personnel whose employment or dismissal is not subject to the approval of the Board and determining their assessment and remuneration; proposing the convening of extraordinary meetings of the Board; and other duties as authorized by the Articles of Association and the Board. At the same time, the General Manager is also responsible for implementing the daily operations management of the Company; convening daily performance analysis meetings of the Company; coordinating the daily operations management of subsidiaries; drafting annual development plans, operational policies and annual business plans of the Company; drafting the basic management systems of the Company; drafting specific rules and regulations of the Company; coordinating the operation of each department of the Company; reviewing and approving all budgeted expenses and costs of the Company; drawing up the salaries, benefits, rewards and punishments of the Company's employees and determining their engagement and dismissal; business development and staff training of the Company; and other duties as authorized by the Articles of Association and the Board.

Pursuant to code provision C.2.1 of the Corporate Governance Code, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The Chairman of the Company is Mr. Liu Chong and the chief executive represents the General Manager who is Mr. Zhang Mingwen, an executive Director. Currently, all major decisions of the Company are made in consultation with members of the Board (including the independent non-executive Directors) as well as senior management. There are adequate balances of power and safeguards in place for the Board to ensure the appropriate balance of power in the Company.

5. TRAINING AND CONTINUING PROFESSIONAL DEVELOPMENT OF DIRECTORS

(1) Newly appointed Directors

Each newly appointed Director will receive a set of training materials which cover the legal responsibilities of Directors, specific legal responsibilities, rules governing the dealings in securities of a listed company, disclosure of sensitive share price information, disclosable transactions, connected transactions, other continuing responsibilities, Corporate Governance Code and disclosure of interests under the SFO to ensure each newly appointed Director fully understands his/her duties under the Listing Rules and other regulatory requirements. In 2022, all newly appointed Directors attended such training.

(2) The Company provides relevant laws and regulations or their amended or updated versions for its Directors on an irregular basis for learning purposes. In order to comply with the continuing professional development requirement under the Corporate Governance Code, the Directors attended the trainings regarding the functions and duties of Directors during the Year.

According to the Company's records, in order to comply with the continuing professional development requirement under the Corporate Governance Code, the Directors received the following trainings in 2022:

Director	**Reading written materials regarding updates on the Board practices and development, corporate governance and regulations**	**Attending related risk management, strategy, business and industry specific briefings, seminars or training**
Executive Directors		
Liu Chong (Chairman)(1)	✓	✓
Zhang Mingwen(2)	✓	✓
Non-executive Directors		
Huang Jian	✓	✓
Liang Yanfeng	✓	✓
Ip Sing Chi	✓	✓
Independent non-executive Directors		
Shao Ruiqing	✓	✓
Cai Hongping(3)	✓	✓
Lu Jianzhong	✓	✓
Zhang Weihua	✓	✓
Chan Kwok Leung(3)	N/A	N/A
Wang Daxiong(1)	✓	✓
Xu Hui(1)	✓	✓

Notes:

1. On 16 June 2022, Mr. Wang Daxiong and Mr. Xu Hui retired as the Chairman of the Company and executive Directors due to age reasons; on the same day, Mr. Liu Chong was appointed as the Chairman of the Company, which was considered and approved at the fifty-eighth meeting of the sixth session of the Board of the Company.

2. On 30 June 2022, Mr. Zhang Mingwen was appointed as an executive Director, which was considered and approved at the 2021 annual general meeting of the Company.

3. On 27 February 2023, Mr. Cai Hongping retired as independent non-executive Director in accordance with the relevant laws and regulations upon the expiry of his six-year term as an independent non-executive Director. On the same day, Mr. Chan Kwok Leung was appointed as the independent non-executive Director upon approval at the first extraordinary general meeting of the Company for 2023.

(3) The Company provides latest information about the production and operation of the Company for the Directors through monthly operation reports, physical Board meetings and replies to the questions raised by the Directors, so that the Directors can perform their duties.

6. BOARD MEETINGS

The Board meets at least four times a year, and Directors entitled to attend regular meetings shall attend in person or actively participate by means of electronic communication. In addition, the Chairman had meetings with the independent non-executive Directors, without the presence of the other Directors, to consider issues. During 2022, the Chairman held 2 meetings with the independent non-executive Directors, without the presence of the other directors. The Securities and Public Relations Department of the Company would provide an official agenda of items to be considered and determined by the Board before any Board meeting. Notice would be given 10 business days before each regular Board meeting. Directors may include related matters in the agenda for discussion at the Board meeting. The Company Secretary assists the Chairman of the Company in preparing an agenda for each Board meeting and ensures it is prepared in accordance with applicable statutory requirements and regulations in relation to the meeting. The ultimate agenda and Board papers would be sent to all Directors at least 3 days before the Board meeting. Any Director with a conflicting interest in any resolution to be considered by the Board should abstain from voting on such resolution, and independent non-executive Directors who do not have a material interest in the transaction themselves and their close associates should attend the relevant board meetings.

The Board held 24 Board meetings during 2022. Attendance record of each Director is set out as follows:

Attendance of Directors at Board Meetings and General Meetings

	Attendance at Board Meetings						Attendance at general meetings[1]	
Name of Director	Board meetings to attend this year	Meetings attended in person	Meetings attended through proxy	Meetings attended by way of telecommunication	Attendance rate %	Unable to attend in person for two consecutive Board meetings	Annual general meeting attended	Extraordinary general meetings attended
Executive Directors								
Liu Chong	24	24	0	20	100	No	1/1	1/1
Zhang Mingwen[2]	13	13	0	11	100	No	0/1	1/1
Non-executive Directors								
Huang Jian	24	24	0	20	100	No	1/1	1/1
Liang Yanfeng	24	24	0	20	100	No	0/1	0/1
Ip Sing Chi	24	24	0	20	100	No	0/1	0/1
Independent non-executive Directors								
Shao Ruiqing	24	24	0	20	100	No	1/1	1/1
Cai Hongping[3]	24	24	0	20	100	No	1/1	0/1
Lu Jianzhong	24	24	0	20	100	No	1/1	0/1
Zhang Weihua	24	24	0	20	100	No	0/1	0/1
Chan Kwok Leung[3]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wang Daxiong[4]	11	9	2	9	100	No	0/1	0/1
Xu Hui[4]	11	11	0	9	100	No	0/1	0/1

Notes:

(1) The number of meetings represents the actual number of meetings attended by the Director/number of general meetings Directors are entitled to attend.

(2) On 30 June 2022, Mr. Zhang Mingwen was appointed as an executive Director, which was considered and approved at the 2021 annual general meeting of the Company.

(3) On 27 February 2023, Mr. Cai Hongping retired as independent non-executive Director and a member of the special committees of the Board in accordance with the relevant laws and regulations upon the expiry of his six-year term as an independent non-executive Director. On the same day, Mr. Chan Kwok Leung was appointed as the independent non-executive Director upon approval at the first extraordinary general meeting of the Company for 2023. Therefore, Mr. Chan Kwok Leung did not participate in the Board meetings in 2022.

(4) On 16 June 2022, Mr. Wang Daxiong and Mr. Xu Hui retired as the Chairman of the Company and executive Directors due to age reasons.

7. SUPPLY OF AND ACCESS TO INFORMATION

All Directors of the Company are entitled to have access to the relevant documents and other information of the Board from the Company Secretary in order to make informed decisions.

8. APPOINTMENT AND RESIGNATION OF DIRECTORS

The Board reviews its structure, size and composition regularly. The Company appoints new Directors to the Board in accordance with formal, well thought-out and transparent procedures.

The Board held one meeting in 2022 to review the appointment and resignation of the Directors and make recommendations thereon, and the attendance rate of the Directors was 100%. Attendance record of each Director is set out as follows:

Executive Directors

Director	Number of meetings attended	Attendance rate
Wang Daxiong	1	100%
Liu Chong	1	100%
Xu Hui	1	100%
Zhang Mingwen	1	100%

Non-executive Directors

Director	Number of meetings attended	Attendance rate
Huang Jian	1	100%
Liang Yanfeng	1	100%
Ip Sing Chi	1	100%

Independent non-executive Directors

Director	Number of meetings attended	Attendance rate
Cai Hongping	1	100%
Lu Jianzhong	1	100%
Zhang Weihua	1	100%
Shao Ruiqing	1	100%
Chan Kwok Leung	N/A	N/A

9. BOARD COMMITTEES

(1) Audit Committee

The seventh session of the Audit Committee of the Board currently consists of Mr. Lu Jianzhong and Mr. Chan Kwok Leung, who are independent non-executive Directors, and Mr. Huang Jian, who is a non-executive Director. Mr. Lu Jianzhong is the Chairman of the Audit Committee.

The primary duties of the Audit Committee are to oversee the integrity of the financial reports, annual and interim reports of the Group, and to review its financial control.

During the reporting period, the Audit Committee of the Board convened ten meetings with the average attendance rate of 100%.

Four regular meetings were held as follows:

1. The twenty-second meeting of the sixth session of the Audit Committee of the Board was convened via a combination of physical presence and video conferences on 29 March 2022, at which the following proposals were considered and passed by a unanimous vote:

   (1) Proposal Regarding the Company's Financial Report for 2021;

   (2) Proposal Regarding Signing the Supplementary Agreement to the Financial Services Agreement with COSCO SHIPPING Finance；

   (3) Proposal Regarding the Company's Internal Audit for 2021-2022；

   (4) Proposal Regarding the Report on the Discharge of Duties by the Audit Committee of the Board in 2021.

2. The twenty-third meeting of the sixth session of the Audit Committee of the Board was convened by voting through written correspondence on 28 April 2022, at which the Proposal Regarding the Company's Report for the First Quarter of 2022 was considered and passed by a unanimous vote.

3. The twenty-sixth meeting of the sixth session of the Audit Committee of the Board was held via a combination of physical presence and video conferences on 29 August 2022, at which the Proposal Regarding the Company's Financial Report for the First Half of 2022 was considered and passed by a unanimous vote.

4. The twenty-eighth meeting of the sixth session of the Audit Committee of the Board was convened by voting through correspondence on 28 October 2022, at which the Proposal Regarding the Company's Report for the Third Quarter of 2022 was passed by a unanimous vote.

Six extraordinary meetings were held as follows:

1. The twentieth meeting of the sixth session of the Audit Committee of the Board was convened through written correspondence on 12 January 2022, at which the following were considered and passed:

    (1) Proposal Regarding Adjusting the Estimated Net Residual Value of the Vessel Assets of the Company;

    (2) Proposal Regarding the Provision for Credit Impairment of Long-Term Receivables in 2021.

2. The twenty-first meeting of the sixth session of the Audit Committee of the Board was held via written correspondence on 29 November 2022, at which the Proposal Regarding the Building of Two 700TEU Electric Container Vessels was considered and passed.

3. The twenty-fourth meeting of the sixth session of the Audit Committee of the Board was convened through written correspondence on 18 May 2022, at which the following were considered and passed:

    (1) Proposal Regarding the Transfer of 10% Equity Interest in COSCO SHIPPING Finance by COSCO SHIPPING Development;

    (2) Proposal Regarding the Increase of Capital by COSCO SHIPPING Development in COSCO SHIPPING Finance.

4. The twenty-fifth meeting of the sixth session of the Audit Committee of the Board was convened through written correspondence on 24 May 2022, at which the Proposal Regarding the Engagement of the Company's Auditors for 2022 was considered and passed.

5. The twenty-seventh meeting of the sixth session of the Audit Committee of the Board was convened through written correspondence on 15 September 2022, at which the Proposal Regarding the Execution of the Entrusted Management Service Agreement was considered and passed.

6. The twenty-ninth meeting of the sixth session of the Audit Committee of the Board was convened through written correspondence on 27 November 2022, at which the following were considered and passed:

   (1) Proposal Regarding the Signing of the Day-to-day Affiliated Transaction Agreement for 2023-2025 between the Company and China COSCO Shipping Corporation Ltd. and the approval of the annual limit of the transactions;

   (2) Proposal Regarding the Signing of the Master Financial Services Agreement with COSCO SHIPPING Finance Company Limited for 2023-2025 and the approval of the annual limit of the transactions.

Attendance record of each member of the Audit Committee is set out as follows:

Director	Number of Meetings attended/number of meetings held	Attendance rate
The seventh session of the Audit Committee of the Board		
Lu Jianzhong *(independent non-executive Director)* *(Chairman)*	10/10	100%
Cai Hongping *(independent non-executive Director)* *(former committee member)* [(1)]	10/10	100%
Huang Jian *(non-executive Director)*	10/10	100%
Chan Kwok Leung *(independent non-executive Director)* *(current committee member)* [(1)]	N/A	N/A

Note:

(1) On 27 February 2023, Mr. Cai Hongping retired as independent non-executive Director and a member of the special committees in accordance with the relevant laws and regulations upon the expiry of his six-year term as an independent non-executive Director. On the same day, Mr. Chan Kwok Leung took over the positions of independent non-executive Director and member of the relevant special committees under the Board.

(2) *Remuneration Committee*

The seventh session of the Remuneration Committee of the Board of the Company currently consists of Ms. Zhang Weihua, Mr. Shao Ruiqing and Mr. Chan Kwok Leung, who are independent non-executive Directors. Mr. Shao Ruiqing is the Chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's remuneration policy and structure for all Directors, Supervisors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration policy; to have the delegated responsibility by the Board to determine specific remuneration packages of Directors, Supervisors and senior management holding positions in the Company, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of office or appointment), and make recommendations to the Board on the remuneration of non-executive Directors (the Remuneration Committee will consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration); to review and approve performance-based remuneration with reference to corporate goals and objectives passed by the Board from time to time; to review and approve the compensation payable to executive Directors, Supervisors and senior management in connection with any loss or termination of office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and reasonable and does not impose an overly heavy burden on the Company; to review and approve compensation arrangements relating to dismissal or removal of Directors or Supervisors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that such compensation payment is otherwise reasonable and appropriate; and to ensure that no Director or Supervisor or any of his/her associates is involved in determining his/her own remuneration; to handle specific matters in relation to employee equity incentives and report and make proposals to the Board (including review and/or approval of matters relating to share schemes as referred to in Chapter 17 of the Listing Rules of the Stock Exchange).

With respect to the performance appraisal and remuneration of Directors, Supervisors and senior management of the Company, the Remuneration Committee formulates specific remuneration plans or proposals based on the scope of work, responsibilities and importance of the Directors and Supervisors and the remuneration levels of relevant positions in other relevant enterprises. The remuneration plans for Directors and Supervisors are considered and approved at a general meeting after being proposed by the Remuneration Committee.

The Remuneration Committee is also responsible for formulating the remuneration packages for senior management and submitting them to the Board for approval. The affairs management department of the Board is responsible for coordinating with the personnel department and other departments to provide the Remuneration Committee with information on the achievement of the Company's major financial targets and operating objectives, the scope of work and major responsibilities of the Company's senior management, the achievement of the targets involved in the performance appraisal system for the positions of Directors, Supervisors and senior management, the operating performance of the Directors, Supervisors and senior management in terms of their business innovation and revenue creating ability, and the basis for the measurement of the Company's remuneration allocation plan and allocation method based on the Company's performance, etc. for the Remuneration Committee's decision making.

With respect to the Company's share option incentive plan, the Remuneration Committee is responsible for preparing the draft incentive plan and submitting it to the Board for consideration; reviewing the scope of participants initially proposed by the Human Resources Department in accordance with the provisions of the Company's share option plan and the Company's business development focus to review whether the Company and the participants are qualified to exercise or unlock their share options, etc.

Three meetings of the Remuneration Committee of the Board were held in 2022, with an average attendance rate of 100%. The Proposal Regarding the Annual Remuneration of the Directors and Supervisors of the Company for 2022 was considered at the ninth meeting of the sixth session of the Remuneration Committee of the Board; the Proposal on Fulfillment of Exercise Conditions for the First Exercise Period for the First Grant under the Share Option Incentive Scheme (《關於股票期權激勵計劃首次授予期權第一個行權期行權條件成就的議案》) and the Proposal on Adjusting the Exercise Price, the List of Participants of the Share Option Incentive Scheme and Number of Share Options in the First Grant and Cancellation of Certain Outstanding Share Options Granted (《關於調整股票期權激勵計劃行權價格、首次授予激勵對象名單、期權數量並註銷部分已獲授但未行權的股票期權的議案》) were considered at the tenth meeting of the sixth session of the Remuneration Committee of the Board; and the Proposal Regarding the Determination of Annual Remuneration of the Professional Managers of COSCO Shipping Development Co., Ltd. for 2021 was considered at the eleventh meeting of the sixth session of the Remuneration Committee of the Board.

Attendance record of each member of the Remuneration Committee is set out as follows:

Director	Number of meeting attended/number of meetings held	Attendance rate
The seventh session of the Remuneration Committee of the Board		
Cai Hongping *(independent non-executive Director) (former Chairman)*[1]	3/3	100% during the tenure of office
Shao Ruiqing *(independent non-executive Director) (current Chairman)*	3/3	100% during the tenure of office
Zhang Weihua *(independent non-executive Director)*	3/3	100% during the tenure of office
Chan Kwok Leung *(independent non-executive Director) (current committee member)*[1]	N/A	

Note:

1. On 27 February 2023, Mr. Cai Hongping retired as independent non-executive Director in accordance with the relevant laws and regulations upon the expiry of his six-year term as an independent non-executive Director. On the same day, Mr. Chan Kwok Leung took over the positions of independent non-executive Director and member of the relevant special committees under the Board.

(3) *Investment Strategy Committee*

The seventh session of the Investment Strategy Committee of the Board of the Company currently consists of Mr. Liu Chong and Mr. Zhang Mingwen, who are executive Directors, Mr. Ip Sing Chi, Mr. Huang Jian and Mr. Liang Yanfeng, who are non-executive Directors, and Mr. Shao Ruiqing and Mr. Chan Kwok Leung, who are independent non-executive Directors. Mr. Liu Chong, Chairman of the Company, is the Chairman of the Investment Strategy Committee.

The primary duties of the Investment Strategy Committee are to consider and make recommendations on the strategic plan for the Group's long-term development and on material investment and financing proposals and material capital operation and asset operation projects which are subject to the Board's approval as required by the Articles of Association.

During the reporting period, the Investment Strategy Committee of the Board convened two meetings with the average attendance rate of 100%. On 18 February 2022, the Proposal Regarding the 2022 Investment and Disposal Plan of the Company was considered and passed at the fifth meeting of the sixth session of the Investment Strategy Committee of the Board, and was recommended to the Board for approval. On 29 March 2022, the Proposal Regarding the Sustainability Report of the Company for 2021 was considered and passed at the sixth meeting of the sixth session of the Investment Strategy Committee of the Board, and was recommended to the Board for approval.

Director	**Number of meeting attended/number of meeting held**	**Attendance rate**
The seventh session of the Investment Strategy Committee of the Board		
Wang Daxiong *(executive Director) (former Chairman)*[(1)]	2/2	100%
Liu Chong *(executive Director) (current Chairman)*	2/2	100%
Ip Sing Chi *(non-executive Director)*	2/2	100%
Shao Ruiqing *(independent non-executive Director)*	2/2	100%
Huang Jian *(non-executive Director)*	2/2	100%
Liang Yanfeng *(non-executive Director)*	2/2	100%
Xu Hui *(executive Director) (former committee member)*[(1)]	2/2	100%
Zhang Mingwen *(executive Director) (current committee member)*[(2)]	0/2	N/A
Chan Kwok Leung *(independent non-executive Director) (current committee member)*[(3)]	0/2	N/A

Notes:

1. Due to age reasons, Mr. Wang Daxiong and Mr. Xu Hui ceased to serve the relevant positions at the relevant special committees under the Board on 16 June 2022.

2. On 30 June 2022, Mr. Zhang Mingwen was appointed as an executive Director and member of the relevant special committees under the Board, which was considered and approved at the 2021 annual general meeting of the Company.

3. Mr. Cai Hongping retired as an independent non-executive Director and member of the relevant special committees under the Board on 27 February 2023 upon the expiry of his term of office. On the same day, Mr. Chan Kwok Leung took over the positions of independent non-executive Director and member of the relevant special committees under the Board, which was considered and approved at the 2023 first extraordinary general meeting of the Company.

(4) *Nomination Committee*

The seventh session of the Nomination Committee of the Board currently consists of Mr. Chan Kwok Leung and Mr. Shao Ruiqing, who are independent non-executive Directors, and Mr. Liu Chong, who is an executive Director. Mr. Chan Kwok Leung, who is an independent non-executive Director, is the Chairman of the Nomination Committee.

The primary duties of the Nomination Committee are to make recommendations to the Board on the headcount and composition of the Board and the composition of senior management in accordance with the Company's business activities, asset size and shareholding structure; to consider and make recommendations to the Board on the criteria and procedures for selecting Directors and members of senior management; to review and make recommendations on the qualifications of the candidates of Directors and members of senior management; and to assess the independence of independent non-executive Directors. The Nomination Committee's procedures and criteria for selecting and making recommendations for appointment of Board members are designed to satisfy high standards of corporate governance. In identifying suitable candidates, the Nomination Committee shall consider candidates on merit against objective criteria and with due regard to the benefits of the diversity of the Board. The factors considered by the Nomination Committee in assessing the suitability of a proposed candidate include: (i) reputation for integrity; (ii) accomplishments, professional knowledge and industry experience which may be relevant to the Group; (iii) commitment to the business of the Group in respect of time, interest and attention; (iv) perspectives, skills and experience that the individual can contribute to the Board; (v) diversity in a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; (vi) Board succession planning considerations and long-term objectives of the Group; and (vii) in the case of a candidate for independent non-executive Director, the independence of such candidate with reference to, among other things, the requirements as set out in Rule 3.13 of the Listing Rules. These processes meet or exceed the Hong Kong Stock Exchange's requirements to ensure that every Director has the requisite character, experience and integrity and is able to demonstrate a standard of competence commensurate with his position as a director of a listed issuer, and that where the nomination of independent non-executive Directors is under consideration, the requirements of Rule 3.13 of the Listing Rules are satisfied.

On 28 August 2013, the Board passed the Board Diversity Policy. The Nomination Committee has formulated the Board Diversity Policy, which is set out in the Working Rules for the Nomination Committee of the Board of the Company. The main contents include: when determining the composition of the Board, the Company will consider the Board diversity in terms of, among other things, gender, age, cultural and educational background, professional experience, skills, knowledge and term of service. The taking into account of these factors in determining the Board diversity contributes to the enhanced management standard of the Company, and results in a more comprehensive and balanced Board composition and decision-making process. All appointments of the Directors are based on meritocracy, and candidates will be considered against objective criteria, taking into account the benefits of board diversity. The final selection of candidates will be determined based on their merits and contribution to the Board. The composition of the Board is basically in line with the diversity (including gender diversity) principle, details of which are set out under the section headed "Composition of the Seventh Session of the Board" in the "Corporate Governance Report". The biographies of Directors set out on pages 38 to 43 also set out the diverse skills, professional knowledge, experience and qualifications of the Directors. Currently, the Board has not set any measurable objectives for implementing the Board Diversity Policy (including gender diversity).

The Board of Directors of the Company currently has one female director out of nine directors and is committed to maintaining gender diversity when identifying suitable candidates. In order to maintain gender diversity, similar considerations will be taken into in the recruitment and selection process of key management and other personnel for our business. As of 31 December 2022, the senior management of the Company (who were appointed by the Board) consisted of 5 male employees and 1 female employee, respectively. In 2022, among 10,586 employees (including regular employees, dispatched employees and outsourced employees) of the Company, 9,791 are male and 795 are female, representing a ratio of approximately 12:1 between male and female employees. The current composition of the Company's workforce and male to female ratio are primarily determined by the nature of the container manufacturing segment in which the Company operates.

There are no factors or circumstances that would make achieving gender diversity more challenging or less relevant for all employees (including senior management). During the year, the Company had reviewed the implementation and effectiveness of the gender diversity policy for its employees, including senior management. As a result of these measures, the gender diversity policy for employees (including senior management) was considered to have been effectively implemented.

During the reporting period, the Nomination Committee of the Board convened two meetings with the average attendance rate of 100%. The Proposal Regarding the Election of Mr. Zhang Mingwen as an Executive Director of the Company, the Proposal Regarding the Engagement of Mr. Zhang Mingwen as the General Manager of the Company and the Proposal Regarding the Election of Shao Ruiqing as Independent Non-executive Director were considered at the sixth meeting of the sixth session of the Nomination Committee of the Board. The Proposal Regarding the Engagement of Deputy General Manager of the Company was considered at the seventh meeting of the sixth session of the Nomination Committee of the Board.

All proposals mentioned above were agreed to be submitted to the Board for further review. Attendance record of each member of the Nomination Committee is set out as follows:

Director	**Number of meetings attended/number of meetings held**	**Attendance rate**
The seventh session of the Nomination Committee of the Board		
Chan Kwok Leung *(independent non-executive Director) (current chairman)*[1]	0/2	N/A
Shao Ruiqing *(independent non-executive Director) (former chairman, current committee member)*	2/2	100%
Cai Hongping *(independent non-executive Director) (former committee member)*	2/2	100%
Liu Chong *(executive Director)*	2/2	100%

Note:

1. Mr. Cai Hongping retired as an independent non-executive Director and member of the relevant special committees under the Board on 27 February 2023 upon expiry of his term of office. On the same day, Mr. Chan Kwok Leung took over the positions of independent non-executive Director and member of the relevant special committee under the Board, which was considered and approved at the 2023 first extraordinary general meeting of the Company.

(5) *Risk Control Committee*

The seventh session of the Risk Control Committee of the Board of the Company currently consists of Ms. Zhang Weihua, Mr. Lu Jianzhong and Mr. Chan Kwok Leung, who are independent non-executive Directors. Ms. Zhang Weihua is the Chairman of the Risk Control Committee.

The primary duties of the Risk Control Committee are to consider the Group's work plans for internal control and risk management and review the Group's risk management and internal control systems; to consider the establishment of risk management departments and proposals for their responsibilities and review the responsibilities in the risk management and internal control systems; to consider the Group's basic rules and regulations on internal control and risk management and discuss the risk management and internal control systems with the management to ensure that management has performed its duty to establish an effective system; to consider internal control evaluation reports and risk management reports of the Group and communicate with external auditors with regard to matters concerning internal control and audit; to review major investigation findings on risk management and internal control matters and the management's response to these findings on its own initiative or as appointed by the Board; and to perform other duties as delegated by laws and regulations, the Listing Rules and the Board.

During the reporting period, the Risk Control Committee convened three meetings with the average attendance rate of 100%.

No.	Date of meeting	Name of meeting	Voting method	Proposal
1.	29 March 2022	The sixth meeting of the sixth session of the Risk Control Committee of the Board	Physical presence	1. To review the proposal regarding the 2021 internal control system report of the Company 2. To review the proposal regarding the 2021 self-evaluation report on internal control of the Company 3. Proposal Regarding the Risk Assessment Report of COSCO SHIPPING Finance 4. Proposal Regarding Risk Disposal Plan for COSCO SHIPPING Finance

No.	Date of meeting	Name of meeting	Voting method	Proposal	
2.	29 August 2022	The seventh meeting of the sixth session of the Risk Control Committee of the Board	Physical presence	1.	To review the proposal regarding the 2022 interim comprehensive risk management report and the internal control construction report of the Company
				2.	Proposal Regarding the Risk Assessment Report for the First Half of 2022 of COSCO SHIPPING Finance
3.	29 November 2022	The eighth meeting of the sixth session of the Risk Control Committee of the Board	Written correspondence	1.	Proposal Regarding Risk Assessment Report of COSCO SHIPPING Finance Company Limited

All proposals mentioned above were approved and some of them were submitted to the Board for further review. Attendance rate of each member of the Risk Control Committee is set out as follows:

Director	Number of meetings attended/number of meetings held	Attendance rate
The seventh session of the Risk Control Committee of the Board		
Zhang Weihua *(independent non-executive Director) (Chairman)*	3/3	100%
Cai Hongping *(independent non-executive Director) (former committee member)* (1)	3/3	100%
Lu Jianzhong *(independent non-executive Director)*	3/3	100%
Chan Kwok Leung *(independent non-executive Director) (current committee member)* (1)	N/A	

Note:

1. Mr. Cai Hongping retired as an independent non-executive Director and member of the relevant special committees under the Board on 27 February 2023 upon expiry of his term of office. On the same day, Mr. Chan Kwok Leung took over the positions of independent non-executive Director and member of the relevant special committees under the Board, which was considered and approved at the 2023 first extraordinary general meeting of the Company.

(6) *Executive Committee*

The seventh session of the Executive Committee of the Board consists of Mr. Liu Chong and Mr. Zhang Mingwen, who are executive Directors. Mr. Liu Chong, Chairman of the Company, serves as the Chairman of the Executive Committee.

The primary duties of the Executive Committee are to consider and decide matters relating to operations management of the Company which involve a certain amount of expenses on behalf of the Board during the adjournments of the Board meetings; to coordinate and implement the decisions approved by the Board; to exercise the special disposal power over the affairs of the Company in the event of force majeure and report to the Board and the general meeting thereafter; and to perform other duties as provided by the Articles of Association or delegated by the Board.

During the reporting period, the Executive Committee convened four meetings with the average attendance rate of 100%.

Director	**Number of meetings attended/number of meetings held**	**Attendance rate**
The seventh session of the Executive Committee of the Board		
Wang Daxiong *(executive Director) (former Chairman)* [(1)]	2/4	100% during the tenure of office
Liu Chong *(executive Director) (current Chairman)*	4/4	100%
Xu Hui *(executive Director) (former committee member)* [(1)]	2/4	100% during the tenure of office
Zhang Mingwen *(executive Director) (current committee member)* [(2)]	2/4	100% during the tenure of office

Notes:

1. Due to age reasons, Mr. Wang Daxiong and Mr. Xu Hui retired from the positions of the relevant special committees under the Board on 16 June 2022. Mr. Liu Chong, the executive Director served as the Chairman of the Board and the Chairman of the Executive Committee of the Company.

2. On 30 June 2022, Mr. Zhang Mingwen was appointed as an executive Director and a member of the Executive Committee, which was considered and approved at the 2021 annual general meeting of the Company.

10. SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted a code of conduct on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules as the standards for securities transactions by Directors, Supervisors and relevant employees. The Company confirms, having made specific enquiries with all Directors and Supervisors, that during the year ended 31 December 2022, its Directors and Supervisors have complied with the requirements relating to securities transactions by Directors and Supervisors as set out in the Model Code. The Company is not aware of any non-compliance with these guidelines by relevant employees.

11. ANNUAL REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Remuneration of the Directors and key management personnel of the Company is determined according to the remuneration policy and structure of the Company.

For the year ended 31 December 2022, the remuneration of key management personnel is divided into the following grades:

Basic annual salary grade	No. of people
HKD1,000,000 and below (approximately RMB893,000 and below)	9
HKD1,000,001 to HKD1,500,000 (approximately RMB893,001 to RMB1,340,000)	1
HKD1,500,001 to HKD2,000,000 (approximately RMB1,340,001 to RMB1,787,000)	5

Details of the annual remuneration of Directors for the year ended 31 December 2022 are set out in notes 10 and 11 to the consolidated financial statements.

12. THE TERM OF OFFICE FOR NON-EXECUTIVE DIRECTORS FOR THE YEAR AND UP TO THE DATE OF THIS ANNUAL REPORT

Non-executive Director	Term
Huang Jian	The sixth session of the Board: from 20 August 2019 to 27 February 2023 The seventh session of the Board: from 27 February 2023 to the end of term of the seventh session of the Board
Liang Yanfeng	The sixth session of the Board: from 20 August 2019 to 27 February 2023 The seventh session of the Board: from 27 February 2023 to the end of term of the seventh session of the Board
Ip Sing Chi	The sixth session of the Board: from 29 October 2020 to 27 February 2023 The seventh session of the Board: from 27 February 2023 to the end of term of the seventh session of the Board

B. ACCOUNTABILITY AND AUDITING

1. EXTERNAL AUDITORS

ShineWing Certified Public Accountants LLP and SHINEWING (HK) CPA Limited were appointed as the external domestic and overseas auditors of the Company at the 2022 annual general meeting by the shareholders, respectively, until the conclusion of the next annual general meeting.

The Company has paid ShineWing Certified Public Accountants LLP RMB4,960,000 as remuneration for its foreign auditing service and related service provided for the year 2022, RMB5,280,000 as remuneration for its domestic auditing service and related service provided for the year 2022, and RMB920,000 as remuneration for its internal control and auditing service provided for the year 2022.

2. ACKNOWLEDGEMENT OF THE DIRECTORS AND AUDITORS

All Directors have confirmed their responsibility for preparing the annual accounts for the year ended 31 December 2022. SHINEWING (HK) CPA Limited, the auditor of the Company, has confirmed its reporting responsibilities as set out in the auditor's report in the financial statements for the year ended 31 December 2022.

C. INTERNAL CONTROL AND RISK CONTROL

PROCESS OF IDENTIFYING, ASSESSING AND MANAGING SIGNIFICANT RISKS

The Group has established the risk identification system, process or guidelines to ascertain the types, identification accountability and frequency of risks and the path of reporting. Based on this principle, the Group has adopted qualitative and quantitative approaches for risk assessment. The Group ascertained the focus of risk management according to its development strategies and conditions. It also selected risk management tools to formulate risk management solutions. The Group continued to monitor significant risks by establishing a risk management mechanism and contingency plans.

PROCESS OF REVIEWING THE EFFECTIVENESS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS AND RESOLVING MATERIAL INTERNAL CONTROL DEFECTS

The Group has strengthened the three-layer risk management system by establishing a vertical top-down delegation and bottom-up approval system. The Group has established a three-line defense system, which includes risk identification, assessment, response and self-appraisal among different departments horizontally. The risk management department shall be responsible for the entire organization, coordination, guidance and supervision, while the audit department shall be responsible for regular audit and supervision. Meanwhile, the Group shall carry out an assessment of the effectiveness of internal control on a regular basis and prepare an annual internal control assessment report so that it can identify and address the deficiencies in a timely manner.

PROCEDURES FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION AND INTERNAL CONTROL MEASURES

The Group has established a stringent process to handle and disseminate inside information in accordance with relevant requirements under the Listing Rules and the SFO. To step up the Group's efforts for confidentiality of inside information, the Company has formulated the Registration and Filing System for Persons Who Possess Inside Information, which specifies the definition and scope of inside information and ascertains the process of registration and filing. The Group has also entered into confidentiality agreements with the persons who possess inside information.

PROCEDURES FOR MONITORING ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE RISKS

The Company has established a sustainability management organization and the Board is the highest decision-making body of the sustainability management organization. The Company's Investment Strategy Committee, as the coordinating and guiding body of the sustainability management organization, is responsible for guiding, analyzing and studying global political, social and environmental risks and opportunities that may affect the Company, overseeing and managing the Company's sustainable development strategy, related systems and ESG performance, and making decisions on major sustainable development issues. The above duties have been incorporated into the Working Rules for Investment Strategy Committee under the Board of the Company.

REVIEW OF THE INTERNAL CONTROL AND RISK CONTROL SYSTEMS

The Board is responsible for reviewing the effectiveness of the Group's internal control and risk control systems. The internal control and risk control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against any material misstatement or loss. The Board has assessed and reviewed the effectiveness of the internal control system through discussion with the Risk Control Committee, the Audit Committee, the senior management, the internal audit team, the legal compliance and risk management department and external auditors and based on the reports from the internal audit team. The internal audit team and legal compliance and risk management department review all key controls in accordance with their audit plans on a regular basis, including financial, operational and compliance controls as well as risk management functions. They also report the findings to the Board and provide recommendations for improving the internal control of the Company. During 2022, there were two aforementioned reports. The Risk Control Committee of the Board has considered the recommendations given by the external auditors at the meetings of the Risk Control Committee of the Board.

The Board reviews the effectiveness of the Group's internal control system for the period semi-annually. The Board assesses the effectiveness of the internal control and risk control systems with reference to the evaluation by the Risk Control Committee, the Audit Committee, the management as well as the internal audit team, the legal compliance and risk management department and external auditors. An annual review will also be made by considering the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function.

For the year ended 31 December 2022, the Board has reviewed the effectiveness of the Group's internal control and risk control systems with reference to the evaluation by the Audit Committee of the Board, the Risk Control Committee, the senior management and the internal audit team. The Board is of the opinion that the internal control and risk control systems of the Group for financial reporting and non-financial reporting (including operational and compliance controls) are effective and adequate.

WHISTLEBLOWING POLICY AND SYSTEM

The employees of the Company may unanimously raise concerns about any impropriety that might arise in financial reporting or otherwise. The Audit Committee shall ensure that there are appropriate arrangements so that the Company can carry out fair and independent investigation and take proper actions against such matters.

POLICIES AND SYSTEMS THAT PROMOTE AND SUPPORT ANTI-CORRUPTION LAWS AND REGULATIONS

The Company strictly abide by the Interim Provisions on Banning Commercial Bribery, the Rules on Integrity of Executives of State-owned Enterprises, the Regulations of the Communist Party of China on Punishment for Party Discipline Violations, the Supervision Law of the People's Republic of China and the Implementation Rules for the Oversight Law of the People's Republic of China as well as other regulations. By establishing the sound anti-corruption mechanism, carrying out anti-corruption audit and cultivating an anti-corruption culture, we incorporated anti-corruption into our corporate governance and business process to strengthen the atmosphere of integrity, eliminate any form of corrupt behavior, and thus protect the sustainable development of the Company.

The Company has established an anti-corruption management mechanism coordinated by the leadership, with the Supervision and Audit Department as the lead department, and it has incorporated "major disciplinary matters" as an operational risk monitoring indicator into the overall risk monitoring indicator system of the Company, and conducted daily monitoring of the risk of corruption in the Company's operation with occasional risk checks. In 2022, we continued to promote the implementation of integrity responsibilities, carried out integrity inspections and special governance, and carried out systematic management of integrity issues to promote sound operation of the Company.

The Company has established a comprehensive and closed-loop internal audit and rectification mechanism to prevent corruption risks, and supervise the rectification of any problem identified; made a strict accordance with the State-owned Assets Supervision and Administration Commission of the State Council's regulations on the engagement of final-accounts auditing institutions by central SOEs and relevant requirements of the Group, we replace the annual final-accounts auditors through competitive negotiations regularly, and follow the approval procedures for listed companies. The Company's internal audit department and external auditors report to the Audit Committee on a regular basis each year. The Audit Committee is composed of directors with strong audit and financial backgrounds to provide assurance for scientific decisions at the corresponding decision-making level of the Board.

In addition, the Company strengthens the integrity management of its employees through the development of a wide variety of anti-corruption culture activities, and continues to strengthen and enhance the awareness and behavior of its employees in terms of integrity and self-discipline, thus creating a comprehensive anti-corruption culture of the Company.

D. SHAREHOLDER RIGHTS

1. PROCEDURES FOR EXTRAORDINARY GENERAL MEETINGS CONVENED BY SHAREHOLDERS

Shareholders shall demand the convening of an extraordinary general meeting according to the following procedures:

(1) Shareholders individually or collectively holding more than 10% of the Company's shares shall be entitled to propose to the Board the convening of an extraordinary general meeting, provided that such proposal shall be made in writing. The Board shall, in accordance with the laws, administrative regulations and the Articles of Association, furnish a written reply stating its agreement or disagreement to the convening of the extraordinary general meeting within 10 days after receiving such proposal. The aforementioned number of shares held is calculated based on the number shares held by the shareholder on the date of submission of the written proposal.

(2) In the event that the Board does not agree to convene an extraordinary general meeting or does not furnish any reply within 10 days after receiving such proposal, shareholders individually or collectively holding more than 10% of the Company's shares shall be entitled to propose to the Supervisory Committee the convening of the extraordinary general meeting, provided that such proposal shall be made in writing.

(3) Failure of the Supervisory Committee to issue the notice of the general meeting within the specified period shall be deemed failure of the Supervisory Committee to convene and preside over a general meeting, and shareholders individually or collectively holding more than 10% of the Company's shares for 90 consecutive days or more may convene and preside over the meeting on a unilateral basis. The procedures for convening the meeting should be similar to those for convening a general meeting by the Board as far as possible. The venue of the meeting should also be at the location of the Company.

(4) Where the shareholder(s) decide(s) to convene the general meeting by himself/herself/themselves, he/she/they shall send out a written notice to the Board, and shall report to the dispatched office of the CSRC and the stock exchange at the place where the Company is located. The convening shareholder(s) shall submit relevant evidence to the dispatched office of the CSRC and the stock exchange at the place where the Company is located upon the issuance of the notice of general meeting and the announcement of the resolutions of the general meeting.

(5) The Board and the Secretary to the Board shall cooperate with respect to matters relating to a general meeting convened by the shareholder(s) at his/her/their own discretion. The Board shall provide the register of members as of the share registration date.

(6) Necessary expenses on a general meeting convened by shareholders at their own discretion shall be borne by the Company and deducted from the monies payable by the Company to the defaulting Directors.

2. PROCEDURES FOR PROPOSING MOTIONS AT GENERAL MEETINGS

At general meetings of the Company, shareholders severally or jointly holding more than 3% of the Company's shares may propose motions to the Company. Shareholders severally or jointly holding 3% or more of the Company's shares may submit extraordinary motions in writing to the convener 10 days before the general meeting is convened. The convener shall issue a supplementary notice of general meeting within two days upon receipt of such extraordinary motions to announce the particulars of the extraordinary motions.

3. PROCEDURES FOR SHAREHOLDERS TO RECOMMEND AN INDIVIDUAL FOR ELECTION FOR A DIRECTOR

Shareholder nominees who fulfill requirements can participate in elections for the position of Director at the Company's annual general meeting and extraordinary general meeting. According to the Articles of Association:

(1) The list of candidates for Directors shall be submitted as a resolution to be resolved at general meetings. Candidates for Directors other than independent Directors shall be nominated by the Board, the Supervisory Committee, or shareholder(s) severally or jointly holding more than 3% of the total number of shares with voting rights of the Company, and shall be elected at a general meeting of the Company. Candidates for independent Directors shall be nominated by the Board, the Supervisory Committee, or shareholder(s) severally or jointly holding more than 1% of the total number of shares with voting rights of the Company, and shall be elected at a general meeting of the Company.

(2) A written notice of the intent of candidates nominated for Directors and the candidates' clear indication of their acceptance of nomination shall be delivered to the Company after the date of delivery of the notice of the general meeting at which a Director is to be elected and at least seven days before the date of such meeting, and the notice period shall not be shorter than seven days.

(3) Resolutions in respect of the election for Directors shall be resolved by cumulative voting at the general meeting.

(4) The Company shall announce the general meeting voting results in a timely manner. Appointed Directors shall enter into appointment contracts with the Company.

4. PROCEDURES FOR SHAREHOLDERS TO MAKE INQUIRIES TO THE BOARD OF DIRECTORS

Shareholders can submit their inquiries and questions in writing to the Board of Directors through the Company Secretary at any time. The Company Secretary can be contacted through the following methods:

5/F, 5299 Binjiang Dadao, Shanghai, the PRC

Postal code: 200127

Email: ir@coscoshipping.com

Shareholders can also make inquiries to the Board at the Company's general meetings.

E. COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company puts particular emphasis on communication with shareholders, and the implementation of measures related to the Company's communication with its shareholders is adequate and effective. All information related to the business, business strategies, and development of the Group is provided in the Company's annual report and interim report. The Company encourages shareholders to attend the annual general meeting and each extraordinary general meeting, which should serve as valuable communication forums with the management and for each other.

The Company actively promotes and enhances investor relations and communication with investors, and formulates the Investor Relations Management Measures of COSCO SHIPPING Development Co., Ltd. in accordance with the Hong Kong Listing Rules and other applicable laws, regulations and relevant provisions, which enhanced communication with investors and potential investors through information disclosure and communication, increases investors' understanding and recognition of the Company, and improves the level of corporate governance and overall value in order to maximize the overall interests of the Company and protect the legal interests of investors. The Company has set up a dedicated management post for investor relations responsible for issues related to investor relations. The Company utilizes results promotions, road shows, telephone conferences, the Company's website and investor visits to strengthen the ties and communication with investors and securities analysts as well as to constantly raise awareness of the Company among investors.

Shareholders, investors and members of the public can obtain the latest information about the Group on the Company's website.

In order to standardize and enhance the transparency of cash dividends distribution of the Company, the Resolution Regarding Amendments to the Articles of Association of COSCO SHIPPING Development Co., Ltd. was considered and approved at the sixty-eighth meeting of the sixth session of the Board of the Company and the first extraordinary general meeting in 2022 in accordance with the Company Law, Securities Law, Guidance on the Articles of Association of Listed Companies (revised in 2022) (《上市公司章程指引》(2022修訂)), Notice Regarding Further Implementation of Cash Dividend Distribution of Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》), Listed Companies Regulatory Guidance No. 3 – Cash Dividends

Distribution of Listed Companies (《上市公司監管指引第3號-上市公司現金分紅》) and other relevant laws, regulations and normative documents and based on the actual situation of the Company. Pursuant to the amended Articles of Association, the profit distribution policy of the Company is as follows:

1. The Company may distribute the dividends in the following forms:

   (1) cash; and

   (2) shares.

2. The basic principles of the profit distribution policy of the Company are as follows:

   (1) the Company shall take full account of return to investors and distribute dividend to its shareholders each year in proportion to the distributable profit realized in the year concerned (being the lower of the amounts as stated in the financial statements and the consolidated financial statements of the parent company);

   (2) the Company shall place an emphasis in creating reasonable return to its shareholders, maintain the continuity and stability of its profit distribution policy, and operate its businesses for the long-term interest of the Company, the entire interest of all its shareholders and the sustainable development of the Company; the Company's profit distribution shall neither exceed the amount of accumulated distributable profit nor undermine its ongoing operation; and

   (3) the Company shall give priority to dividend distribution in cash.

3. The profit distribution policy of the Company is specified as follows:

   (1) Profit distribution

   The Company may distribute dividends in cash, in shares, in a combination of both cash and shares or otherwise as permitted by laws and regulations. The Company shall give priority to dividend distribution in cash. Subject to the adherence of the profit distribution principles and pre-conditions, the Company shall in principle distribute profit each year. The Board may propose interim profit distribution with reference to the Company's profitability and capital requirements.

   (2) Specific conditions and proportions of cash dividend

   The following conditions shall be met at the same time in distributing cash dividends by the Company:

   i. If the Company makes profit and the distributable profit realized in the year concerned (i.e. profits after tax after the Company covers the losses and withdraws the reserve) are positive (according to the financial statements of the parent company) with adequate liquidity, the Company may distribute dividend in cash provided that it shall not undermine the subsequent ongoing operation of the Company.

ii. External auditors had issued a standard unqualified audit report for the financial statements of the Company for the year concerned.

iii. The capital needs for the Company's normal operation are satisfied and there is no such event as significant cash expenditure, excluding projects funded by raised proceeds.

Such significant cash expenditure refers to the proposed external investment, asset acquisition, repayment of net debts or acquisition of equipment by the Company with accumulated expenditure within the following 12 months amounting to or exceeding 30% of the latest audited net assets of the Company.

The Company shall comply with the proportions set out as follows when distributing cash dividends:

Pursuant to the provisions of the Company Law and relevant laws and regulations, as well as the Articles of Association, provided that the conditions for cash dividend distribution are satisfied and are consistent with the normal operation and sustainable development of the Company, dividends distributed in the form of cash to be made for each of the coming three years shall not be less than 10% of the distributable profit realized for the year concerned, on the condition that no significant cash expenditure are expected. In addition, the accumulated profits to be distributed in cash for the three consecutive years concerned shall not be less than 30% of the average annual distributable profit of the Company for the same period. The specific distribution proportion for each year shall be determined by the Board based on the Company's operating conditions and relevant rules of the CSRC and submitted to the general meeting for consideration and approval.

The Board shall take various factors into consideration, including its industry features, development stages, business model and profitability as well as whether it has any substantial capital expenditure arrangements, and differentiate the following circumstances to propose a differentiated policy for cash dividend distribution pursuant to the procedures stipulated in the Articles of Association:

i Where the Company is in a developed stage with no substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 80% of the profit distribution;

ii Where the Company is in a developed stage with substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 40% of the profit distribution; and

iii Where the Company is in a developing stage with substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 20% of the profit distribution. In the case that it is difficult to distinguish the Company's development stage but the Company has significant capital expenditure arrangements, the profit distribution may be dealt with pursuant to the preceding provisions.

(3) Specific conditions of distributing dividends

The Company may make profit distribution in form of shares when its operation performance is satisfactory and the Board believes that the price of the Company's shares does not match the size of the Company's share capital and that the distribution of dividends is in the interest of all shareholders of the Company as whole, provided that the above conditions for cash dividends are met. When the Company makes profit distribution in form of shares, it shall be based on the premise of giving shareholders reasonable cash dividend and returns and maintaining the appropriate size of the share capital, as well as taking into account the growth of the Company and the dilution of net assets per share.

The profit distribution plan for the Year is as follows:

Provided that ensuring the ordinary operation and long-term development of the Company while giving consideration to the immediate and long-term interests of shareholders, the Company is proposed to resolve a profit distribution plan for the Company for 2022: a cash dividend of RMB0.87 (inclusive of tax) for every 10 shares be distributed to all shareholders and remaining undistributed profits be carried forward to the next year, on the basis of the total share capital registered on the record date of the entitlement distribution less the balance of repurchased shares in the repurchased account then.

The profit distribution plan has yet to be submitted to the general meeting for review.

F. MATERIAL CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In 2022, the amended version of the Company's Articles of Association became effective and published, which was considered and approved at the 68th meeting of the sixth session of the Board of the Company and the 2022 first extraordinary general meeting, the 2022 first A Shares class meeting and the 2022 first H Shares class meeting.

G. COMPANY SECRETARY

Mr. Cai Lei and Ms. Ng Sau Mei are joint company secretaries of the Company. Ms. Ng Sau Mei (TMF Hong Kong Limited) is one of our joint company secretaries. Mr. Cai Lei, secretary to the Board, is one of the Company's main contact persons with the Hong Kong Stock Exchange and Ms. Ng Sau Mei. Pursuant to Rule 3.29 of the Listing Rules, during the year ended 31 December 2022, Mr. Cai Lei and Ms. Ng Sau Mei attended more than 15 hours of relevant professional training.

In accordance with the regulations of the Company Law, Securities Law, the Articles of Association of COSCO SHIPPING Development Co., Ltd. (hereinafter, the "**Company**") and the rules of procedures of the Supervisory Committee, the Supervisory Committee of the Company upheld the spirit of responsibility to all shareholders, faithfully carried out its supervisory obligations and commenced work in a proactive and effective manner, thus safeguarding the legitimate interests of the shareholders of the Company.

I. WORKING STATUS OF THE SUPERVISORY COMMITTEE

During the reporting period, the Supervisory Committee of the Company attended general manager meetings, Board meetings, general meetings of the Company and examined the Company according to the regulations of the Articles of Association, conducting thorough monitoring and inspection on the operating status and financial status of the Company, as well as the status of the Board of the Company and its management carrying out their obligations.

During the reporting period, the Supervisory Committee convened seven meetings:

Name of meeting	Convening time	Convening method	Attendance of Supervisors	Subject
Eighteenth meeting of the sixth session of the Supervisory Committee	13 January 2022	Written correspondence	All	1. Proposal Regarding Adjusting the Estimated Net Residual Value of the Vessel Assets of the Company 2. Proposal Regarding the Provision for Credit Impairment of Long-term Receivables in 2021
Nineteenth meeting of the sixth session of the Supervisory Committee	28 February 2022	Written correspondence	All	1. Proposal Regarding the Utilization of Proceeds in Exchange for the Initial Investment of Self-raised Funds

Report of the Supervisory Committee

Name of meeting	Convening time	Convening method	Attendance of Supervisors	Subject
Twentieth meeting of the sixth session of the Supervisory Committee	30 March 2022	Physical presence	All	1. Proposal Regarding the Company's Management Work Report for 2021
				2. Proposal Regarding the Company's Financial Report for 2021
				3. Proposal Regarding the Company's Profit Distribution for 2021
				4. Proposal Regarding the Full Text, Highlights and the Results Announcement of the Company's 2021 Annual Report
				5. Proposal Regarding the Company's Internal Control Assessment Report for 2021
				6. Proposal Regarding the Company's Report of the Supervisory Committee for 2021
				7. Proposal Regarding the Special Report on the Deposit and Use of Proceeds in 2021
Twenty-first meeting of the sixth session of the Supervisory Committee	29 April 2022	Physical presence	All	1. Proposal Regarding the Company's Report for the First Quarter of 2022
				2. Proposal on Fulfillment of Exercise Conditions for the First Exercise Period for the First Grant under the Share Option Incentive Scheme
				3. Proposal on Adjusting the Exercise Price, the List of Participants of the Share Option Incentive Scheme and Number of Share Options in the First Grant and Cancellation of Certain Outstanding Share Options Granted

Name of meeting	Convening time	Convening method	Attendance of Supervisors	Subject
Twenty-second meeting of the sixth session of the Supervisory Committee	30 August 2022	Physical presence voting method	All	1. Proposal Regarding Consideration of the Company's Management Work Report for the First Half of 2022
				2. Proposal Regarding the Company's Financial Report for the First Half of 2022
				3. Proposal Regarding Consideration of the Company's Interim Report of 2022 and the Interim Results Report
				4. Proposal Regarding the Special Report on the Deposit and Use of Proceeds in the First Half of 2022
Twenty-third meeting of the sixth session of the Supervisory Committee	30 October 2022	Physical presence voting method	All	1. Proposal Regarding the Company's Report for the Third Quarter of 2022
Twenty-fourth meeting of the sixth session of the Supervisory Committee	30 November 2022	Written correspondence	All	1. Proposal Regarding Amendments to the Rules of Procedures of the Supervisory Committee of COSCO SHIPPING Development Co., Ltd.

II. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE

1. OPERATION IN COMPLIANCE WITH LAWS

The Board and the management of the Company strictly adhered to operation compliance in accordance with the Company Law, the Securities Law, Articles of Association of the Company and applicable laws and regulations where the Company's shares are listed. The Supervisory Committee did not find any act by the members of the Board and the senior management of the Company in performance of their duties that might breach the laws, regulations and the Articles of Association of the Company or impair the interest of the Company during the reporting period.

2. REVIEW OF FINANCIAL POSITION

The financial statements of the Company for 2021 are true and reliable, and gave a fair view of the financial position and operating results of the Company.

3. ACTUAL USE OF THE PROCEEDS

The Company did not apply any proceed or proceed raised in previous periods to any current project during the reporting period.

4. ACQUISITION AND DISPOSALS OF ASSETS AND RELATED PARTY TRANSACTIONS

The prices for acquisitions and disposals of assets during the reporting period of the Company were fair and no insider trading was found. The Company strictly adhered to the principles of "fair, just and open" in conducting the related party transactions. These related party transactions were on normal commercial terms and conducted in accordance with laws and regulations, and no infringement of interest of the Company was found.

The Supervisory Committee of the Company shall strictly adhere to the Company Law, the Securities Law, Articles of Association of the Company and other laws and regulations in diligent performance of its supervisory duties for protection of legal interests of the Company and the Shareholders as a whole.

Supervisory Committee
COSCO SHIPPING Development Co., Ltd.
30 March 2023

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

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

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF COSCO SHIPPING DEVELOPMENT CO., LTD.
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of COSCO SHIPPING Development Co., Ltd. (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages 120 to 259, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REVENUE RECOGNITION

Refer to note 5 to the consolidated financial statements and the accounting policies on pages 164 to 166.

The key audit matter	How the matter was addressed in our audit
The Group's revenue is mainly generated from operating leasing and finance leasing of vessels and containers, and container manufacturing. Revenue from operating leasing and finance leasing of vessels and containers, container manufacturing and investment management services amounted to RMB7,845,690,000, RMB17,450,727,000 and RMB168,256,000, representing 31%, 68% and 1% respectively of total revenue of the Group. We identified the revenue recognition as a key audit matter because of its significance to the consolidated statement of profit or loss. Revenue is one of the key performance indicators of the Group and accuracy in recognition of revenue has material impact on the Group's profit for the year. Moreover, significant management judgements are involved in determination of revenue recognition. Therefore, revenue recognition was considered as a key audit matter.	Our procedures in relation to the revenue recognition are as follows: We obtained an understanding of processes and internal controls of revenue recognition and performed testing on the design and execution effectiveness of key internal controls. For the operating leasing and finance leasing business, we reviewed the key terms of the selected leasing contracts, evaluated management's judgments applied when determining the classification of the leases and examined the accounting treatment of lease transactions based on the classification of the leases. For the containers manufacturing business, we inspected the sales contract on a sampling basis to identify the sales business contract and each individual performance obligation, and evaluated whether the point of time when the customer obtains control of the service as judged by the management meets the requirements of the accounting policies adopted. We also performed analytical procedures and detailed tests to review the completeness, accuracy, cut-off of revenue accounting and the adequacy of disclosure.

EXPECTED CREDIT LOSSES ("ECLs") ON FINANCE LEASE RECEIVABLES

Refer to notes 22 to the consolidated financial statements and the accounting policies on pages 151 to 156.

The key audit matter	How the matter was addressed in our audit
The carrying amount of finance lease receivables as at 31 December 2022 was RMB34,281,944,000 which was material to the consolidated financial statements. Impairment was provided for ECLs on finance lease receivables. The Group estimates ECLs on finance lease receivables within the next twelve months and will extend their remaining lives if any significant increase in credit risk is tracked. Since the estimation for ECLs involves significant management judgements, estimates and assumptions, including industry index, macroeconomic indicators, customers' credit risks and historic payment records, etc., the estimation of ECLs for finance lease receivables is considered as a key audit matter.	Our procedures to assess the ECLs included: (i) evaluating the design and test the operating effectiveness of internal controls over the Group's processes of credit assessment; (ii) reviewing the credit grading of the selected samples and assessing management's judgements applied when determining the significant increase in credit risk; (iii) evaluating management's assumptions and estimates used in the calculation, mainly including probability of default and loss given default, by checking them against internal historical credit loss experience and external information; and (iv) recalculating the ECL provision of finance lease receivables. We also assessed the adequacy of the related disclosures in the notes to the consolidated financial statements.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2021, were audited by another auditor who expressed an unmodified opinion on those statements on 30 March 2022.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Chan Wing Kit.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Chan Wing Kit
Practising Certificate Number: P03224
Hong Kong
30 March 2023

Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Continuing operations:			
Revenue	5	**25,464,673**	34,914,585
Cost of sales		**(18,947,065)**	(24,944,934)
Gross profit		**6,517,608**	9,969,651
Other income	6	**282,961**	257,439
Other gains, net	7	**344,353**	313,566
Selling, administrative and general expenses		**(1,233,738)**	(1,448,301)
Expected credit losses, net		**(180,518)**	(668,466)
Finance costs	9	**(2,527,627)**	(1,770,906)
Share of profits of associates		**1,715,874**	1,172,848
Share of (losses)/profits of joint ventures	19	**(90,875)**	4,751
Profit before tax from continuing operations	8	**4,828,038**	7,830,582
Income tax expenses	12	**(904,908)**	(1,757,417)
Profit for the year from continuing operations		**3,923,130**	6,073,165
Discontinued operation:			
Profit for the year from a discontinued operation	51	**–**	16,156
Profit for the year		**3,923,130**	6,089,321
Attributable to:			
Owners of the parent		**3,923,130**	6,089,321
Earnings per share attributable to ordinary equity holders of the parent (expressed in RMB per share)	14		
Basic			
– For profit for the year		**0.2902**	0.4978
– For profit from continuing operations		**0.2902**	0.4964
Diluted			
– For profit for the year		**0.2901**	0.4973
– For profit from continuing operations		**0.2901**	0.4959

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
Profit for the year	**3,923,130**	6,089,321
Other comprehensive income/(expense)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Associates:		
Share of other comprehensive (expense)/income	**(296,847)**	45,713
Reclassification to profit or loss	**(6,615)**	(1,470)
	(303,462)	44,243
Share of other comprehensive (expense)/income of joint ventures	**–**	223
Cash flow hedges		
Effective portion of changes in fair value of hedging instruments arising during the year	**48,392**	(2,601)
Reclassification adjustments for gains included in the consolidated statement of profit or loss	**1,319**	19,102
	49,711	16,501
Exchange differences on translation of foreign operations	**453,533**	4,351
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**199,782**	65,318
Other comprehensive income/(expense) that may not be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income/(expense) of associates	**198,950**	(378,461)
Net other comprehensive income/(expense) that may not be reclassified to profit or loss in subsequent periods	**198,950**	(378,461)
Other comprehensive income/(expense) for the year, net of tax	**398,732**	(313,143)
Total comprehensive income for the year	**4,321,862**	5,776,178
Attributable to:		
Owners of the parent	**4,321,862**	5,776,178

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	**2022** **RMB'000**	2021 RMB'000
Non-current assets			
Property, plant and equipment	*15*	**43,162,536**	38,432,202
Investment properties	*16*	**103,529**	95,338
Right-of-use assets	*17*	**613,206**	530,466
Intangible assets	*18*	**116,877**	181,563
Investments in joint ventures	*19*	**93,813**	185,701
Investments in associates	*20*	**24,407,843**	24,285,370
Financial assets at fair value through profit or loss	*21*	**2,852,534**	4,012,295
Finance lease receivables	*22*	**31,111,935**	30,931,971
Factoring receivables	*23*	**16,180**	194,870
Derivative financial instruments	*24*	**45,553**	–
Deferred tax assets	*25*	**116,142**	41,154
Other long-term prepayments		**616,489**	157,713
Total non-current assets		**103,256,637**	99,048,643
Current assets			
Inventories	*26*	**4,049,879**	6,901,763
Trade and notes receivables	*27*	**556,145**	1,372,306
Prepayments and other receivables	*28*	**527,972**	1,503,818
Financial assets at fair value through profit or loss	*21*	**639,606**	1,073,731
Finance lease receivables	*22*	**3,170,009**	3,217,218
Factoring receivables	*23*	**329,380**	1,479,284
Restricted and pledged deposits	*29*	**120,443**	148,413
Cash and cash equivalents	*30*	**15,440,560**	17,871,147
Total current assets		**24,833,994**	33,567,680
Current liabilities			
Trade and notes payables	*31*	**2,479,634**	4,054,265
Other payables and accruals	*32*	**2,968,317**	2,519,119
Contract liabilities	*33*	**304,062**	1,313,944
Derivative financial instruments	*24*	**–**	3,934
Bank and other borrowings	*34*	**35,925,365**	41,884,085
Corporate bonds	*35*	**–**	3,500,000
Lease liabilities	*36*	**39,089**	47,226
Tax payable		**303,090**	562,072
Total current liabilities		**42,019,557**	53,884,645
Net current liabilities		**(17,185,563)**	(20,316,965)
Total assets less current liabilities		**86,071,074**	78,731,678

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current liabilities			
Bank and other borrowings	*34*	**48,519,715**	40,345,183
Corporate bonds	*35*	**8,000,000**	5,000,000
Lease liabilities	*36*	**36,369**	66,466
Derivative financial instruments	*24*	**–**	223
Deferred tax liabilities	*25*	**4,321**	39,177
Government grants	*37*	**63,710**	22,113
Other long-term payables		**552,652**	569,619
Total non-current liabilities		**57,176,767**	46,042,781
Net assets		**28,894,307**	32,688,897
Equity			
Share capital	*38*	**13,586,477**	13,586,477
Treasury shares	*38*	**(173,155)**	(233,428)
Other reserves	*40*	**15,480,985**	14,335,848
Other equity instruments	*41*	**–**	5,000,000
Total equity		**28,894,307**	32,688,897

The consolidated financial statements on pages 120 to 259 were approved and authorised for issue by the board of directors on 30 March 2023 and are signed on its behalf by:

Liu Chong	**Zhang Mingwen**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Notes	Share capital RMB'000 *(note 38)*	Share premium (Note a) RMB'000	Treasury shares RMB'000	Other equity instruments RMB'000 *(note 41)*	Share option reserve (Note a) RMB'000 *(note 39)*	Other capital reserves (a) RMB'000	Share of other comprehensive income arising the equity method (Note a) RMB'000	Hedging reserve (Note a) RMB'000	Exchange fluctuation reserve (Note a) RMB'000	Special reserves (Note a) RMB'000	Surplus reserve (Note a) (Note b) RMB'000	Retained profits (Note a) RMB'000	Total equity RMB'000
At 1 January 2022		13,586,477	20,054,374	(233,428)	5,000,000	12,778	(21,447,846)	(198,013)	(6,159)	(2,598,706)	-	1,951,184	16,568,236	32,688,897
Profit for the year		-	-	-	-	-	-	-	-	-	-	-	3,923,130	3,923,130
Other comprehensive income/(expense) for the year:														
Share of other comprehensive expense of associates		-	-	-	-	-	-	(104,512)	-	-	-	-	-	(104,512)
Effective portion of changes in fair value of hedging instruments, net of tax		-	-	-	-	-	-	-	49,711	-	-	-	-	49,711
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	453,533	-	-	-	453,533
Total comprehensive (expense)/income for the year		-	-	-	-	-	-	(104,512)	49,711	453,533	-	-	3,923,130	4,321,862
Exercise of share options		-	(4,311)	60,273	-	(6,225)	-	-	-	-	-	-	-	49,737
Equity-settled share option arrangements		-	-	-	-	10,872	-	-	-	-	-	-	-	10,872
Repayment of other equity instruments	*41*	-	-	-	(5,000,000)	-	-	-	-	-	-	-	-	(5,000,000)
Share of other capital reserves using the equity method		-	-	-	-	-	(57,807)	-	-	-	-	-	-	(57,807)
Share of other capital reserves using the equity method reclassified to profit or loss upon disposal		-	-	-	-	-	(73,066)	-	-	-	-	-	-	(73,066)
Share of other comprehensive income using equity method		-	-	-	-	-	-	-	-	-	-	-	11,007	11,007
Dividends paid	*13*	-	-	-	-	-	-	-	-	-	-	-	(3,057,195)	(3,057,195)
Transfer from retained profits		-	-	-	-	-	-	-	-	-	53,529	221,905	(275,434)	-
Utilisation of reserve fund		-	-	-	-	-	-	-	-	-	(53,529)	-	53,529	-
At 31 December 2022		13,586,477	20,050,063	(173,155)	-	17,425	(21,578,719)	(302,525)	43,552	(2,145,173)	-	2,173,089	17,223,273	28,894,307

	Notes	Share capital RMB'000 (note 38)	Share premium (Note a) RMB'000	Treasury shares RMB'000	Other equity instruments RMB'000 (note 41)	Share option reserve (Note a) RMB'000 (note 39)	Other capital reserves (a) RMB'000	Share of other comprehensive income arising the equity method (Note a) RMB'000	Hedging reserve (Note a) RMB'000	Exchange fluctuation reserve (Note a) RMB'000	Special reserves (Note a) RMB'000	Surplus reserve (Note a) (Note b) RMB'000	Retained profits (Note a) RMB'000	Total equity RMB'000
At 1 January 2021		11,608,125	17,009,944	(233,428)	6,000,000	5,528	(17,843,663)	135,982	(22,660)	(2,603,057)	1,360	1,607,282	11,740,277	27,405,690
Profit for the year		-	-	-	-	-	-	-	-	-	-	-	6,089,321	6,089,321
Other comprehensive (expense)/income for the year:														
Share of other comprehensive expense of associates		-	-	-	-	-	-	(334,218)	-	-	-	-	-	(334,218)
Share of other comprehensive income of joint ventures		-	-	-	-	-	-	223	-	-	-	-	-	223
Effective portion of changes in fair value of hedging instruments, net of tax		-	-	-	-	-	-	-	16,501	-	-	-	-	16,501
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	4,351	-	-	-	4,351
Total comprehensive (expense)/income for the year		-	-	-	-	-	-	(333,995)	16,501	4,351	-	-	6,089,321	5,776,178
Issue of shares		1,978,352	3,044,430	-	-	-	-	-	-	-	-	-	-	5,022,782
Equity-settled share option arrangements	41	-	-	-	-	7,250	-	-	-	-	-	-	-	7,250
Repayment of other equity instruments		-	-	-	(1,000,000)	-	-	-	-	-	-	-	-	(1,000,000)
Consideration for business combination under common control		-	-	-	-	-	(3,561,877)	-	-	-	-	-	-	(3,561,877)
Share of other capital reserves using the equity method		-	-	-	-	-	2,845	-	-	-	-	-	-	2,845
Share of other capital reserves using the equity method reclassified to profit or loss upon disposal		-	-	-	-	-	(19,423)	-	-	-	-	-	-	(19,423)
Dilution effect using the equity method		-	-	-	-	-	(25,728)	-	-	-	-	-	-	(25,728)
Dividends paid		-	-	-	-	-	-	-	-	-	-	-	(645,596)	(645,596)
Dividends to holders of the other equity instruments		-	-	-	-	-	-	-	-	-	-	-	(273,224)	(273,224)
Transfer from retained profits		-	-	-	-	-	-	-	-	-	27,899	343,902	(371,801)	-
Utilisation of reserve fund		-	-	-	-	-	-	-	-	-	(29,259)	-	29,259	-
At 31 December 2021		13,586,477	20,054,374	(233,428)	5,000,000	12,778	(21,447,846)	(198,013)	(6,159)	(2,598,706)	-	1,951,184	16,568,236	32,688,897

Note:

(a) These accounts comprise the consolidated other reserves of RMB15,480,985,000 (2021: RMB14,335,848,000) in the consolidated statement of financial position.

(b) 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.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations		**12,455,914**	15,996,048
Income tax paid		**(1,243,123)**	(1,490,253)
Net cash flows generated from operating activities	*43(b)*	**11,212,791**	14,505,795
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**–**	71,862
Dividends received from associates		**473,496**	477,826
Dividends received from financial assets at FVTPL		**64,918**	–
Purchase of property, plant and equipment		**(6,831,495)**	(13,151,969)
Proceeds from disposal of property, plant and equipment		**640,851**	185,369
Purchase of intangible assets		**(46,130)**	(47,694)
Proceeds from disposal of intangible assets		**–**	208
Purchase of investments in associates	*20*	**(1,806,840)**	(61,306)
Proceeds from partial disposal of investment in an associate	*20*	**1,430,586**	718,783
Cash withdrawal from investment in an associate	*20*	**7,500**	–
Purchase of financial assets at fair value through profit or loss		**(122,316)**	(1,245,522)
Proceeds from disposal of financial assets at fair value through profit or loss		**2,063,285**	1,290,802
Proceeds from derecognition of financial assets measured at amortised cost		**–**	499,429
Disposal of a subsidiary	*42*	**37,676**	1,052,930
Decrease (increase) in finance lease receivables		**2,618,025**	(4,821,425)
Decrease (increase) in factoring receivables		**1,248,886**	(236,284)
Decrease in restricted and pledged deposits		**227**	37,244
(Decrease) increase in other long-term payables		**(79,329)**	93,611
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(300,660)**	(15,136,136)

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	38	–	1,460,905
Proceeds from issue of preferred shares by a subsidiary		–	1,000,000
Repayment of other equity instruments		(5,000,000)	(1,000,000)
New bank and other borrowings		51,756,670	66,585,549
Repayment of bank and other borrowings		(54,912,204)	(56,676,021)
New corporate bonds		10,000,000	6,883,670
Repayment of corporate bonds		(10,500,000)	(8,521,694)
Payment of principal portion of lease liabilities		(52,279)	(101,829)
Interest paid		(2,603,069)	(2,533,228)
Dividends paid to owners of the parent		(3,057,195)	(645,596)
Dividends paid to holders of the other equity instruments		(226,360)	(273,224)
Dividends paid to former shareholders of acquired subsidiaries under common control		–	(9,947)
Proceeds from exercise of share options		49,737	–
Decrease/(increase) in restricted and pledged deposits		52,441	(266,794)
NET CASH FLOWS (USED IN)/GENERATED FROM FINANCING ACTIVITIES		(14,492,259)	5,901,791
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(3,580,128)	5,271,450
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		17,871,147	12,789,494
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		1,149,541	(189,797)
CASH AND CASH EQUIVALENTS AT END OF YEAR	30	15,440,560	17,871,147

1. CORPORATE AND GROUP INFORMATION

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

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

(a) Operating leasing and financial leasing;

(b) Manufacture and sale of containers; and

(c) Investment management.

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

1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31 December 2022 and 31 December 2021 are as follows:

Name of subsidiaries	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
COSCO SHIPPING Development (Hong Kong) Co., Ltd.	Hong Kong	HK$1,000,000, US$2,070,037,500 and RMB2,900,000,000	100%	–	Vessel chartering and container leasing
CSCL Star Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Venus Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Jupiter Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Mercury Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Mars Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Saturn Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Uranus Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Neptune Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Bohai Sea Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Yellow Sea Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL East China Sea Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL South China Sea Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Spring Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Summer Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Autumn Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Winter Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Globe Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Pacific Ocean Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Indian Ocean Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering

1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
CSCL Atlantic Ocean Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
CSCL Arctic Ocean Shipping Co., Ltd.	Hong Kong	HK$10,000	–	100%	Vessel chartering
COSCO SHIPPING Development (Asia) Co., Ltd.	British Virgin Islands ("**BVI**")	US$514,465,000	–	100%	Vessel chartering and container leasing
Arisa Navigation Company Limited	Cyprus	CYP1,000	–	100%	Vessel chartering
YangshanA Shipping Company Limited	BVI	US$50,000	–	100%	Vessel chartering
YangshanB Shipping Company Limited	BVI	US$50,000	–	100%	Vessel chartering
YangshanC Shipping Company Limited	BVI	US$50,000	–	100%	Vessel chartering
YangshanD Shipping Company Limited	BVI	US$50,000	–	100%	Vessel chartering
Oriental Fleet International Co., Ltd.	Hong Kong	HK$140,000,000 and US$292,478,700	–	100%	Investment holding
Oriental Fleet Asset Management Limited	Hong Kong	HK$10,000	–	100%	Provision of management service
Oriental Fleet LNG01 Limited	BVI	US$1	–	100%	Financial leasing
Oriental Fleet LNG02 Limited	Marshall Islands ("**Marshall**")	US$1	–	100%	Financial leasing
Oriental Fleet LNG03 Limited	Hong Kong	US$1	–	100%	Financial leasing
Oriental Fleet HLCV01 Limited	BVI	US$1	–	100%	Financial leasing
Oriental Fleet HLCV02 Limited	BVI	US$1	–	100%	Financial leasing
Oriental Fleet HLCV03 Limited	BVI	US$1	–	100%	Financial leasing
Oriental Fleet HLCV04 Limited	BVI	US$1	–	100%	Financial leasing
Oriental Fleet HLCV05 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet HLCV06 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Bulk01 Limited	Marshall	US$1	–	100%	Financial leasing

1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Oriental Fleet Bulk02 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Bulk03 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Bulk04 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Bulk05 Limited	Liberia	US$1	–	100%	Financial leasing
Oriental Fleet Bulk06 Limited	Liberia	US$1	–	100%	Financial leasing
Oriental Fleet Bulk07 Limited	Liberia	US$1	–	100%	Financial leasing
Oriental Fleet Bulk08 Limited	Liberia	US$1	–	100%	Financial leasing
Oriental Fleet Bulk09 Limited	Liberia	US$1	–	100%	Financial leasing
Oriental Fleet Bulk10 Limited	Liberia	US$1	–	100%	Financial leasing
Oriental Fleet Bulk11 Limited	Liberia	US$1	–	100%	Financial leasing
Oriental Fleet Bulk12 Limited	Liberia	US$1	–	100%	Financial leasing
Oriental Fleet Bulk18 Limited	Hong Kong	US$1	–	100%	Financial leasing
Oriental Fleet Bulk19 Limited	Hong Kong	US$1	–	100%	Financial leasing
Oriental Fleet Bulk20 Limited	Hong Kong	US$1	–	100%	Financial leasing
Oriental Fleet Bulk21 Limited	Hong Kong	US$1	–	100%	Financial leasing
Oriental Fleet Bulk22 Limited	Hong Kong	US$1	–	100%	Financial leasing
Oriental Fleet Bulk23 Limited	Hong Kong	US$1	–	100%	Financial leasing
Oriental Fleet Chemical01 Limited	BVI	US$1	–	100%	Financial leasing
Oriental Fleet Cruise01 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Tanker01 Limited	BVI	US$1	–	100%	Financial leasing
Oriental Fleet Tanker02 Limited	BVI	US$1	–	100%	Financial leasing
Oriental Fleet Tanker03 Limited	Marshall	US$1	–	100%	Financial leasing

1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Oriental Fleet Tanker04 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Tanker05 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Tanker06 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Tanker07 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Tanker08 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Tanker09 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Tanker10 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Tanker11 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Tanker12 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Tanker13 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Tanker14 Limited	Liberia	US$1	–	100%	Financial leasing
Oriental Fleet Tanker15 Limited	Liberia	US$1	–	100%	Financial leasing
Oriental Fleet Tanker16 Limited	Liberia	US$1	–	100%	Financial leasing
Oriental Fleet Tanker17 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Tanker18 Limited	Marshall	US$1	–	100%	Financial leasing
Oriental Fleet Tanker19 Limited	Liberia	US$1	–	100%	Financial leasing
Oriental Fleet Tanker22 Limited	Hong Kong	US$1	–	100%	Financial leasing
Oriental Fleet Tanker23 Limited	Hong Kong	US$1	–	100%	Financial leasing
Oriental Fleet Tanker24 Limited	Hong Kong	US$1	–	100%	Financial leasing
Oriental Fleet Tanker25 Limited	Hong Kong	US$1	–	100%	Financial leasing
Oriental Fleet Tanker26 Limited	Hong Kong	US$1	–	100%	Financial leasing

1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Oriental Fleet GC01 Limited	Liberia	US$1	–	100%	Financial leasing
Oriental Fleet GC02 Limited	Liberia	US$1	–	100%	Financial leasing
Oriental Fleet GC03 Limited	Liberia	US$1	–	100%	Financial leasing
Oriental Fleet GC04 Limited	Liberia	US$1	–	100%	Financial leasing
Oriental Fleet Container01 Limited	Liberia	US$1	–	100%	Financial leasing
Oriental Fleet Container02 Limited	Liberia	US$1	–	100%	Financial leasing
Oriental Fleet Container08 Limited	Hong Kong	US$1	–	100%	Financial leasing
Oriental Fleet Container09 Limited	Hong Kong	US$1	–	100%	Financial leasing
Oriental Fleet Container10 Limited	Hong Kong	US$1	–	100%	Financial leasing
Oriental Fleet Container11 Limited	Hong Kong	US$1	–	100%	Financial leasing
Oriental Fleet Container12 Limited	Hong Kong	US$1	–	100%	Financial leasing
Oriental Fleet Pulp01 Limited	Hong Kong	US$1	–	100%	Vessel chartering
Oriental Fleet Tanker27 Limited	Hong Kong	US$1	–	100%	Financial leasing
Oriental Fleet Tanker28 Limited	Hong Kong	US$1	–	100%	Financial leasing
Oriental Fleet RORO 01 Limited	Hong Kong	US$1	–	100%	Financial leasing
Florens (Tianjin) Finance Leasing Co., Ltd. (Note a)	PRC	US$50,000,000	–	– (2021: 100%)	Financial leasing
Bulk Fleet Flourish Company Limited	Hong Kong	US$1	–	100%	Vessel chartering
Bulk Fleet Prosperity Company Limited	Hong Kong	US$1	–	100%	Vessel chartering
Florens Container Industry Limited (formerly known as Florens Container Investment (SPV) Ltd.)	BVI	US$435,000,001	–	100%	Container leasing

1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Florens Asset Management (Singapore) PTE. Limited	Singapore	SGD$10,000	–	100%	Provision of container management services
Dong Fang International Asset Management Limited	Hong Kong	HK$3	–	100%	Provision of management service
Dong Fang International Container Limited	BVI	US$50,000	–	100%	Investment holding
Florens International Limited	BVI	US$1,833,966,965	–	100%	Investment holding
Florens (China) Company Limited	PRC	US$12,800,000	–	100%	Container leasing
Florens Maritime Limited	Bermuda	US$12,000	–	100%	Container leasing
Florens Container Corporation S.A.	Panama	US$578,726,783.2	–	100%	Container leasing
Florens Asset Management Company Limited	Hong Kong	HK$100	–	100%	Provision of container management services
Florens Asset Management (Deutschland) GmbH	Deutschland	EUR25,564.6	–	100%	Provision of container management services
Florens Asset Management (Italy) S.R.L.	Italy	EUR10,400	–	100%	Provision of container management services
Florens Asset Management (USA), Ltd.	United States	US$1	–	100%	Provision of container management services
Florens Container, Inc. (2002)	United States	US$1	–	100%	Sale of containers
Fairbreeze Shipping Company Limited	Hong Kong	HK$500,000	–	100%	Property investment
Long Honour Investments Limited	BVI	US$1	–	100%	Investment holding
COSCO Container Industry Co., Ltd.	BVI	US$1	–	100%	Investment holding
Helen Insurance Brokers Limited	Hong Kong	HK$3,000,000	–	100%	Provision of insurance brokerage services
Yuanhai Changxing Co., Ltd.	Hong Kong	US$1	–	100%	Investment holding

1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
China Shipping Investment Co., Ltd. ("**CS Investment**")	PRC	RMB18,213,000,000	100%	–	Investment holding
China COSCO SHIPPING Development (Tianjin) Leasing Company Limited	PRC	RMB1,000,000,000	–	100%	Financial leasing
Haihui Commercial Factoring (Tianjin) Co., Ltd.	PRC	RMB397,939,194	–	100%	Commercial factoring
Shanghai Universal Logistics Equipment Co., Ltd.	PRC	RMB850,000,000	–	100%	Investment holding
Dong Fang International Container (Lianyungang) Co., Ltd.	PRC	US$44,133,900	–	100%	Container manufacturing
Dong Fang International Container (Jinzhou) Co., Ltd.	PRC	US$20,000,000	–	100%	Container manufacturing
Dong Fang International Container (Guangzhou) Co., Ltd.	PRC	US$21,417,780	–	100%	Container manufacturing
Dong Fang International Container (Hong Kong) Co., Ltd.	Hong Kong	US$10,000	–	100%	Trading
Shanghai Haining Insurance Broker Co., Ltd. (Note b)	PRC	RMB10,000,000	–	– (2021: 100%)	Provision of insurance brokerage services
Suzhou Yuanhai Doukui Investment LLP	PRC	RMB252,100,000	–	100%	Investment holding
Suzhou Yuanhai Tianji Investment LLP	PRC	RMB301,200,000	–	100%	Investment holding
COSCO SHIPPING (Shanghai) Investment Management Co., Ltd.	PRC	RMB21,033,540.37	100%	–	Investment holding
China COSCO SHIPPING Guanghua Investment Management Limited	PRC	RMB200,000,000	100%	–	Investment holding
DONG FANG International Container (Qidong) Co., Ltd.	PRC	RMB1,409,599,098	100%	–	Container manufacturing
DONG FANG International Container (Qingdao) Co., Ltd.	PRC	RMB864,398,500	100%	–	Container manufacturing

1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

Name of subsidiaries	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
DONG FANG International Port (Qidong) Co., Ltd.	PRC	RMB154,000,000	–	100%	Provision of management service
DONG FANG International Container (Ningbo) Co., Ltd.	PRC	RMB161,633,400	100%	–	Container manufacturing
Shanghai Universal Logistics Technology Co., Ltd.	PRC	RMB34,266,200	100%	–	Provision of container management services
Shanghai Xinyuanhaiji Finance Leasing Co., Ltd.	PRC	RMB2,100,000,000	–	100%	Financial leasing
Hainan COSCO Shipping Development Co., Ltd.	PRC	RMB1,000,000,000	100%	–	Vessel chartering
Oriental Fleet Tanker 29 Limited (Note c)	Hong Kong	US$1	–	100% (2021: -)	Financial leasing
Oriental Fleet Tanker 30 Limited (Note c)	Hong Kong	US$1	–	100% (2021: -)	Financial leasing
Oriental Fleet Tanker 31 Limited (Note c)	Hong Kong	US$1	–	100% (2021: -)	Financial leasing
Oriental Fleet Tanker 32 Limited (Note c)	Hong Kong	US$1	–	100% (2021: -)	Financial leasing
Oriental Fleet Tanker 33 Limited (Note c)	Hong Kong	US$1	–	100% (2021: -)	Financial leasing
Oriental Fleet Tanker 34 Limited (Note c)	Hong Kong	US$1	–	100% (2021: -)	Financial leasing
Oriental Fleet Tanker 35 Limited (Note c)	Hong Kong	US$1	–	100% (2021: -)	Financial leasing
Oriental Fleet Tanker 36 Limited (Note c)	Hong Kong	US$1	–	100% (2021: -)	Financial leasing

1. CORPORATE AND GROUP INFORMATION (continued)

INFORMATION ABOUT SUBSIDIARIES (continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Note:

(a) The subsidiary was deregistrated on 12 October 2022.

(b) The subsidiary was disposed of on 9 November 2022.

(c) The subsidiaries were established during the year ended 31 December 2022.

2.1 BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on the going concern basis notwithstanding that the Group had net current liabilities of RMB17,185,563,000 as at 31 December 2022. The directors of the Company are of opinion that based on the available unutilised banking facilities as at 31 December 2022, 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 consolidated financial statements on a going concern basis.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.1 BASIS OF PREPARATION (continued)

BASIS OF CONSOLIDATION (continued)

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

2.1 BASIS OF PREPARATION (continued)

BUSINESS COMBINATION UNDER COMMON CONTROL

During the year ended 31 December 2021, the Company and COSCO SHIPPING Investment Holdings Co., Ltd. ("**COSCO SHIPPING Investment**") entered into the acquisition agreement, pursuant to which the Company had conditionally agreed to purchase and COSCO SHIPPING Investment had conditionally agreed to sell 100% of the equity interests in Dong Fang International Container (Ningbo) Co., Ltd., Dong Fang International Container (Qidong) Co., Ltd., Dong Fang International Container (Qingdao) Co., Ltd. and Shanghai Universal Logistics Technology Co., Ltd. (hereinafter collectively referred to as the "**Target Assets**"), in consideration of RMB3,561,877,100. The consideration was satisfied by the allotment and issuance of the 1,447,918,000 A Shares (the "**Consideration Shares**") by the Company to COSCO SHIPPING Investment, at the issue price of RMB2.46 per share.

Simultaneously with the acquisition of Target Assets, the board of directors approved the issuance of A shares to raise ancillary funds from no more than 35 specific target subscribers.

On 20 October 2021, the Company received the "Approval on the Acquisition of Assets Through Issuance of Shares of COSCO SHIPPING Development Co., Ltd. to COSCO SHIPPING Investment Holdings Co., Ltd. and Raising Ancillary Funds" (Zheng Jian Xu Ke [2021] No.3283) (the "**Approval**") issued by the China Securities Regulatory Commission (hereinafter referred to as the "**CSRC**"). The acquisition of Target Assets and the raising of ancillary funds through issuance of shares of the Company had been approved by the CSRC. The acquisition was completed in November 2021.

The Group and the Target Assets were under common control of before and after those acquisitions. Therefore, these transactions are accounted for as business combination involving entities under common control.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted, for the first time, the following amendments to HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2022.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous contracts – Cost of Fulfilling a Contract*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2018 – 2020 cycle*

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied the following new and amendments to HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	*Insurance Contracts*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*[2]
Amendments to HKAS 1	*Non-current Liabilities with Covenants*[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]
Amendments to HKFRS 16	*Lease Liability in Sale and Leaseback*[2]

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after 1 January 2024.

3 No mandatory effective date yet determined but available for adoption.

The Group is currently assessing the impact of these standards. None of these new standard and amendments is expected to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated statement of comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations under common control

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUSINESS COMBINATIONS AND GOODWILL (continued)

Business combinations under common control (continued)

The consolidated statement of profit or loss include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter year, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous financial year end or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, incurred in relation to the common control combination that is to be accounted for by using the merger accounting are recognised as expenses in the year in which they are incurred.

Business combinations not under common control

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

BUSINESS COMBINATIONS AND GOODWILL (continued)

Business combinations not under common control (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FAIR VALUE MEASUREMENT

The Group measures its certain financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT OF NON-FINANCIAL ASSETS

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

RELATED PARTIES

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Vessels	3.2% to 3.6%
Leasehold improvements	Over the shorter of the lease terms and 5 years
Buildings	1.8% to 5.0%
Containers	3.3% to 5.0%
Machinery, motor vehicles and office equipment	4.8% to 22.3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Vessels under construction and construction in progress are reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENT PROPERTIES

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on a straight-line basis to write off the cost of each item of investment properties. The principal annual rates used for this purpose range from 1.0% to 3.33%.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

INTANGIBLE ASSETS (OTHER THAN GOODWILL)

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Computer software

Computer software is stated at cost less any impairment losses and is amortised on the straight-line based on its estimated useful life of 3 to 10 years.

LEASES

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES (continued)

Group as a lessee (continued)

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Prepaid land lease payments	50 years
Buildings	2 to 12 years
Machinery, motor vehicles and office equipment	2 to 6 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LEASES (continued)

Group as a lessee (continued)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("**FVTOCI**"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at FVTOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("**ECLs**"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at FVTOCI. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for ECLs for all debt instruments not held at fair value. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Impairment of financial assets (continued)

General approach (continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The calculation of ECLs is based on the probability of default ("**PD**") approach with key elements as follows:

- PD: an estimate of the likelihood of default over a given time horizon;
- Loss Given Default ("**LGD**"): an estimate of the loss arising in the case where a default occurs at a given time; and
- Exposure at Default ("**EAD**"): an estimate of the exposure at a future default date.

Forward-looking information has been incorporated into the determination of expected credit losses, including the use of macroeconomic information, such as GDP growth.

For lease receivables and factoring receivables, the Group chooses as its accounting policy to adopt the general approach. Therefore, all financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

ECLs in Stage 1 and Stage 2 are measured on a collective basis. Meanwhile, in Stage 3, ECLs are measured on an individual basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS AND OTHER FINANCIAL ASSETS (continued)

Impairment of financial assets (continued)

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. For trade receivables related to customers that are in financial difficulties or in default, ECLs are measured on an individual basis. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

FINANCIAL LIABILITIES

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and notes payables, financial liabilities included in other payables and accruals, derivative financial instruments, bank and other borrowings, corporate bonds and other long term payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES (continued)

Subsequent measurement (continued)

Financial liabilities at fair value through profit or loss (continued)

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL LIABILITIES (continued)

Subsequent measurement (continued)

Perpetual debt

A perpetual debt will be classified as a liability if it includes a contractual obligation:

- to deliver cash or another financial asset to another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

Otherwise, it will be classified as an equity instrument.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (continued)

Initial recognition and subsequent measurement (continued)

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment; or
- hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (continued)

Initial recognition and subsequent measurement (continued)

Hedges which meet the qualifying criteria for hedge accounting are accounted for as follows:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in other comprehensive income are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in other comprehensive income for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment. After the discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated other comprehensive income is accounted for depending on the nature of the underlying transaction as described above.

Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group expects to hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current (or separated into current and non-current portions) consistently with the classification of the underlying item.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (continued)

Current versus non-current classification (continued)

- Embedded derivatives that are not closely related to the host contract are classified consistently with the cash flows of the host contract.

- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instruments are separated into current portions and non-current portions only if a reliable allocation can be made.

TREASURY SHARES

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted by the banks to use.

PROVISIONS

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

PROVISIONS (continued)

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

INCOME TAX

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

INCOME TAX (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

GOVERNMENT GRANTS

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

REVENUE RECOGNITION

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Sale of containers

The performance obligation is satisfied upon the test and acceptance by the customers. Payment in advance is normally required and the normal credit term for the residual consideration is 45 to 60 days upon satisfaction of the performance obligation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION (continued)

Revenue from contracts with customers (continued)

Sale of containers (continued)

In some sales transactions, the Group bills a customer for containers but the Group retains physical possessions of the containers until it is transferred to the customer at a point in time in the future (bill-and-hold arrangement). The Group has satisfied the performance obligation when all of the following criteria are met:

- Upon completion of manufacturing, the Group demonstrates that the container meets the agreed-upon specifications in the contract to the customer;
- The customer has requested the bill-and-hold arrangement;
- The container has been identified separately as belonging to the customer;
- The container is ready for physical transfer to the customer; and
- The Group cannot have the ability to use the container or to direct it to another customer.

Sale of shipping related spare parts

The performance obligation is satisfied at the point in time when control of the asset is transferred to the customer, generally on delivery, and revenue is recognised accordingly. Payment is generally due within 45 to 60 days from delivery.

Rendering of services

The Group provides shipping related services and insurance brokerage services. The performance obligation is satisfied at a point when services are rendered. Payment is generally due within 30 to 45 days upon completion of service and acceptance by the customer.

Revenue from other sources

Operating lease income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

REVENUE RECOGNITION (continued)

Revenue from contracts with customers (continued)

Revenue from other sources (continued)

Finance lease income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the net investment of a finance lease or a shorter period, when appropriate, to the net carrying amount of the net investment of the finance lease.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

CONTRACT ASSETS

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

CONTRACT LIABILITIES

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

CONTRACT COSTS

Other than the costs which are capitalised as inventories, property, plant and equipment, investment properties, right-of-use assets and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

SHARE-BASED PAYMENTS

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model, further details of which are given in note 39.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the fair value of equity-settled transactions on the grant date, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within fair value on the grant date. Any other conditions attached to the share option granted, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of the share option granted and lead to an immediate expensing of the share option granted unless there are also service and/or performance conditions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

SHARE-BASED PAYMENTS (continued)

When share options are exercised, the amount previously recognised in share options reserve will be transferred to treasury shares and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will continue to be held in share options reserve.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

OTHER EMPLOYEE BENEFITS

The Group has participated in central pension schemes for its employees in the PRC pursuant to the relevant laws and regulations of the PRC. The Group makes monthly contributions and the contributions are charged to profit or loss on an accrual basis. The Group has no further obligations beyond the contributions made.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

BORROWING COSTS

Borrowing costs directly attributable to certain vessels under construction are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

DIVIDENDS

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 13.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FOREIGN CURRENCIES

These financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the weighted average exchange rates for the year of the cash flows.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

JUDGEMENTS

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between finance leases and operating leases

When the Group acts as a lessor, leases are required to be classified as either finance leases (which transfer substantially all the risks and rewards of ownership, and give rise to a receivable by the lessor) or operating leases (which result in the asset remaining recognised by the lessor). Management has to exercise judgement in determining the classification.

Situations that would normally lead to a lease being classified as a finance lease include the following:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable and, at the inception of the lease, it is reasonably certain that the option will be exercised;
- the lease term is for the major part of the economic life of the asset, even if title is not transferred;
- at the inception of the lease, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- the leased assets are of a specialised nature such that only the lessee can use them without major modifications being made.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

JUDGEMENTS (continued)

Determination of significant increases in credit risk

The calculation of ECLs under the general approach is required to be categorised into different stages according to the changes in credit risk to apply the respective calculation mechanics.

The Group considers whether the credit risk of a financial asset has increased significantly since initial recognition with the following non-exhaustive factors:

- past due over 30 days;
- an actual or expected significant change in the operating results of the borrower; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations.

ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation of ECLs

The Group uses the PD approach under the general approach and a provision matrix under the simplified approach, respectively, in the calculation of ECLs. The Group estimates the PD, LGD and provision rate, respectively, by reference to the internal historical credit loss experience and external information. As at 31 December 2022, the carrying amounts of trade and notes receivables, finance lease receivables and factoring receivables of the Group are RMB556,145,000, RMB34,281,944,000 and RMB345,560,000 respectively (2021: RMB1,372,306,000, RMB34,149,189,000 and RMB1,674,154,000 respectively), net of allowance for ECLs on trade and notes receivables, finance lease receivables and factoring receivables of RMB54,523,000, RMB1,162,876,000 and RMB99,480,000 respectively (2021: RMB73,404,000, RMB926,321,000 and RMB34,184,000 respectively).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

ESTIMATION UNCERTAINTY (continued)

Fair value of unlisted equity investments

The Group assesses certain of its unlisted equity investments using the market approach with reference to a price multiple of comparable public companies (peers). The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity. As at 31 December 2022, the carrying amounts of unlisted equity investments were RMB2,126,994,000 (2021: RMB3,034,753,000). Further details are contained in note 21.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 25.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

As at 31 December 2022, the carrying amounts of property, plant and equipment, right-of-use assets and investment properties of the Group are RMB43,162,536,000, RMB613,206,000 and RMB103,529,000 respectively (2021: RMB38,432,202,000, RMB530,466,000 and RMB95,338,000 respectively). Impairment loss of RMB251,641,000 (2021: Nil) in respect of property, plant and equipment has been recognised while no impairment losses in respect of right-of-use assets and investment properties have been recognised (2021: Nil) in profit or loss during the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

ESTIMATION UNCERTAINTY (continued)

Useful lives and residual values of property, plant and equipment

Management determines the estimated useful lives and residual values for the Group's property, plant and equipment by reference to the Group's business model, its asset management policy, the industry practice, expected usage of the asset, and the current scrap values of steel in an active market at each measurement date. The depreciation expense will change where the useful lives or residual values of property, plant and equipment are different from the previous estimates.

Impairment on inventories

Management reviews an ageing analysis at the end of each reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The directors of the Company estimate the net realisable value for such raw materials and finished goods based primarily on the latest invoice prices and current market conditions. As at 31 December 2022, the carrying amount of inventories was RMB4,049,879,000 (2021: RMB6,901,763,000), net of impairment provision of RMB356,899,000 (2021: RMB3,449,000).

Impairment on interests in associates

Management reviews investment in an associate for impairment based on both quantitative and qualitative criteria. Such analysis typically includes various estimates and assumptions, the financial health, cash flow projections and future prospects of the associate. As at 31 December 2022, the carrying amount of interests in associates was RMB24,407,843,000 (2021: RMB24,285,370,000). No impairment losses were recognised during the year ended 31 December 2022 (2021: Nil).

4. OPERATING SEGMENT INFORMATION

The Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) The shipping and industry-related leasing segment, which renders vessel chartering, container leasing and finance lease services;

(b) The container manufacturing segment, which manufactures and sells containers; and

(c) The investment management services segment, which focuses on equity or debt investments and insurance brokerage services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is measured consistently with the Group's profit/loss before tax from continuing operations, excluding unallocated selling and administrative expenses and non-lease-related finance costs and including intersegment transactions.

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

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

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

4. OPERATING SEGMENT INFORMATION (continued)

	For the year ended 31 December 2022				
	Shipping and industry-related leasing RMB'000	Container manufacturing RMB'000	Investment management services RMB'000	Others (Note) RMB'000	Total RMB'000
Segment revenue					
Sales of containers	–	17,450,727	–	–	17,450,727
Fee and commission income	–	–	56,991	–	56,991
Total revenue from contract with external customers	–	17,450,727	56,991	–	17,507,718
Other revenue from external customers	7,845,690	–	111,265	–	7,956,955
Total revenue from external customers	7,845,690	17,450,727	168,256	–	25,464,673
Intersegment revenue from contracts with customers	–	3,091,117	–	–	3,091,117
Total revenue	7,845,690	20,541,844	168,256	–	28,555,790
Segment results	2,151,101	2,453,099	468,888	46,064	5,119,152
Elimination of intersegment results					(11,162)
Unallocated selling, administrative and general expenses					(197,905)
Unallocated finance costs					(82,047)
Profit before tax from continuing operations					4,828,038
Supplementary segment information:					
Depreciation and amortisation	(2,005,549)	(287,791)	(28,781)	–	(2,322,121)
Impairment of finance lease receivables	(152,245)	–	–	–	(152,245)
Impairment of factoring receivables	–	–	(64,639)	–	(64,639)
Provision for write-down of inventories to net realisable value	–	(353,426)	–	–	(353,426)
Reversal of impairment of trade receivables	835	30,126	326	–	31,287
Reversal of/(provision for) impairment of other receivables	5,269	(298)	108	–	5,079
Share of losses of joint ventures	–	–	(90,875)	–	(90,875)
Share of profits of associates	–	–	1,715,874	–	1,715,874
Capital expenditure*	6,719,985	1,006,501	13,865	–	7,740,351

4. OPERATING SEGMENT INFORMATION (continued)

	For the year ended 31 December 2021				
	Shipping and industry-related leasing RMB'000	Container manufacturing RMB'000	Investment management services RMB'000	Others (Note) RMB'000	Total RMB'000
Segment revenue					
Sales of containers	–	26,616,196	–	–	26,616,196
Fee and commission income	–	–	49,838	–	49,838
Total revenue from contract with external customers	–	26,616,196	49,838	–	26,666,034
Other revenue from external customers	8,043,308	–	205,243	–	8,248,551
Total revenue from external customers	8,043,308	26,616,196	255,081	–	34,914,585
Intersegment revenue from contracts with customers	–	4,659,440	6,716	–	4,666,156
Total revenue	8,043,308	31,275,636	261,797	–	39,580,741
Segment results	1,346,593	6,605,458	1,048,631	281,926	9,282,608
Elimination of intersegment results					(869,452)
Unallocated selling, administrative and general expenses					(265,224)
Unallocated finance costs					(317,350)
Profit before tax from continuing operations					7,830,582
Supplementary segment information:					
Depreciation and amortisation	(1,826,435)	(287,960)	(73,096)	–	(2,187,491)
Impairment of finance lease receivables	(740,917)	–	–	–	(740,917)
Impairment of factoring receivables	(10,797)	–	–	–	(10,797)
Reversal of provision for write-down of inventories to net realisable value	265	–	–	–	265
Reversal of/(provision for) impairment of trade receivables	109,913	(26,692)	–	–	83,221
Reversal of impairment of other receivables	7	20	–	–	27
Share of profits of joint ventures	–	–	4,751	–	4,751
Share of profits of associates	–	–	1,172,848	–	1,172,848
Capital expenditure*	12,137,642	462,049	124,286	–	12,723,977

* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets and intangible assets.

Note: Others represent the continuing operation related to shipping related leasing business before the reorganisation of the Company.

4. OPERATING SEGMENT INFORMATION (continued)

	For the year ended 31 December 2022			
	Shipping and industry-related leasing RMB'000	**Container manufacturing RMB'000**	**Investment management services RMB'000**	**Total RMB'000**
Segment assets	**77,172,709**	**14,996,083**	**39,485,109**	**131,653,901**
Elimination of intersegment assets				**(3,563,270)**
Total assets				**128,090,631**
Segment liabilities	**53,159,066**	**9,118,617**	**25,854,099**	**88,131,782**
Unallocated liabilities				**12,302,054**
Elimination of intersegment liabilities				**(1,237,512)**
Total liabilities				**99,196,324**
Supplementary segment information:				
Investments in joint ventures	**–**	**–**	**93,813**	**93,813**
Investments in associates	**–**	**–**	**24,407,843**	**24,407,843**

	For the year ended 31 December 2021			
	Shipping and industry-related leasing RMB'000	Container manufacturing RMB'000	Investment management services RMB'000	Total RMB'000
Segment assets	83,678,208	21,514,573	34,273,707	139,466,488
Elimination of intersegment assets				(6,850,165)
Total assets				132,616,323
Segment liabilities	60,809,408	13,337,523	24,419,506	98,566,437
Unallocated liabilities				6,458,230
Elimination of intersegment liabilities				(5,097,241)
Total liabilities				99,927,426
Supplementary segment information:				
Investments in joint ventures	–	–	185,701	185,701
Investments in associates	–	–	24,285,370	24,285,370

4. OPERATING SEGMENT INFORMATION (continued)

GEOGRAPHICAL INFORMATION

(a) Revenue from external customers

	2022	2021
	RMB'000	RMB'000
United States	**6,566,159**	19,377,094
Asia (excluding Hong Kong and Mainland China)	**5,711,526**	6,087,285
Hong Kong	**6,452,293**	4,692,915
Mainland China	**2,311,856**	2,139,741
Europe	**3,973,810**	2,348,805
Others	**449,029**	268,745
	25,464,673	34,914,585

The revenue information of continuing operations above is based on the locations of the customers.

(b) Non-current assets

	2022	2021
	RMB'000	RMB'000
Hong Kong	**39,841,273**	49,756,475
Mainland China	**29,273,020**	14,111,878
	69,114,293	63,868,353

The non-current asset information of continuing operations above is based on the locations of the Company or its subsidiaries which own the assets and excludes financial instruments and deferred tax assets.

4. OPERATING SEGMENT INFORMATION (continued)

INFORMATION ABOUT MAJOR CUSTOMERS

The revenue from continuing operations generated from sales to customers which individually amounted to more than 10% to the Group's total revenue is set out below:

	2022	2021
	RMB'000	RMB'000
Customer A[1]	**3,426,071**	11,262,069
Customer B[1]	**2,733,524**	N/A*

* The corresponding revenue did not constitute over 10% of the Group's total revenue.

1 Revenue from shipping and industry-related leasing segment and container manufacturing segment

5. REVENUE

An analysis of revenue and other revenue from continuing operations is as follows:

	2022	2021
	RMB'000	RMB'000
Revenue from contracts with customers:		
Sales of containers	**17,450,727**	26,616,196
Fee and commission income	**56,991**	49,838
	17,507,718	26,666,034
Other revenue:		
Vessel chartering	**2,408,963**	1,274,546
Container leasing	**5,436,727**	6,323,837
Finance lease income	**111,265**	650,168
	7,956,955	8,248,551
	25,464,673	34,914,585

5. REVENUE (continued)

The disaggregation of the Group's revenue from contracts with customers, including sales of goods and rendering of services, is as follows:

	2022	2021
	RMB'000	RMB'000
Hong Kong	**3,331,371**	1,371,775
Mainland China	**990,016**	871,440
Asia (excluding Hong Kong and Mainland China)	**4,580,511**	4,430,649
United States	**5,832,014**	18,785,153
Europe	**2,593,048**	994,111
Others	**180,758**	212,906
	17,507,718	26,666,034

	2022	2021
	RMB'000	RMB'000
Goods transferred at a point in time	**17,450,727**	26,616,196
Services transferred over time	**56,991**	49,838
	17,507,718	26,666,034

6. OTHER INCOME

		2022	2021
	Notes	**RMB'000**	RMB'000
Interest income		**139,982**	66,249
Government grants related to assets	*37*	**3,993**	3,230
Government subsidies	*(i)*	**110,335**	106,838
Sale of scrap materials		**24,227**	49,884
Others		**4,424**	31,238
		282,961	257,439

(i) The government grants are the income received from local government authorities for development scheme and salaries subsidies which were immediately recognised as other income for the year. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

7. OTHER GAINS, NET

	Note	2022 RMB'000	2021 RMB'000
Gain on disposal of property, plant and equipment		58,931	7,548
Gain on disposal of investments in associates		54,019	236,292
Gain on derecognition of financial assets measured at amortised cost		–	52,847
Gain on disposal of financial assets at fair value through profit or loss		2,084	–
Dividend income from financial assets at FVTPL		64,930	–
Changes in fair value of financial assets at fair value through profit or loss		(996,858)	500,848
Government grants not related to the ordinary course of business		2,665	169
Donation expenditures for public interest		(30,449)	(109,278)
Net foreign exchange gains/(losses)		1,149,947	(366,164)
Gain on disposal of a subsidiary	*42*	37,796	–
Others		1,288	(8,696)
		344,353	313,566

8. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

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

	Note	**2022** **RMB'000**	2021 RMB'000
Cost of goods sold		**13,479,608**	18,677,998
Cost of service provided		**887,251**	1,651,593
Depreciation of property, plant and equipment	*15*	**2,236,895**	2,096,287
Depreciation of investment properties	*16*	**593**	841
Depreciation of right-of-use assets	*17*	**69,086**	71,633
Amortisation of intangible assets	*18*	**15,547**	18,730
Auditor's remuneration		**9,374**	7,950
Employee benefit expense:			
Wages and salaries		**2,453,898**	3,501,961
Equity-settled share option expense		**10,872**	7,250
Pension scheme contributions (defined contribution scheme) (note)		**78,623**	65,278
		2,543,393	3,574,489
Short-term leases		**5,274**	9,054
Foreign exchange (gains)/losses, net		**(1,149,947)**	366,164
Impairment of property, plant and equipment	*15*	**251,641**	–
Impairment of finance lease receivables		**152,245**	946,907
Provision for impairment of factoring receivables		**64,639**	10,797
Provision (reversal of provision) for write-down of inventories to net realisable value		**353,426**	(265)
Reversal of impairment of trade receivables		**(31,287)**	(83,221)
Reversal of impairment of other receivables		**(5,079)**	(27)
Research and development expenses		**94,177**	74,341
Costs of construction in progress recognised as an expense		**4,132**	–

Note:

There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

9. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2022 RMB'000	2021 RMB'000
Interest on debts and borrowings	**2,473,826**	1,661,111
Interest on lease liabilities	**3,889**	3,649
Others	**49,912**	106,146
	2,527,627	1,770,906

10. DIRECTORS', SUPERVISORS' AND KEY MANAGEMENT PERSONNEL'S EMOLUMENTS

Directors, supervisors and key management personnel's emoluments for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 RMB'000	2021 RMB'000
Fees	**1,050**	1,011
Other emoluments:		
Salaries, allowances and benefits in kind	**3,777**	3,614
Equity-settled share option expense	**226**	172
Pension scheme contributions	**771**	697
	4,774	4,483
	5,824	5,494

During the year, two directors (2021: one) were granted share options.

Note: Key management personnel represents the key management personnel who also acts as the director of the Company.

10. DIRECTORS', SUPERVISORS' AND KEY MANAGEMENT PERSONNEL'S EMOLUMENTS (continued)

The directors', supervisors' and key management personnel's emoluments are set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2022					
Executive directors:					
Mr. Liu Chong	–	1,293	113	259	1,665
Mr. Xu Hui (resigned on 16 June 2022)	–	642	113	120	875
Mr. Zhang Mingwen (appointed on 30 June 2022)	–	648	–	136	784
Mr. Wang Daxiong (resigned on 16 June 2022)	–	–	–	–	–
	–	2,583	226	515	3,324
Non-executive director:					
Mr. Ip Sing Chi	300	–	–	–	300
Mr. Huang Jian	–	–	–	–	–
Mr. Liang Yanfeng	–	–	–	–	–
Independent non-executive directors:					
Mr. Cai Hongping (retired on 27 February 2023)	300	–	–	–	300
Mr. Lu Jianzhong	150	–	–	–	150
Ms. Zhang Weihua	150	–	–	–	150
Mr. Shao Ruiqing	150	–	–	–	150
	750	–	–	–	750
Supervisors:					
Mr. Ye Hongjun	–	–	–	–	–
Ms. Zhu Mei	–	–	–	–	–
Mr. Zhao Xiaobo	–	1,194	–	256	1,450
	1,050	3,777	226	771	5,824

10. DIRECTORS', SUPERVISORS' AND KEY MANAGEMENT PERSONNEL'S EMOLUMENTS (continued)

The directors', supervisors' and key management personnel's emoluments are set out below: (continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total RMB'000
For the year ended 31 December 2021					
Executive directors:					
Mr. Liu Chong	–	1,420	172	233	1,825
Mr. Xu Hui	–	1,403	–	235	1,638
Mr. Wang Daxiong	–	–	–	–	–
	–	2,823	172	468	3,463
Non-executive director:					
Mr. Ip Sing Chi	–	–	–	–	–
Mr. Huang Jian	–	–	–	–	–
Mr. Liang Yanfeng	–	–	–	–	–
Independent non-executive directors:					
Mr. Cai Hongping	300	–	–	–	300
Ms. Hai Chi Yuet (resigned on 29 June 2021)	174	–	–	–	174
Mr. Graeme Jack (resigned on 29 June 2021)	174	–	–	–	174
Mr. Lu Jianzhong	150	–	–	–	150
Ms. Zhang Weihua	150	–	–	–	150
Mr. Shao Ruiqing (appointed on 29 June 2021)	63	–	–	–	63
	1,011	–	–	–	1,011
Supervisors:					
Mr. Ye Hongjun	–	–	–	–	–
Ms. Zhu Mei	–	–	–	–	–
Mr. Zhao Xiaobo	–	791	–	229	1,020
	1,011	3,614	172	697	5,494

10. DIRECTORS', SUPERVISORS' AND KEY MANAGEMENT PERSONNEL'S EMOLUMENTS (continued)

There was no arrangement under which a director, a supervisor or the key management personnel waived or agreed to waive any remuneration during the year.

During the year, no emoluments were paid by the Group to any of the directors, supervisors or key management personnel as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil).

None of the directors, supervisors or key management personnel received or will receive any termination benefits during the year ended 31 December 2022 (2021: Nil).

No payment was made to the third parties for making available directors', supervisors' or key management personnel's services during the year ended 31 December 2022 (2021: Nil).

No loans, quasi-loans and other dealings were made available in favour of directors, supervisors or key management personnel bodies corporate controlled by and entities connected with directors, supervisors or key management personnel subsisted at the end of the year or at any time during the year (2021: Nil).

Other than those disclosed in Note 46, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director, a supervisor or key management personnel of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2022 (2021: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2021: two directors) and one supervisor (2021: Nil), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining three (2021: three) highest paid employees who are neither a director, a supervisor nor key management personnel of the Company are as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries, allowances and benefits in kind	**3,462**	3,528
Equity-settled share option expense	**287**	438
Pension scheme contributions	**751**	736
	4,500	4,702

11. FIVE HIGHEST PAID EMPLOYEES (continued)

The number of non-director, non-supervisor and non-key management personnel highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2022	2021
HK$1,500,001 to HK$2,000,000 (equivalent to RMB1,340,001 to RMB1,787,000)	**3**	3

During the year, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil).

12. INCOME TAX

According to the Corporate Income Tax ("**CIT**") Law of the PRC, which was effective from 1 January 2008, the CIT rate applicable to the Company and its subsidiaries established in the PRC was 25% for the years ended 31 December 2022 and 2021.

Hong Kong profits tax was provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits of the Group's companies operating in Hong Kong during the year.

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

	Note	**2022 RMB'000**	2021 RMB'000
Current income tax:			
Mainland China		**910,061**	1,705,580
Hong Kong		**8,707**	32,538
Elsewhere		**64,955**	46,683
		983,723	1,784,801
Deferred income tax	*25*	**(78,815)**	(27,384)
		904,908	1,757,417

12. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax from continuing operations at the statutory rate for the country or jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2022	2021
	RMB'000	RMB'000
Profit before tax from continuing operations	**4,828,038**	7,830,582
Tax at the statutory tax rate	**1,207,010**	1,957,646
Effect of different tax rates for specific provinces or enacted by local authority	**(81,024)**	(44,643)
Effect of withholding tax	**8,606**	184,796
Underprovision in respect of prior year	**313**	12,361
Profits attributable to associates and joint ventures	**(400,800)**	(294,400)
Income not subject to tax	**(1,397,428)**	(1,145,653)
Expenses not deductible for tax	**1,061,995**	1,036,718
Tax losses not recognised	**591,271**	44,862
Temporary differences not recognised	**(85,035)**	5,730
	904,908	1,757,417

13. DIVIDENDS

	2022	2021
	RMB'000	RMB'000
Proposed final dividend – RMB0.087 (2021: RMB0.226) per ordinary share	**1,176,885**	3,057,195

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

The board of directors proposed the payment of a final dividend of RMB0.087 (2021: RMB0.226) per share (inclusive of applicable tax), totalling RMB1,176,884,731.77 (2021: RMB3,057,194,836.90) calculated based on 13,527,410,710 shares, being the number of issued shares of the Company of 13,573,299,906 as at 30 March 2023 deducting 45,889,196 A shares repurchased by the Company, for the year ended 31 December 2022. The final dividend is subject to the approval of shareholders of the Company at the forthcoming annual general meeting of the Company. These proposed dividends have not been recognised as a liability in the consolidated financial statements for the year ended 31 December 2022, but will be reflected as an appropriation of retailed profits for the year ending 31 December 2023.

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

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

	2022 RMB'000	2021 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation		
From continuing operations	3,923,130	5,800,005
From a discontinued operation	–	16,156
	3,923,130	5,816,161
Interest on perpetual debts (Note)	–	273,160
Profit attributable to equity holders of the parent before interest on perpetual debts	3,923,130	6,089,321
Attributable to:		
From continuing operations	3,923,130	6,073,165
From a discontinued operation	–	16,156
	3,923,130	6,089,321

	2022 RMB'000	2021 RMB'000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	13,520,651	11,684,385
Effect of dilution-weighted average number of ordinary shares:		
Share options	1,494	11,122
	13,522,145	11,695,507

Note: The Company issued perpetual debts during the year ended 31 December 2019, under the terms and conditions set out in note 41. The dividend distribution and repurchase of shares of the Company triggered a mandatory interest payment event of perpetual debts. No interest on perpetual debts incurred for the year ended 31 December 2022. For the purpose of calculating basic earnings per ordinary share for the year ended 31 December 2021, RMB273,160,000 attributable to perpetual debts was deducted from profits attributable to equity holders of the Company. During the year ended 31 December 2022, all perpetual debts were repaid.

15. PROPERTY, PLANT AND EQUIPMENT

	Vessels RMB'000	Containers RMB'000	Buildings RMB'000	Machinery, motor vehicles and office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2022:							
Cost	6,596,947	38,303,378	1,643,973	2,789,660	87,024	347,498	49,768,480
Accumulated depreciation and impairment	(262,067)	(9,195,024)	(426,936)	(1,369,052)	(83,199)	–	(11,336,278)
Net carrying amount	6,334,880	29,108,354	1,217,037	1,420,608	3,825	347,498	38,432,202
At 1 January 2022, net of accumulated depreciation and impairment	6,334,880	29,108,354	1,217,037	1,420,608	3,825	347,498	38,432,202
Additions	13,717	5,537,089	17,092	91,658	32	1,832,982	7,492,570
Disposals	(13,717)	(3,094,528)	(1,910)	(2,931)	(291)	–	(3,113,377)
Disposal of a subsidiary (note 42)	–	–	–	(20)	–	–	(20)
Depreciation provided during the year	(253,427)	(1,725,181)	(55,804)	(200,276)	(2,207)	–	(2,236,895)
Impairment recognised during the year	–	(236,828)	–	(14,813)	–	–	(251,641)
Transfers	1,291,037	90,190	15,945	347,444	–	(1,744,616)	–
Transfer to inventories	–	(466,547)	–	–	–	–	(466,547)
Transfer to intangible assets	–	–	–	–	–	(36,267)	(36,267)
Recognised as an expense	–	–	–	–	–	(4,132)	(4,132)
Exchange realignment	610,795	2,729,989	60	1,070	45	4,684	3,346,643
At 31 December 2022, net of accumulated depreciation and impairment	7,983,285	31,942,538	1,192,420	1,642,740	1,404	400,149	43,162,536
At 31 December 2022:							
Cost	8,531,875	43,609,433	1,861,509	3,036,557	1,404	400,149	57,440,927
Accumulated depreciation and impairment	(548,590)	(11,666,895)	(669,089)	(1,393,817)	–	–	(14,278,391)
Net carrying amount	7,983,285	31,942,538	1,192,420	1,642,740	1,404	400,149	43,162,536

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Vessels RMB'000	Containers RMB'000	Buildings RMB'000	Machinery, motor vehicles and office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Total RMB'000
At 1 January 2021:							
Cost	45,796,312	38,514,406	1,742,056	2,404,541	103,971	199,383	88,760,669
Accumulated depreciation and impairment	(19,047,016)	(11,200,949)	(509,248)	(1,167,807)	(89,485)	(524)	(32,015,029)
Net carrying amount	26,749,296	27,313,457	1,232,808	1,236,734	14,486	198,859	56,745,640
At 1 January 2021, net of accumulated depreciation and impairment	26,749,296	27,666,307	277,435	487,389	12,602	131,679	55,324,708
Effect of business combination under common control	–	(352,850)	955,373	749,345	1,884	67,180	1,420,932
At 1 January 2021, net of accumulated depreciation and impairment	26,749,296	27,313,457	1,232,808	1,236,734	14,486	198,859	56,745,640
Additions	–	6,755,994	2,001	159,775	32,383	5,662,815	12,612,968
Disposals	(25,313,514)	(2,500,405)	(529)	(18,938)	(35,197)	(6,853)	(27,875,436)
Disposal of a subsidiary	–	(3,239)	–	(5,321)	(3,491)	(10,744)	(22,795)
Depreciation provided during the year	(185,291)	(1,657,525)	(42,123)	(207,200)	(4,148)	–	(2,096,287)
Transfer from investment properties	–	–	15,077	–	–	–	15,077
Transfers	5,192,470	–	9,803	288,774	–	(5,491,047)	–
Exchange realignment	(108,081)	(799,928)	–	(33,216)	(208)	(5,532)	(946,965)
At 31 December 2021, net of accumulated depreciation and impairment	6,334,880	29,108,354	1,217,037	1,420,608	3,825	347,498	38,432,202
At 31 December 2021:							
Cost	6,596,947	38,303,378	1,643,973	2,789,660	87,024	347,498	49,768,480
Accumulated depreciation and impairment	(262,067)	(9,195,024)	(426,936)	(1,369,052)	(83,199)	–	(11,336,278)
Net carrying amount	6,334,880	29,108,354	1,217,037	1,420,608	3,825	347,498	38,432,202

15. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 December 2022, certain of the Group's vessels and containers with a net carrying amount of RMB18,611,895,000 (2021: RMB18,672,682,000) were pledged to secure general banking facilities granted to the Group (note 34).

During the year ended 31 December 2022, indicators of impairment for certain containers and machinery, motor vehicles and office equipment were identified. Therefore, the Group estimated the recoverable amount based on value in use. The discount rate used in measuring value in use was 4%. As a result, impairment losses of RMB236,828,000 (2021: Nil) and RMB14,813,000 (2021: Nil) have been recognised in profit or loss to reduce the carrying amounts of certain containers and machinery, motor vehicles and office equipment to their recoverable amount, respectively.

The following table illustrates the movements of the assets held under operating leases:

	Vessels RMB'000	Containers RMB'000	Total RMB'000
At 1 January 2022:			
Cost	6,596,947	37,495,248	44,092,195
Accumulated depreciation and impairment	(262,067)	(9,241,413)	(9,503,480)
Net carrying amount	6,334,880	28,253,835	34,588,715
At 1 January 2022, net of accumulated depreciation and impairment	6,334,880	28,253,835	34,588,715
Additions	13,717	5,536,692	5,550,409
Disposals	(13,717)	(2,707,456)	(2,721,173)
Depreciation provided during the year	(253,427)	(1,724,846)	(1,978,273)
Impairment recognised during the year	–	(236,828)	(236,828)
Transfers	1,291,037	90,190	1,381,227
Exchange realignment	610,795	2,729,989	3,340,784
At 31 December 2022, net of accumulated depreciation and impairment	7,983,285	31,941,576	39,924,861
At 31 December 2022:			
Cost	8,531,875	43,608,852	52,140,727
Accumulated depreciation and impairment	(548,590)	(11,667,276)	(12,215,866)
Net carrying amount	7,983,285	31,941,576	39,924,861

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The following table illustrates the movements of the assets held under operating leases: (continued)

	Vessels RMB'000	Containers RMB'000	Total RMB'000
At 1 January 2021:			
Cost	1,537,688	36,684,088	38,221,776
Accumulated depreciation and impairment	(101,906)	(10,216,522)	(10,318,428)
Net carrying amount	1,435,782	26,467,566	27,903,348
At 1 January 2021, net of accumulated depreciation and impairment	1,435,782	26,820,416	28,256,198
Effect of business combination under common control	–	(352,850)	(352,850)
At 1 January 2021, net of accumulated depreciation and impairment	1,435,782	26,467,566	27,903,348
Additions	–	6,711,404	6,711,404
Disposals	–	(2,483,902)	(2,483,902)
Depreciation provided during the year	(185,291)	(1,646,585)	(1,831,876)
Transfers	5,192,470	–	5,192,470
Exchange realignment	(108,081)	(794,648)	(902,729)
At 31 December 2021, net of accumulated depreciation and impairment	6,334,880	28,253,835	34,588,715
At 31 December 2021:			
Cost	6,596,947	37,495,248	44,092,195
Accumulated depreciation and impairment	(262,067)	(9,241,413)	(9,503,480)
Net carrying amount	6,334,880	28,253,835	34,588,715

16. INVESTMENT PROPERTIES

	2022 RMB'000	2021 RMB'000
At beginning of year:		
Cost	**146,687**	166,584
Accumulated depreciation and impairment	**(51,349)**	(53,363)
Net carrying amount	**95,338**	113,221
At the beginning of the year, net of accumulated depreciation and impairment	**95,338**	98,144
Effect of business combination under common control	**–**	15,077
At beginning of year, net of accumulated depreciation and impairment	**95,338**	113,221
Depreciation	**(593)**	(841)
Transfer to owner-occupied property	**–**	(15,077)
Exchange realignment	**8,784**	(1,965)
At end of year, net of accumulated depreciation and impairment	**103,529**	95,338
At end of year:		
Cost	**160,236**	146,687
Accumulated depreciation and impairment	**(56,707)**	(51,349)
Net carrying amount	**103,529**	95,338

The Group's investment properties consist of 19 (2021: 19) office properties in Hong Kong.

The investment properties are leased under operating leases, further summary details of which are included in note 44.

16. INVESTMENT PROPERTIES (continued)

FAIR VALUE HIERARCHY

The investment properties were valued based on a valuation performed by an independent professionally qualified valuer at RMB304,579,000 (2021: RMB282,299,000). The fair value of the investment properties is estimated by an independent professional property valuer. The valuations are derived using direct comparison method. Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted.

The following tables illustrate the fair value measurement hierarchy of the Group's investment properties:

31 December 2022

	Fair value measurement categorised into			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Office units	**–**	**–**	**304,579**	**304,579**

31 December 2021

	Fair value measurement categorised into			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Office units	–	–	282,299	282,299

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2021: Nil).

16. INVESTMENT PROPERTIES (continued)

FAIR VALUE HIERARCHY (continued)

Set out below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Weighted average RMB'000
31 December 2022			
Office units	Market comparison method	Estimated value (per sq. ft)	**14**
31 December 2021			
Office units	Market comparison method	Estimated value (per sq. ft)	13

17. RIGHT-OF-USE ASSETS

	Prepaid land lease payments RMB'000	Buildings RMB'000	Machinery, motor vehicles and office equipment RMB'000	Total RMB'000
At 1 January 2022:				
Cost	523,725	305,878	1,467	831,070
Accumulated depreciation	(111,901)	(187,870)	(833)	(300,604)
Net carrying amount	411,824	118,008	634	530,466
At 1 January 2022, net of accumulated depreciation	411,824	118,008	634	530,466
Additions	137,438	23,652	–	161,090
Termination of leases	–	(12,656)	–	(12,656)
Depreciation	(14,358)	(54,425)	(303)	(69,086)
Exchange realignment	–	3,392	–	3,392
At 31 December 2022, net of accumulated depreciation	534,904	77,971	331	613,206
At 31 December 2022:				
Cost	667,799	204,412	762	872,973
Accumulated depreciation	(132,895)	(126,441)	(431)	(259,767)
Net carrying amount	534,904	77,971	331	613,206

17. RIGHT-OF-USE ASSETS (continued)

	Prepaid land lease payments RMB'000	Buildings RMB'000	Machinery, motor vehicles and office equipment RMB'000	Total RMB'000
At 1 January 2021:				
Cost	523,725	302,199	1,366	827,290
Accumulated depreciation	(101,106)	(175,419)	(631)	(277,156)
Net carrying amount	422,619	126,780	735	550,134
At 1 January 2021, net of accumulated depreciation	107,207	114,800	400	222,407
Effect of business combination under common control	315,412	11,980	335	327,727
At 1 January 2021, net of accumulated depreciation	422,619	126,780	735	550,134
Additions	–	63,214	101	63,315
Termination of leases	–	(1,722)	–	(1,722)
Disposal of a subsidiary	–	(8,758)	–	(8,758)
Depreciation	(10,795)	(60,636)	(202)	(71,633)
Exchange realignment	–	(870)	–	(870)
At 31 December 2021, net of accumulated depreciation	411,824	118,008	634	530,466
At 31 December 2021:				
Cost	523,725	305,878	1,467	831,070
Accumulated depreciation	(111,901)	(187,870)	(833)	(300,604)
Net carrying amount	411,824	118,008	634	530,466

18. INTANGIBLE ASSETS

	Computer software RMB'000
At 1 January 2022:	
Cost	369,810
Accumulated amortisation	(188,247)
Net carrying amount	181,563
At 1 January 2022, net of accumulated amortisation	181,563
Additions	86,691
Disposals	(137,612)
Amortisation	(15,547)
Exchange realignment	1,782
At 31 December 2022, net of accumulated amortisation	116,877
At 31 December 2022:	
Cost	307,659
Accumulated amortisation	(190,782)
Net carrying amount	116,877

18. INTANGIBLE ASSETS (continued)

	Computer software RMB'000
At 1 January 2021:	
Cost	367,283
Accumulated amortisation	(182,688)
Net carrying amount	184,595
At 1 January 2021, net of accumulated amortisation	39,256
Effect of business combination under common control	145,339
At 1 January 2021, net of accumulated amortisation	184,595
Additions	47,694
Disposals	(208)
Disposal of a subsidiary	(31,591)
Amortisation	(18,730)
Exchange realignment	(197)
At 31 December 2021, net of accumulated amortisation	181,563
At 31 December 2021:	
Cost	369,810
Accumulated amortisation	(188,247)
Net carrying amount	181,563

19. INVESTMENTS IN JOINT VENTURES

	2022 RMB'000	2021 RMB'000
Share of net assets	**93,813**	185,701

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2022 RMB'000	2021 RMB'000
Share of (loss)/profit	**(90,875)**	4,751
Share of other comprehensive income	**–**	223
Share of total comprehensive (expense)/income	**(90,875)**	4,974

	2022 RMB'000	2021 RMB'000
Aggregate carrying amount of investments	**93,813**	185,701

20. INVESTMENTS IN ASSOCIATES

	Notes	2022 RMB'000	2021 RMB'000
Share of net assets	*(a),(b),(c)*	**24,255,215**	23,705,786
Goodwill on acquisition		**214,393**	641,349
Impairment		**(61,765)**	(61,765)
		24,407,843	24,285,370

20. INVESTMENTS IN ASSOCIATES (continued)

As of 31 December 2022 and 2021, particulars of the material associates are as follows:

Name	Particulars of issued shares held	Place of registration	Percentage of ownership	Principal activities
China International Marine Containers (Group) Co., Ltd. ("**CIMC**")	Ordinary shares RMB1 each	PRC	1.53% (2021: 3.61%) (Note c)	Manufacture and sale of containers
China Bohai Bank Co., Ltd. ("**CBB**")	Ordinary shares RMB1 each	PRC	11.12%	Banking
China Everbright Bank Co., Ltd. ("**CEB**")	Ordinary shares RMB1 each	PRC	1.34%	Banking
Bank of Kunlun Co., Ltd. ("**BOK**")	Ordinary shares RMB1 each	PRC	3.74%	Banking
COSCO Shipping Finance	Registered capital RMB1 each	PRC	13.38% (2021: 23.38%) (Note a)	Banking
Powchan Financial Group Co., Ltd. ("**Powchan Financial**") (formerly known as COSCO SHIPPING Leasing Co., Ltd.)	Registered capital RMB1 each	PRC	40.81% (2021: 49.70%)	Leasing

As at 31 December 2022, the Group has less than 20% of equity interests in CBB, CEB, BOK and COSCO Shipping Finance (2021: CIMC, CBB, CEB and BOK) and with the Group's holding seats in the boards of these companies and participation in the financial and operating activities of these companies, the Group could exercise significant influence over these companies. Accordingly, these companies are accounted for as associates of the Group.

Notes:

(a) On 19 May 2022, the Group disposed 10% equity interest in COSCO Shipping Finance by receiving a cash proceeds of RMB967,038,000 and resulting in a decrease of equity interest from 23.38% to 13.38%. The Group is still able to exercise significant influence on COSCO Shipping Finance after the disposal.

On 7 November 2022, the Group had capital contribution of RMB1,806,840,000 in COSCO Shipping Finance. The contribution was made in proportion with the shareholding percentage. The equity interest held in COSCO Shipping Finance remained the same at 13.38% after the capital contribution.

(b) During the year ended 31 December 2022, the Group had capital withdrawal of RMB7,500,000 in an associate, China Elephant Financial Information Service Co., Limited. The withdrawal was made in proportion with the shareholding percentage. The equity interest held by the Group remained the same and is still able to exercise significant influence after the capital withdrawal.

(c) During the year ended 31 December 2022, the Group had disposed of 2.08% equity interest of CIMC by receiving a cash consideration of RMB463,548,000. The investment in CIMC is changed from investment in an associate to financial assets at fair value through profit or loss because the Group ceased to exercise significant influence over CIMC after the disposal.

20. INVESTMENTS IN ASSOCIATES (continued)

The following tables illustrate the summarised financial information in respect of each of the Group's material associates adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	CBB		CEB		BOK		COSCO SHIPPING Finance		Powchan Financial		CIMC	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Current assets	**271,874,383**	261,116,580	**945,040,000**	619,096,000	**123,822,435**	140,966,245	**157,752,669**	75,776,905	**32,061,880**	23,139,596	**N/A**	70,837,324
Non-current assets	**1,387,585,519**	1,321,591,018	**5,355,470,000**	5,279,314,400	**263,499,848**	214,268,213	**78,940,503**	76,691,510	**31,611,830**	24,165,189	**N/A**	73,040,122
Total liabilities	**(1,549,508,868)**	(1,476,143,521)	**(5,790,497,000)**	(5,417,703,000)	**(350,161,953)**	(319,782,589)	**(213,875,975)**	(143,676,388)	**(54,195,914)**	(39,902,781)	**N/A**	(97,917,411)
Net assets	**109,951,034**	106,564,077	**510,013,000**	480,707,400	**37,160,330**	35,451,869	**22,817,197**	8,792,027	**9,477,796**	7,402,004	**N/A**	45,960,035
Other equity instruments – perpetual debts	**(19,961,604)**	(19,961,604)	**(39,993,000)**	(39,993,000)	**–**	–	**–**	–	**–**	–	**N/A**	–
Other equity instruments – preference shares	**–**	–	**(69,069,000)**	(69,069,000)	**–**	–	**–**	–	**–**	–	**N/A**	–
Non-controlling interests	**–**	–	**(2,130,000)**	(1,877,000)	**(110,410)**	(100,111)	**–**	–	**–**	–	**N/A**	(11,461,457)
Net assets attributable to owners of the parent	**89,989,430**	86,602,473	**398,821,000**	369,768,400	**37,049,920**	35,351,758	**22,817,197**	8,792,027	**9,477,796**	7,402,004	**N/A**	34,498,578
Proportion of the ownership	**11.12%**	11.12%	**1.34%**	1.34%	**3.74%**	3.74%	**13.38%**	23.38%	**40.81%**	49.70%	**N/A**	3.61%
Share of net assets	**9,976,479**	9,599,815	**5,295,176**	4,954,897	**1,385,667**	1,322,156	**3,053,854**	2,055,576	**3,867,936**	3,678,520	**N/A**	1,245,399
Goodwill on acquisition	**–**	–	**–**	–	**159,186**	159,186	**42,729**	74,655	**–**	–	**N/A**	456,795
Impairment	**–**	–	**–**	–	**(61,765)**	(61,765)	**–**	–	**–**	–	**N/A**	–
Carrying amounts of the investments	**9,976,479**	9,599,815	**5,295,176**	4,954,897	**1,483,088**	1,419,577	**3,096,583**	2,130,231	**3,867,936**	3,678,520	**N/A**	1,702,194

20. INVESTMENTS IN ASSOCIATES (continued)

The following tables illustrate the summarised financial information in respect of each of the Group's material associates adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements: (continued)

	CBB		CEB		BOK		COSCO SHIPPING Finance		Powchan Financial (Note)		CIMC	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue	**65,208,318**	20,492,170	**272,305,000**	229,334,000	**14,462,280**	10,214,051	**3,587,358**	2,225,867	**4,059,565**	3,011,098	**N/A**	163,695,980
Attributable to owners of parent:												
Profit for the year	**6,107,475**	7,680,432	**45,040,000**	38,627,910	**2,764,708**	2,535,588	**526,887**	325,659	**850,185**	450,114	**N/A**	6,665,323
Other comprehensive (expense)/income for the year	**(225,224)**	(2,851,969)	**(3,740,000)**	1,759,030	**(37,747)**	74,358	**(212)**	13,670	**-**	-	**N/A**	(135,879)
Total comprehensive income for the year	**5,882,251**	4,828,463	**41,300,000**	40,386,940	**2,726,961**	2,609,946	**526,675**	339,329	**850,185**	450,114	**N/A**	6,529,444
Dividends received from associates during the year	**171,852**	167,902	**145,524**	152,040	**38,076**	41,153	**-**	68,301	**111,514**	-	**N/A**	45,813

Note: The Group has not guaranteed banking borrowings granted to this associate (2021: RMB3,438,780,000) as at the end of the reporting period. The fair value of the guarantee contract was not material to the consolidated financial statements as at 31 December 2021.

20. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2022 RMB'000	2021 RMB'000
Aggregate carrying amount of investments	688,581	800,136

	2022 RMB'000	2021 RMB'000
Share of loss	(88,362)	(818,220)
Share of other comprehensive expense	(855)	(39,304)
Share of total comprehensive expense	(89,217)	(857,524)

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 **RMB'000**	2021 RMB'000
Unlisted debt investments (a)	**–**	1,005,648
Listed equity investments (b)	**1,365,146**	1,045,625
Unlisted equity investments (c)	**2,126,994**	3,034,753
	3,492,140	5,086,026
Current portion	**(639,606)**	(1,073,731)
Non-current portion	**2,852,534**	4,012,295

(a) The amount represents investments in financial products arranged by independent securities companies with high credit rating and good reputation.

	2022 **RMB'000**	2021 RMB'000
Asset management products	**–**	205,648
New standard bonds	**–**	800,000
	–	1,005,648

(b) The listed equity securities represent stocks listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange.

(c) The unlisted equity investments represent the Group's equity interests in unlisted PRC companies. The Group did not have significant influence on these invested entities.

22. FINANCE LEASE RECEIVABLES

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

	2022 RMB'000	2021 RMB'000
Within one year	**4,810,836**	4,691,663
After one year but within two years	**4,789,493**	4,454,250
After two years but within three years	**3,967,018**	4,226,644
After three years but within four years	**4,098,006**	3,812,861
After four years but within five years	**3,026,105**	3,510,153
After five years	**25,490,921**	23,282,156
Total minimum finance lease receivables	**46,182,379**	43,977,727
Unearned finance income	**(10,737,559)**	(8,902,217)
Total present value of minimum finance lease receivables	**35,444,820**	35,075,510
Impairment	**(1,162,876)**	(926,321)
	34,281,944	34,149,189
Current portion	**(3,170,009)**	(3,217,218)
Non-current portion	**31,111,935**	30,931,971

	2022 RMB'000	2021 RMB'000
Within one year	**3,206,471**	3,247,969
After one year but within two years	**3,369,812**	3,226,960
After two years but within three years	**2,711,726**	3,137,639
After three years but within four years	**3,011,449**	2,846,809
After four years but within five years	**2,087,461**	2,682,581
After five years	**21,057,901**	19,933,552
Total present value of minimum finance lease receivables	**35,444,820**	35,075,510

At 31 December 2022, certain of the Group's finance lease receivables with a net carrying amount of RMB12,969,610,000 (2021: RMB12,497,828,000) were pledged to secure general banking facilities granted to the Group (note 34).

Further qualitative and quantitative information regarding credit risk and ECLs of finance lease receivables is disclosed in note 49.

23. FACTORING RECEIVABLES

	2022 RMB'000	2021 RMB'000
Factoring receivables	445,040	1,708,338
Impairment	(99,480)	(34,184)
	345,560	1,674,154
Current portion	(329,380)	(1,479,284)
Non-current portion	16,180	194,870

Further qualitative and quantitative information regarding credit risk and ECLs of factoring receivables is disclosed in note 49.

24. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments represent interest rate swap agreements designated as hedging instruments as follows:

ASSETS

	2022 RMB'000	2021 RMB'000
Interest rate swaps	45,553	–
Current portion	–	–
Non-current portion	45,553	–

LIABILITIES

	2022 RMB'000	2021 RMB'000
Interest rate swaps	–	4,157
Current portion	–	(3,934)
Non-current portion	–	223

24. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

CASH FLOW HEDGE – INTEREST RATE RISK

At 31 December 2022, the Group had interest rate swap agreements in place with a total notional amount of US$66,665,000 (2021: US$83,324,000) whereby they receive interest at variable rates equal to the 3-month London Interbank Offered Rate ("**LIBOR**") on the notional amounts and pay interest at fixed rates of 1.21% to 2.93% (2021: 1.21% to 2.92%). The swaps are used to hedge the exposure to changes in the cash flows of its secured loans with variable rates.

There is an economic relationship between the hedged items and the hedging instruments. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risks of the hedging instruments are identical to the hedged risk components. To measure the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments

24. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

CASH FLOW HEDGE – INTEREST RATE RISK (continued)

The Group holds the following hedging instruments:

	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2022					
Interest rate swaps	**68,672**	**68,672**	**136,643**	**190,308**	**464,295**

	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2021					
Interest rate swaps	106,216	62,866	62,866	299,305	531,253

The movements of cash flow hedge reserve are as follows:

	Interest rate swaps RMB'000
As at 1 January 2021	(22,660)
Hedging loss recognised in other comprehensive income	(2,601)
Amount reclassified to finance costs of the consolidated statement of profit or loss	19,102
As at 31 December 2021 and 1 January 2022	**(6,159)**
Hedging loss recognised in other comprehensive income	**48,392**
Amount reclassified to finance costs of the consolidated statement of profit or loss	**1,319**
As at 31 December 2022	**43,552**

There is no hedge ineffectiveness recognised in profit or loss. Consequently, the change in fair value used for measuring ineffectiveness of the hedging instruments for the year ended 31 December 2022 is the same with that of the hedged items, equalling the amount of the hedging gain recognised in other comprehensive income above.

25. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

DEFERRED TAX ASSETS

	Impairment RMB'000	Changes in fair value of financial assets at fair value RMB'000	Depreciation RMB'000	Accruals RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2022	25,389	11,404	601	3,760	194,555	235,709
Credited/(charged) to profit or loss	1,641	(6,418)	159	79,045	289,284	363,711
Exchange realignment	145	–	71	345	–	561
Gross deferred tax assets at 31 December 2022	27,175	4,986	831	83,150	483,839	599,981

	Impairment RMB'000	Changes in fair value of financial assets at fair value RMB'000	Depreciation RMB'000	Accruals RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2021	274,127	–	622	9,921	–	284,670
Credited/(charged) to profit or loss	11,803	11,404	(3)	(6,072)	194,555	211,687
Disposal of a subsidiary	(260,459)	–	–	–	–	(260,459)
Exchange realignment	(82)	–	(18)	(89)	–	(189)
Gross deferred tax assets at 31 December 2021	25,389	11,404	601	3,760	194,555	235,709

25. DEFERRED TAX (Continued)

The movements in deferred tax liabilities and assets during the year are as follows: (continued)

DEFERRED TAX LIABILITIES

	Withholding tax RMB'000	Changes in fair value of financial assets at fair value through profit or loss RMB'000	Depreciation RMB'000	Total RMB'000
At 1 January 2022	**231,285**	**–**	**2,447**	**233,732**
Charged to profit or loss	**283,976**	**–**	**920**	**284,896**
Transfer to tax payable	**(32,052)**	**–**	**–**	**(32,052)**
Exchange realignment	**1,374**	**–**	**210**	**1,584**
Gross deferred tax liabilities at 31 December 2022	**484,583**	**–**	**3,577**	**488,160**

	Withholding tax RMB'000	Changes in fair value of financial assets at fair value through profit or loss RMB'000	Depreciation RMB'000	Total RMB'000
At 1 January 2021	101,582	1,001	2,305	104,888
Charged/(credited) to profit or loss	184,796	(1,001)	191	183,986
Disposal of interests in an associate	(28,367)	–	–	(28,367)
Transfer to tax payable	(27,315)	–	–	(27,315)
Exchange realignment	589	–	(49)	540
Gross deferred tax liabilities at 31 December 2021	231,285	–	2,447	233,732

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 Mainland China. 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 Mainland China in respect of earnings generated from 1 January 2008.

25. DEFERRED TAX (Continued)

DEFERRED TAX LIABILITIES (Continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2022 **RMB'000**	2021 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**116,142**	41,154
Net deferred tax liabilities recognised in the consolidated statement of financial position	**4,321**	39,177

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balance on a net basis. As at 31 December 2022, deferred tax assets and deferred tax liabilities amounted to RMB483,839,000 (2021: RMB194,555,000) were offset.

Deferred tax assets have not been recognised in respect of the following items:

	2022 **RMB'000**	2021 RMB'000
Tax losses	**4,035,341**	2,063,846
Deductible temporary differences	**2,907,577**	1,261,182
	6,942,918	3,325,028

Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences arising in Mainland China and Hong Kong as it is not considered probable that taxable profits will be available against which the tax losses and deductible temporary differences can be utilised.

At the end of the reporting period, the Group had unused tax loss of RMB5,970,695,000 (2021: RMB2,842,066,000) available for offset against future profits. Included in unused tax losses are losses of RMB5,099,193,000 (2021: RMB2,517,185,000) that will be expired within next five years. The remaining tax losses of RMB871,502,000 (2021: RMB324,881,000) may be carried forward indefinitely.

26. INVENTORIES

	2022 RMB'000	2021 RMB'000
Raw materials	**1,921,667**	3,594,576
Finished goods	**2,485,111**	3,310,636
Provision for write-down of inventories	**(356,899)**	(3,449)
	4,049,879	6,901,763

27. TRADE AND NOTES RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	**596,383**	1,445,710
Notes receivable	**14,285**	–
Impairment	**(54,523)**	(73,404)
	556,145	1,372,306

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally two months, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, which are internationally dispersed.

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

	2022 RMB'000	2021 RMB'000
Within 3 months	**532,896**	1,356,412
3 to 6 months	**11,621**	10,275
6 to 12 months	**11,340**	4,562
Over 1 year	**288**	1,057
	556,145	1,372,306

Further qualitative and quantitative information regarding credit risk and ECLs of trade receivables is disclosed in note 49.

28. PREPAYMENTS AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Prepayments	124,264	721,680
Other receivables	180,936	122,243
Prepaid value-added tax	227,968	669,726
Impairment	(5,196)	(9,831)
	527,972	1,503,818

29. RESTRICTED AND PLEDGED DEPOSITS

	2022 RMB'000	2021 RMB'000
Pledged deposits for bank and other borrowings	24	52,182
Pledged deposits for corporate bonds	5,316	5,594
Restricted insurance premium received	115,091	89,282
Pledged deposits for letters of credit	–	100
Other restricted and pledged deposits	12	1,255
	120,443	148,413
Current	(120,443)	(148,413)
Non-current	–	–

30. CASH AND CASH EQUIVALENTS

	2022 RMB'000	2021 RMB'000
Cash and bank balances	15,440,560	17,871,147

At the end of the reporting period, the cash and bank balances of the Group are denominated in Renminbi and foreign currencies as follows:

30. CASH AND CASH EQUIVALENTS (continued)

	2022 RMB'000	2021 RMB'000
RMB	8,983,726	4,078,036
United States Dollar ("**USD**")	6,323,157	13,732,244
European Dollar ("**Euro**")	13,883	12,894
Hong Kong Dollar ("**HKD**")	80,983	16,506
British Pound ("**GBP**")	38,654	31,391
Singapore Dollar ("**SGD**")	157	76
	15,440,560	17,871,147

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and restricted and pledged deposits are deposited with creditworthy banks with no recent history of default.

31. TRADE AND NOTES PAYABLES

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

	2022 RMB'000	2021 RMB'000
Within 3 months	2,418,433	3,509,520
3 to 6 months	43,554	362,519
6 to 12 months	6,212	155,897
1 to 2 years	11,435	26,329
	2,479,634	4,054,265

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

32. OTHER PAYABLES AND ACCRUALS

	2022 RMB'000	2021 RMB'000
Receipt in advance	510,902	22,287
Payables for purchase of property, plant and equipment	–	81,836
Other payables	1,768,970	1,640,264
Indirect tax payables	67,802	161,007
Interest payables	620,643	387,365
Dividend payables	–	226,360
	2,968,317	2,519,119

Other payables are non-interest-bearing and have an average term of three months.

33. CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Sales of containers	246,736	1,313,944
Insurance business	57,326	–
	304,062	1,313,944

Contract liabilities of RMB304,062,000 as at 31 December 2022 (2021: RMB1,313,944,000) are short-term advances from customers. During the year ended 31 December 2022, contract liabilities of RMB1,313,492,000 (2021: RMB175,785,000) at the beginning of the year were recognised as revenue.

34. BANK AND OTHER BORROWINGS

	2022		
	Effective interest rate (%)	Maturity	Total RMB'000
Current			
Bank loans – secured	1.83-6.66	2023	3,681,349
Bank loans – unsecured	1.46-6.14	2023	29,240,320
Borrowings from related parties – unsecured	2.30-5.74	2023	3,003,696
			35,925,365
Non-current			
Bank loans – secured	1.83-6.46	2024 – 2031	18,031,636
Bank loans – unsecured	2.15-6.14	2024 – 2036	24,598,360
Borrowings from related parties – unsecured	2.50-5.74	2024 – 2025	5,889,719
			48,519,715
			84,445,080

34. BANK AND OTHER BORROWINGS (continued)

	2021		
	Effective interest rate (%)	Maturity	Total RMB'000
Current			
Bank loans – secured	1.36-4.32	2022	4,320,887
Bank loans – unsecured	0.50-4.65	2022	31,526,128
Borrowings from related parties – unsecured	0.91-4.04	2022	6,037,070
			41,884,085
Non-current			
Bank loans – secured	1.37-4.33	2023-2031	17,547,482
Bank loans – unsecured	0.77-4.90	2023-2036	18,999,701
Borrowings from related parties – unsecured	3.20-3.30	2023-2034	3,798,000
			40,345,183
			82,229,268

Maturity profile of bank and other borrowings as at 31 December 2022 is as follows:

	2022 RMB'000	2021 RMB'000
Within one year or on demand	**35,925,365**	41,884,085
In the second year	**19,056,186**	16,772,202
In the third to fifth year, inclusive	**21,828,523**	16,902,299
Beyond five years	**7,635,006**	6,670,682
	84,445,080	82,229,268

Except for bank loans of RMB63,287,926,000 (2021: RMB58,297,868,000) which are denominated in USD, all borrowings are dominated in RMB.

The Group's secured bank loans disclosed above are secured by restricted and pledged deposits (note 29), certain property, plant and equipment (note 15) and finance lease receivables (note 22).

As at 31 December 2022, bank loans of RMB22,195,785,000 (2021: RMB30,290,502,000) and RMB62,249,295,000 (2021: RMB51,938,766,000) carried fixed interest rates and variable interest rates respectively.

35. CORPORATE BONDS

	2022 RMB'000	2021 RMB'000
Bond payables	8,000,000	8,500,000
Current portion	–	(3,500,000)
Non-current portion (Note)	8,000,000	5,000,000

Note:

Pursuant to the approval of the China Securities Regulatory Commission (No. [2020] 2286), COSCO SHIPPING Development Co., Ltd, issued 10,000,000 certificates of bonds at par with a nominal value of RMB100 each, in an aggregate amount of RMB1,000,000,000 on 5 November 2020. The bond has a life of ten years from the date of issuance and bears interest at a rate of 4.46% per annum with repayment on maturity.

Pursuant to the approval of the China Securities Regulatory Commission (No. [2020] 2286), COSCO SHIPPING Development Co., Ltd, issued 13,000,000 certificates of bonds at par with a nominal value of RMB100 each, in an aggregate amount of RMB1,300,000,000 on 25 March 2021. The bond has a life of five years from the date of issuance and bears interest at a rate of 3.99% per annum with repayment on maturity.

Pursuant to the approval of the China Securities Regulatory Commission (No. [2020] 2286), COSCO SHIPPING Development Co., Ltd, issued 20,000,000 certificates of bonds at par with a nominal value of RMB100 each, in an aggregate amount of RMB2,000,000,000 on 8 July 2021. The bond has a life of five years from the date of issuance and bears interest at a rate of 3.76% per annum with repayment on maturity.

Pursuant to the approval of the China Securities Regulatory Commission (No. [2020] 2286), COSCO SHIPPING Development Co., Ltd, issued 7,000,000 certificates of bonds at par with a nominal value of RMB100 each, in an aggregate amount of RMB700,000,000 on 14 October 2021. The bond has a life of ten years from the date of issuance and bears interest at a rate of 4.30% per annum with repayment on maturity.

Pursuant to the approval of the China Securities Regulatory Commission (No. [2020] 2286), COSCO SHIPPING Development Co., Ltd, issued 15,000,000 certificates of bonds at par with a nominal value of RMB100 each, in an aggregate amount of RMB1,500,000,000 on 7 March 2022. The bond has a life of five years from the date of issuance and bears interest at a rate of 3.50% per annum with repayment on maturity.

Pursuant to the approval of the China Securities Regulatory Commission (No. [2020] 2286), COSCO SHIPPING Development Co., Ltd, issued 15,000,000 certificates of bonds at par with a nominal value of RMB100 each, in an aggregate amount of RMB1,500,000,000 on 18 May 2022. The bond has a life of five years from the date of issuance and bears interest at a rate of 3.38% per annum with repayment on maturity.

35. CORPORATE BONDS (continued)

The effective interest rates of corporate bonds are as follows:

	2022		
	Effective interest rate (%)	**Maturity**	**Total RMB'000**
Non-current			
Corporate bond	**3.38-4.46**	**2026-2031**	**8,000,000**
			8,000,000

	2021		
	Effective interest rate (%)	Maturity	Total RMB'000
Current			
Medium term note	3.56-3.60	2022	3,500,000
Non-current			
Corporate bond	3.76-4.46	2023-2031	5,000,000
			8,500,000

Maturity profile of corporate bonds as at 31 December 2022 is as follows:

	2022 RMB'000	2021 RMB'000
Within one year or on demand	–	3,500,000
In the second year	–	–
In the third to fifth year, inclusive	**6,300,000**	3,300,000
Beyond five years	**1,700,000**	1,700,000
	8,000,000	8,500,000

36. LEASE LIABILITIES

	2022 RMB'000	2021 RMB'000
At the beginning of the year	113,692	154,856
Effect of business combination under common control	–	10,172
At beginning of year	113,692	165,028
New leases	23,652	63,315
Payments	(55,995)	(105,895)
Revision of a lease term arising from a change in the non-cancellable period of a lease	(13,900)	(1,658)
Disposal of a subsidiary	–	(9,849)
Accretion of interest during the year	3,889	4,066
Exchange realignment	4,120	(1,315)
At end of year	75,458	113,692
Current portion	(39,089)	(47,226)
Non-current portion	36,369	66,466

Maturity profile of lease liabilities as at 31 December 2022 is as follows:

	2022 RMB'000	2021 RMB'000
Within one year	40,965	51,003
In the second year	30,597	33,302
In the third to fifth year, inclusive	6,634	36,475
After five years	–	60
Total undiscounted lease liabilities	78,196	120,840
Unearned finance expense	(2,738)	(7,148)
Total present value of lease liabilities	75,458	113,692
Current portion	(39,089)	(47,226)
Non-current portion	36,369	66,466

37. GOVERNMENT GRANTS

	2022 RMB'000	2021 RMB'000
At the beginning of the year	22,113	9,934
Effect of business combination under common control	–	10,438
At beginning of year	22,113	20,372
Addition	45,590	4,971
Released to profit or loss	(3,993)	(3,230)
At end of year	63,710	22,113

Government grants were provided by local government for the purposes of providing support for the production cycle development and research activities and deferred to recognise as income over the useful lives of the relevant assets. There are no unfulfilled conditions and other contingencies attached to the government grants.

38. SHARE CAPITAL AND TREASURY SHARES

	2022 RMB'000	2021 RMB'000
Balances at 31 December 2022 and 2021		
3,676,000,000 of H shares	3,676,000	3,676,000
9,910,477,000 of A shares	9,910,477	9,910,477
	13,586,477	13,586,477

Except for the currency in which dividends are paid and the restrictions as to whether the shareholders should be PRC investors, designated investors or foreign investors, H shares and A shares rank pari passu in all respects with each other.

38. SHARE CAPITAL AND TREASURY SHARES (continued)

A summary of movements in the Company's share capital and treasury shares is as follows:

	Number of shares in issue '000	Share capital RMB'000	Treasury shares RMB'000
At 1 January 2021	11,608,125	11,608,125	(233,428)
Issuance of consideration shares (note a)	1,447,918	1,447,918	–
Issuance of A shares to raise ancillary funds (note b)	530,434	530,434	–
At 31 December 2021 and 1 January 2022	13,586,477	13,586,477	(233,428)
Cancellation of treasury shares (note c)	–	–	60,273
31 December 2022	13,586,477	13,586,477	(173,155)

(a) During the year ended 31 December 2021, the Company issued and allotted 1,447,918,000 A shares for the acquisition of Target Assets at an issue price of RMB2.46 per share. Further details are disclosed under the section "Business combination under common control" in note 2.1.

(b) During the year ended 31 December 2021, the Company issued 530,434,000 A shares and raised total proceeds of RMB1,464,000,000. After deducting the underwriting fees of RMB3,095,000 (VATs inclusive), the net proceeds amounted to RMB1,460,905,000, among which, RMB530,434,000 was the increase of the registered capital and RMB930,471,000 was the increase of capital reserve. Further details are disclosed under the section "Business combination under common control" in note 2.1.

(c) During the year ended 31 December 2022, the exercise of share options has resulted in a decrease in reserve of treasury shares by RMB60,273,000. Further details are disclosed in note 39.

39. SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Under the Scheme, share options were granted on 30 March 2020 and on 6 May 2021 respectively. Eligible participants of the Scheme include directors and senior management of the Company and core management and business personnel of the Group. On 30 March 2020, 11,142,500 and 67,078,211 share options were granted to the Company's directors and senior management and the Group's other employees, respectively. On 6 May 2021, 8,847,445 options were granted to other employees. Unless otherwise cancelled or amended, share options under each grant have a validity period of ten years commencing from the date of grant.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director or to senior management of the Company, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of two years and ends on a date which is not later than seven years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the average trading price of the A Shares on the last trading day immediately preceding the date of announcement of the Scheme; (ii) the average trading price of the A Shares for the twenty trading days immediately preceding the date of the announcement of the Scheme; and (iii) the par value of the A Shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

39. SHARE OPTION SCHEME (continued)

The following share options were outstanding under the Scheme during the year:

	2022 Weighted average exercise price RMB per share	2022 Number of options '000	2021 Weighted average exercise price RMB per share	2021 Number of options '000
At 1 January	**2.52**	**87,068**	2.52	78,221
Granted during the year	**–**	**–**	2.52	8,847
Lapsed during the year	**2.419**	**(9,387)**	–	–
Exercised during the year	**2.419**	**(20,560)**	–	–
At 31 December	**2.419**	**57,121**	2.52	87,068

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

2022 Number of options '000	2021 Number of options '000	Exercise price* RMB per share	Exercise period
2,384	26,074	2.419**	1 April 2022 to 30 March 2023
22,945	26,074	2.419**	1 April 2023 to 30 March 2024
22,945	26,073	2.419**	1 April 2024 to 30 March 2027
2,949	2,949	2.419**	7 May 2023 to 6 May 2024
2,949	2,949	2.419**	7 May 2024 to 6 May 2025
2,949	2,949	2.419**	7 May 2025 to 6 May 2028
57,121	87,068		

* 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.

** A board resolution was passed on 29 April 2022, the exercise price was adjusted from RMB2.52 to RMB2.419 per share as a result of implementation of 2019 and 2020 profit distribution plans of the Company, pursuant to the share option incentive scheme.

The fair value of the share options granted during the year was nil (2021: RMB9,732,000 (RMB1.10 each).

The Group recognised a share option expense of RMB10,872,000 (2021: RMB7,250,000) during the year ended 31 December 2022.

39. SHARE OPTION SCHEME (continued)

The fair value of equity-settled share options granted during the year ended 31 December 2021 was estimated using the Black-Scholes valuation model and such fair values and significant inputs into the model are as follows:

Dividend yield (%)	–
Expected volatility (%)	35.85
Risk-free interest rate (%)	2.87
Expected life of share options (years)	3.83
Weighted average share price (RMB)	2.419

The expected life of the options was based on the historical data over the past three years and was not necessarily indicative of the exercise patterns that may occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which might also not necessarily be the actual outcome.

No other feature of the share options granted was incorporated into the measurement of fair value.

No share options were granted during the year ended 31 December 2022.

The share option holders exercised the first batch of stock options granted on 30 March 2020 at an exercise price of RMB2.4190. A total of 20,560,000 options were exercised, and the total proceeds from exercise of share options for the current period was RMB49,737,000. In respect of the share options exercised during the year ended 31 December 2022, the weighted average share price at the dates of exercise is RMB3.14. The exercise of share options has resulted in a decrease in reserves of treasury shares, share premium and share option reserve of RMB60,273,000 (2021: Nil), RMB4,311,000 (2021: Nil) and RMB6,225,000 (2021: Nil) respectively.

40. OTHER RESERVES

	2022 RMB'000	2021 RMB'000
Special reserves	–	–
Other reserves	661,858	570,490
Retained profits	17,223,273	16,568,236
Other comprehensive loss	(2,404,146)	(2,802,878)
	15,480,985	14,335,848

SPECIAL RESERVES

According to "Circular on Printing and Distributing the Administrative Measures for the Withdrawal and Use of Expenses for Safety Production of Enterprises" issued by the Ministry of Finance and the Safety Production General Bureau on 14 February 2012. The Group started to accrue the Safety Fund from 1 January 2012 according to the revenue from vessel chartering of the Company and certain of its subsidiaries in the PRC and the standard rate stated in the Circular to improve the production safety.

41. OTHER EQUITY INSTRUMENTS

During the year ended 31 December 2019, the Company issued perpetual debt (the "**2019 renewable corporate bonds**") of RMB5,000,000,000 with no fixed maturity date in four batches. In addition, the payment of interest can be indefinitely deferred at the Company's option. During the year ended 31 December 2022, the Company has repaid the 2019 renewable corporate bonds.

Therefore, the 2019 renewable corporate bonds are classified as equity instruments as they do not include any contractual obligation:

- to deliver cash or another financial asset to another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

42. DISPOSAL OF A SUBSIDIARY

On 9 November 2022, the Company transferred its 100% equity interests in Shanghai Haining Insurance Broker Co., Ltd ("**Shanghai Haining Insurance**") to China National Offshore Oil Corporation for a cash consideration of RMB55,677,000. The disposal was completed on 9 November 2022, on which date control of Shanghai Haining Insurance passed to the acquirer. The details in relation to the disposal of Shanghai Haining Insurance are as follows:

	Date of disposal RMB'000
Property, plant and equipment	**20**
Prepayments and other receivables	**159**
Cash and cash equivalents	**18,001**
Total assets	**18,180**
Other payables and accruals	**10**
Tax payable	**289**
Total liabilities	**299**
Net assets disposed of	**17,881**
Gain on disposal of a subsidiary (Note 7)	**37,796**
Total consideration	**55,677**
Satisfied by:	
Cash	**55,677**

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

	Date of disposal RMB'000
Cash and cash equivalents disposed of	**(18,001)**
Cash received	**55,677**
	37,676

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2022, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB23,652,000 (2021: RMB63,315,000).

During the year ended 31 December 2022, the Group had non-cash additions to finance lease receivables and disposal of property, plant and equipment of RMB2,520,172,000 (2021: RMB25,313,514,000), with the commencement of finance leasing agreement in which the Group acts as the lessor.

During the year ended 31 December 2022, the Group had non-cash additions to inventories by transfer of property, plant and equipment of RMB466,547,000 (2021: Nil).

During the year ended 31 December 2022, the Group had non-cash additions to intangible assets by transfer of inventories of RMB17,256,000 (2021: Nil).

During the year ended 31 December 2022, the Group had non-cash transfer of construction in progress in property, plant and equipment of RMB36,267,000 (2021: Nil) to intangible assets and recognised construction in progress in property, plant and equipment of RMB4,132,000 (2021: Nil) as an expense.

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) A RECONCILIATION OF THE PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS IS AS FOLLOWS:

	Notes	**2022 RMB'000**	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax from continuing operations		**4,828,038**	7,830,582
Profit before tax from a discontinued operation		**–**	84,283
Adjustments for:			
Finance costs		**2,477,715**	1,747,530
Interest expenses included in cost of sales		**288,492**	827,913
Share of loss/(profit) of joint ventures		**90,875**	(4,751)
Share of profit of associates		**(1,715,874)**	(1,172,848)
Interest income	*6*	**–**	(71,862)
Gain on disposal of property, plant and equipment	*7*	**(58,931)**	(7,548)
Gain on disposal of investments in associates	*7*	**(54,019)**	(236,292)
Gain (loss) on disposal of a subsidiary		**(37,796)**	224,855
Gain on derecognition of financial assets measured at amortised cost	*7*	**–**	(52,847)
Gain on disposal of financial assets at fair value through profit or loss	*7*	**(2,084)**	–
Dividend income	*7*	**(64,930)**	
Government grants related to asset items		**(3,993)**	–
Changes in fair value of financial assets at FVTPL	*7*	**996,858**	(500,848)
Depreciation of property, plant and equipment	*15*	**2,236,895**	2,096,287
Depreciation of investment properties	*16*	**593**	841
Depreciation of right-of-use assets	*17*	**69,086**	71,633
Amortisation of intangible assets	*18*	**15,547**	18,730
Impairment of property, plant and equipment	*15*	**251,641**	–
Impairment of finance lease receivables		**152,245**	946,907
Impairment/(reversal of impairment) of factoring receivables		**64,639**	10,797
Provision for/(reversal of) write-down of inventories to net realisable value		**353,426**	(265)
Reversal of impairment of trade receivables		**(31,287)**	(83,221)
Reversal of impairment of other receivables		**(5,079)**	(27)
Equity settled share option expense	*39*	**10,872**	7,250
Foreign exchange differences, net		**(1,149,541)**	189,797
		8,713,388	11,926,896
Increase in other long-term prepayments		**–**	(46,944)
Decrease/(increase) in inventories		**2,947,749**	(1,917,590)
Decrease in trade and notes receivables		**847,448**	3,019,517
Decrease in prepayments and other receivables		**990,670**	819,876
Increase in restricted and pledged deposits		**(24,699)**	(653)
(Decrease)/increase in trade and notes payables		**(2,566,607)**	147,136
Increase in other payables and accruals		**2,512,257**	907,910
(Decrease)/increase in contract liabilities		**(1,009,882)**	1,138,159
Increase in government grants		**45,590**	1,741
Cash generated from operations		**12,455,914**	15,996,048
Income tax paid		**(1,243,123)**	(1,490,253)
Net cash flows generated from operating activities		**11,212,791**	14,505,795

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank and other borrowings RMB'000	Corporate bonds RMB'000	Lease liabilities RMB'000
At 1 January 2021 as previously reported	92,780,679	17,559,660	154,856
Effect of business combination under common control	2,700,000	–	10,172
At 1 January 2021:	95,480,679	17,559,660	165,028
Changes from financing cash flows	9,909,528	(1,638,024)	(105,895)
New leases	–	–	63,315
Interest expense	–	–	4,066
Lease modification	–	–	(1,658)
Disposal of a subsidiary	(21,917,625)	(7,421,636)	(9,849)
Foreign exchange movement	(1,243,314)	–	(1,315)
At 31 December 2021 and 1 January 2022:	82,229,268	8,500,000	113,692
Changes from financing cash flows	**(3,155,534)**	**(500,000)**	**(55,995)**
New leases	**–**	**–**	**23,652**
Interest expense	**–**	**–**	**3,889**
Lease modification	**–**	**–**	**(13,900)**
Foreign exchange movement	**5,371,346**	**–**	**4,120**
At 31 December 2022	**84,445,080**	**8,000,000**	**75,458**

(d) TOTAL CASH OUTFLOW FOR LEASES

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 RMB'000	2021 RMB'000
Within operating activities	**5,274**	9,054
Within financing activities	**55,995**	105,895
	61,269	114,949

44. OPERATING LEASE ARRANGEMENTS

AS LESSOR

The Group leases its certain vessels, containers and buildings under operating lease arrangements. The details of revenue from vessel chartering and container leasing are included in note 5. Rental income from investment properties was RMB6,134,000 (2021: RMB5,721,000).

(a) Operating lease commitments as at 31 December 2022

At 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022	2021
	RMB'000	RMB'000
Within one year	**4,468,997**	3,560,806
After one year but within two years	**4,129,496**	3,303,624
After two years but within three years	**3,785,287**	3,055,379
After three years but within four years	**3,123,110**	2,788,134
After four years but within five years	**2,456,801**	2,234,772
After five years	**7,696,284**	3,797,324
	25,659,975	18,740,039

AS LESSEE

The Group has various lease contracts for prepaid land lease payments, buildings and machinery, motor vehicles and office equipment used in its operation. Details of lease terms of these lease contracts are included in note 2.4. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets and lease liabilities

Detailed information regarding right-of-use assets and lease liabilities has been set out in notes 17 and 36, respectively.

44. OPERATING LEASE ARRANGEMENTS (continued)

AS LESSEE (continued)

(b) The amounts recognised in profit or loss in relation to lessee accounting are as follows:

	2022	2021
	RMB'000	RMB'000
Interest on lease liabilities	**3,889**	3,649
Depreciation charge of right-of-use assets	**69,086**	71,633
Expense relating to short-term leases	**5,274**	9,054

(c) Non-cash additions to right-of-use assets and lease liabilities are disclosed in note 43(a).

45. COMMITMENTS

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

CAPITAL COMMITMENTS

	2022	2021
	RMB'000	RMB'000
Contracted, but not provided for:		
Property, plant and equipment	**471,600**	2,550,828
Interests in an associate and joint ventures	**64,972**	314,170
	536,572	2,864,998

46. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these consolidated financial statements, the Group had the following transactions with related parties during the year:

	2022 RMB'000	2021 RMB'000
Interest income from:		
An associate	**120,191**	42,451
Fellow subsidiaries	**2,385**	–
Interest expenses to:		
Immediate holding company	**–**	20,580
Fellow subsidiaries	**–**	253
An associate	**318,503**	273,542
Sales of containers to:		
Fellow subsidiaries*	**603,734**	2,580,910
Sales of other goods to:		
Fellow subsidiaries	**95**	568,092
Purchase of goods from:		
Fellow subsidiaries*	**323,039**	715,539
Purchase of property, plant and equipment from:		
Fellow subsidiaries*	**1,160,550**	9,047
Rendering of services to fellow subsidiaries*:		
Vessel chartering and container leasing	**2,960,797**	2,793,852
Management fee income	**18,868**	15,170
Others	**44,269**	32,364
Receiving of services from:		
Fellow subsidiaries*	**876,621**	657,473

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.

* Certain related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

46. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(b) COMMITMENTS WITH RELATED PARTIES

The table below summarises the commitments with fellow subsidiaries:

As lessor

	2022	2021
	RMB'000	RMB'000
Within one year	**2,308,514**	1,631,884
After one year but within two years	**2,126,813**	1,516,670
After two years but within three years	**1,987,932**	1,420,599
After three years but within four years	**1,645,512**	1,330,724
After four years but within five years	**1,357,901**	1,060,693
After five years	**4,667,864**	952,352
	14,094,536	7,912,922

(c) OUTSTANDING BALANCES WITH RELATED PARTIES

		2022	2021
	Notes	**RMB'000**	RMB'000
Amounts due from:	*(i)*		
Fellow subsidiaries		**111,352**	81,561
An associate	*(ii)*	**–**	163
Amounts due to:	*(iii)*		
Fellow subsidiaries		**325,218**	474,587
An associate		**25,065**	–
Loans from:			
An associate	*(iv)*	**8,893,415**	9,835,070
Lease liabilities due to:			
Fellow subsidiaries		**24,456**	60,823

46. SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(c) OUTSTANDING BALANCES WITH RELATED PARTIES (continued)

Notes:

(i) Included in the amounts due from related parties of RMB99,910,000 (2021: RMB51,989,000) are trade in nature. These amounts due from related parties are aged within 3 months as at the end of the reporting period, based on the invoice date.

(ii) The Group placed a certain portion of its cash at one of its associates amounting to RMB13,526,471,000 (2021: RMB12,764,477,000) as at 31 December 2022, in which the maximum daily outstanding balance of deposits (including accrued interest and handling fee) during the year is RMB13,707,844,000 (2021: RMB12,764,477,000). All of deposits at the end of each of the reporting periods were demand deposits, and were therefore, presented in cash and cash equivalents. Interest was charged according to the rates and terms agreed with the associate.

(iii) Included in the amounts due to related parties of RMB143,539,000 (2021: RMB355,654,000) are trade in nature. These amounts due to related parties are aged within 3 months as at the end of the reporting period, based on the invoice date.

(iv) Details of the Group's loans from an associate as at the end of the reporting period are included in note 34.

Save as disclosed above, the outstanding balances with related parties were unsecured, non-interest-bearing and had no fixed repayment terms.

(d) COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

	2022	2021
	RMB'000	RMB'000
Salaries, allowances and benefits in kind	**8,571**	8,081
Equity-settled share option expense	**579**	679
Pension scheme contributions	**1,890**	1,653
	11,040	10,413

The Group itself is part of a larger group of companies under the State-owned Assets Supervision and Administration Commission of the State Council, which is controlled by the PRC government and the Group operates in an economic environment currently pre-dominated by entities controlled, jointly controlled or significantly influenced by the PRC government.

Apart from the transactions with the parent company and its subsidiaries which have been disclosed in other notes to the consolidated financial statements, the Group also conducts businesses with entities directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government in the ordinary course of business, including majority of its bank deposits and the corresponding interest income, certain bank borrowings and the corresponding finance costs, and significant purchases and sales of goods and other related products.

47. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

FINANCIAL ASSETS – AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Derivative financial instruments	45,553	–
Financial assets at fair value through profit or loss	3,492,140	5,086,026

FINANCIAL ASSETS – AT AMORTISED COST

	2022 RMB'000	2021 RMB'000
Finance lease receivables	34,281,944	34,149,189
Factoring receivables	345,560	1,674,154
Trade and notes receivables	556,145	1,372,306
Financial assets included in other receivables	175,740	112,412
Restricted and pledged deposits	120,443	148,413
Cash and cash equivalents	15,440,560	17,871,147
	50,920,392	55,327,621

Financial liabilities – derivative financial instruments

	2022 RMB'000	2021 RMB'000
Derivative financial instruments	–	4,157

47. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

FINANCIAL LIABILITIES – AT AMORTISED COST

	2022	2021
	RMB'000	RMB'000
Trade and notes payables	**2,479,634**	4,054,265
Financial liabilities included in other payables and accruals	**2,389,613**	2,335,825
Bank and other borrowings	**84,445,080**	82,229,268
Corporate bonds	**8,000,000**	8,500,000
Other long-term payables	**552,652**	569,619
	97,866,979	97,688,977

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Bank and other borrowings	**48,519,715**	40,345,183	**47,331,888**	40,336,447
Corporate bonds	**8,000,000**	5,000,000	**7,991,682**	4,916,094
Other long-term payables	**552,652**	569,619	**452,574**	548,337
	57,072,367	45,914,802	**55,776,144**	45,800,878

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

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

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

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.

FAIR VALUE HIERARCHY

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

Financial assets measured at fair value

31 December 2022

	Fair value measurement categorised into			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Derivative financial instruments	**–**	**45,553**	**–**	**45,553**
Financial assets at fair value through profit or loss	**1,365,146**	**2,126,994**	**–**	**3,492,140**

31 December 2021

	Fair value measurement categorised into			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	1,045,625	3,034,753	1,005,648	5,086,026

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

FAIR VALUE HIERARCHY (continued)

Financial assets measured at fair value (continued)

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

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 31 December 2021. Set out below is a summary of the valuation technique 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	2021: 3.9%-4.7% (2022: Nil)	5% (2022: Nil) increase/decrease would result in decrease/increase in fair value by 0.19% (2022: Nil)

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

FAIR VALUE HIERARCHY (continued)

Financial assets measured at fair value (continued)

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

	Financial assets at fair value through profit or loss RMB'000
At 1 January 2021	627,605
Purchases	1,000,000
Disposals	(627,606)
Total gains recognised in the statement of profit or loss included in other income and gains	5,649
At 31 December 2021 and at 1 January 2022	**1,005,648**
Disposals	**(1,005,648)**
As at 31 December 2022	**–**

48. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

FAIR VALUE HIERARCHY (continued)

Financial liabilities measured at fair value

31 December 2021

	Fair value measurement categorised into			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Derivative financial instruments	–	4,157	–	4,157

During the year ended 31 December 2022 and 31 December 2021, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank and other borrowings, corporate bonds and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables, and trade and notes payables, which arise directly from its operations.

The Group also enters into derivative transactions, including principally interest rate swaps. The purpose is to manage the interest rate arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

INTEREST RATE RISK

The Group's exposure to risk of changes in market interest rates relates primarily to the Group's bank borrowings with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts and using interest rate swap contracts.

As at 31 December 2022, if interest rates had been 100 basis points higher/lower with all other variables held constant, profit before tax from continuing operations for the year would have been RMB622,493,000 lower/higher (2021: RMB519,388,000 lower/higher), mainly as a result of higher/lower interest expense on floating rate bank borrowings without considering the impact of using interest rate swap contracts.

FOREIGN CURRENCY RISK

The Group has transactional currency exposures. These exposures arise from sales or purchases by its significant subsidiary operating in Mainland China in US$ other than the subsidiary's functional currency, which is RMB. During the year, 79.22% (2021: 82.10%) of the Group's sales were denominated in currencies other than the functional currency of the subsidiary making the sale, whilst all of costs of sales were denominated in the subsidiary's functional currency.

The Group has currency exposures mainly from a finance lease receivable held by its subsidiary operating in Mainland China. As at 31 December 2022, the finance lease receivable with a carrying amount of RMB8,604,116,000 (2021: RMB8,423,996,000) was dominated in United States dollars, other than the subsidiary's functional currency which is RMB.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

FOREIGN CURRENCY RISK (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Group's profit before tax:

	Increase/(decrease) in US$ rate	Increase/(decrease) in profit before tax RMB'000
Year ended 31 December 2022		
If RMB weakens against US$	**5%**	**430,206**
If RMB strengthens against US$	**(5%)**	**(430,206)**
Year ended 31 December 2021		
If RMB weakens against US$	5%	421,200
If RMB strengthens against US$	(5%)	(421,200)

CREDIT RISK

The Group is exposed to credit risk primarily from finance lease receivables, factoring receivables and trade receivables in its operation. The credit risk of cash and cash equivalents and restricted and pledged deposits is not significant.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all counterparties are subject to credit verification procedures. Receivable balances are monitored on an ongoing basis.

(a) Maximum credit risk exposure

The credit risk of the Group's financial assets arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments without taking account of any collateral held or other credit enhancements.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CREDIT RISK (continued)

(b) Impairment assessment

The detailed accounting policy and significant accounting judgements and estimates for impairment in relation to credit risk are set out in notes 2.4 and 3, respectively.

The movements in the provision for impairment of finance lease receivables, factoring receivables and trade receivables, which account for the primary credit risk of the Group, are as follows:

	Finance lease receivables				Factoring receivables				Trade receivables
	2022				2022				2022
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000	RMB'000
At 1 January 2022	67,376	312	858,633	926,321	27,163	–	7,021	34,184	73,404
Impairment losses (reversed)/ recognised	(18,834)	20,016	151,063	152,245	(20,940)	478	85,101	64,639	(31,287)
Transfer to Stage 1	–	–	–	–	58	(58)	–	–	–
Transfer to Stage 2	(625)	625	–	–	(228)	228	–	–	–
Transfer to Stage 3	(462)	(142,275)	142,737	–	(125)	–	125	–	–
Exchange realignment	682,934	141,963	(740,587)	84,310	(1,864)	–	2,521	657	12,406
At 31 December 2022	730,389	20,641	411,846	1,162,876	4,064	648	94,768	99,480	54,523

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CREDIT RISK (continued)

(b) Impairment assessment (continued)

	Finance lease receivables				Factoring receivables				Trade receivables
	2021				2021				2021
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000	RMB'000
At 1 January 2021 as previously reported	204,904	496,396	578,506	1,279,806	14,528	–	8,859	23,387	144,941
Effect of business combination under common control	–	–	–	–	–	–	–	–	8,750
At 1 January 2021	204,904	496,396	578,506	1,279,806	14,528	–	8,859	23,387	153,691
Impairment losses recognised/(reversed)	89,818	(12,001)	869,090	946,907	12,656	–	(1,859)	10,797	(80,287)
Transfer to Stage 1	346,307	(346,307)	–	–	–	–	–	–	–
Transfer to Stage 2	(3,643)	3,643	–	–	–	–	–	–	–
Transfer to Stage 3	(17,562)	(6,305)	23,867	–	(21)	–	21	–	–
Disposal of a subsidiary	(549,377)	(107,164)	(385,439)	(1,041,980)	–	–	–	–	–
Amount written off as uncollectable	(2,424)	(27,637)	(206,400)	(236,461)	–	–	–	–	–
Exchange realignment	(647)	(313)	(20,991)	(21,951)	–	–	–	–	–
At 31 December 2021	67,376	312	858,633	926,321	27,163	–	7,021	34,184	73,404

(c) Credit quality

The Group manages the credit quality by credit risk rating grades, classified in descending credit quality order as neither past due nor impaired, not past due and individually impaired, past due but not impaired, past due and collectively impaired and past due and individually impaired.

Finance lease receivables, factoring receivables and trade receivables, at gross amounts, which account for the primary credit risk of the Group, are classified as follows:

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CREDIT RISK (continued)

(c) Credit quality (continued)

Finance lease receivables and factoring receivables

	Finance lease receivables				Factoring receivables			
	2022				2022			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Not past due and collectively impaired	34,497,916	214,404	–	34,712,320	330,540	2,276	–	332,816
Past due and collectively impaired	–	–	–	–	–	6,189	–	6,189
Past due and individually impaired	–	–	732,500	732,500	–	–	106,035	106,035
	34,497,916	214,404	732,500	35,444,820	330,540	8,465	106,035	445,040

	Finance lease receivables				Factoring receivables			
	2021				2021			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Not past due and collectively impaired	33,821,892	–	–	33,821,892	1,686,471	–	–	1,686,471
Past due and collectively impaired	–	5,060	–	5,060	–	–	–	–
Past due and individually impaired	–	–	1,248,558	1,248,558	–	–	21,867	21,867
	33,821,892	5,060	1,248,558	35,075,510	1,686,471	–	21,867	1,708,338

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CREDIT RISK (continued)

(c) Credit quality (continued)

Trade receivables

	2022					2021				
	Ageing based on the invoice date					Ageing based on the invoice date				
	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000	Within 1 year RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
Not past due and collectively impaired	558,642	–	–	–	558,642	1,409,341	–	–	–	1,409,341
Past due and collectively impaired	–	–	–	–	–	4,703	1,174	–	–	5,877
Past due and individually impaired	6,571	5,495	–	25,675	37,741	–	–	–	30,492	30,492
	565,213	5,495	–	25,675	596,383	1,414,044	1,174	–	30,492	1,445,710

(d) Concentration

Concentrations of credit risk are managed by counterparty, by geographical region and by industry sector. The Group evaluates the concentration as low as its counterparties are located in several jurisdictions including Hong Kong, China, United States and Europe and operate in largely independent market.

LIQUIDITY RISK

The Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations, bank and other borrowings, corporate bonds, other long-term payables and lease liabilities.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

LIQUIDITY RISK (continued)

The table below summarises the maturity profile of the Group's financial liabilities at the end of the reporting period based on contractual undiscounted payments including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period.

31 December 2022

	Repayable on demand or less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Trade and notes payables	2,479,634	–	–	–	2,479,634	2,479,634
Financial liabilities included in other payables and accruals	2,389,613	–	–	–	2,389,613	2,389,613
Bank and other borrowings	37,141,558	20,869,855	24,826,662	9,074,872	91,912,947	84,445,080
Corporate bonds	–	–	7,174,179	2,314,834	9,489,013	8,000,000
Other long-term payables	–	273,691	123,144	155,817	552,652	552,652
Lease liabilities	40,965	30,597	6,634	–	78,196	75,458
Total	42,051,770	21,174,143	32,130,619	11,545,523	106,902,055	97,942,437

31 December 2021

	Repayable on demand or less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Trade and notes payables	4,054,265	–	–	–	4,054,265	4,054,265
Financial liabilities included in other payables and accruals	2,335,825	–	–	–	2,335,825	2,335,825
Bank and other borrowings	43,201,009	17,260,379	18,209,321	7,482,195	86,152,904	82,229,268
Corporate bonds	3,764,470	201,770	3,714,705	2,088,550	9,769,495	8,500,000
Other long-term payables	–	310,578	213,443	45,598	569,619	569,619
Lease liabilities	51,003	33,302	36,475	60	120,840	113,692
Total	53,406,572	17,806,029	22,173,944	9,616,403	103,002,948	97,802,669

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

EQUITY PRICE RISK

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments included in financial assets at fair value through profit or loss as at 31 December 2022, which are valued at quoted market prices.

As at 31 December 2022, if fair values of the equity investments had been 10% higher/lower with all other variables held constant, profit before tax for the year would have been RMB136,515,000 higher/lower (2021: RMB104,563,000) and equity would have been RMB102,386,000 higher/lower (2021: RMB78,422,000 higher/lower).

INTEREST RATE BENCHMARK REFORM

As at 31 December 2022, the Group had certain interest-bearing bank and other borrowings and an interest rate swap denominated in United States dollars. The interest rates of these instruments are based on the LIBOR with a tenor of six months or twelve months, which will cease to be published after 30 June 2023. Replacement of the benchmark rates of these instruments from LIBOR to Risk-free Rates ("**RFR**") has yet to commence but it is expected that there will be renegotiations of terms in the future. During the transition, the Group is exposed to the following risks:

- Parties to the contract may not reach agreement in a timely manner as any changes to the contractual terms require the agreement of all parties to the contract
- Additional time may be needed for the parties to the contract to reach agreement as they may renegotiate terms which are not part of the interest rate benchmark reform (e.g., changing the credit spread of the bank borrowings due to changes in credit risk of the Group)
- The existing fallback clause included in the instruments may not be adequate to facilitate a transition to a suitable RFR

The Group will continue to monitor the development of the reform and take proactive measures for a smooth transition.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

INTEREST RATE BENCHMARK REFORM (continued)

The information about financial instruments based on an interbank offered rate that has yet to transition to an alternative benchmark rate is as follows:

As at 31 December 2022

	Non-derivative financial liabilities – carrying value RMB'000	Derivatives – nominal amount RMB'000
Interest-bearing bank and other borrowings		
– United States dollar LIBOR	18,463,593	–
Interest rate swap		
– United States dollar LIBOR	–	464,295
	18,463,593	464,295

CAPITAL MANAGEMENT

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

49. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

CAPITAL MANAGEMENT (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by total equity. Net debt includes bank and other borrowings, corporate bonds and lease liabilities, less restricted and pledged deposits and cash and cash equivalents. The gearing ratios as at the end of the reporting periods were as follows:

	2022 **RMB'000**	2021 RMB'000
Bank and other borrowings	**84,445,080**	82,229,268
Corporate bonds	**8,000,000**	8,500,000
Lease liabilities	**75,458**	113,692
Restricted and pledged deposits	**(120,443)**	(148,413)
Cash and cash equivalents	**(15,440,560)**	(17,871,147)
Net debt	**76,959,535**	72,823,400
Total equity	**28,894,307**	32,688,897
Gearing ratio	**266%**	223%

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	3,191	6,318
Right-of-use assets	6,794	23,098
Intangible assets	13,917	10,818
Investments in associates	7,013,779	5,446,934
Investments in subsidiaries	44,834,416	44,618,883
Financial assets at fair value through profit or loss	1,287,175	2,966,859
Finance lease receivables	606,348	–
Loans and receivables	8,211,263	8,607,047
Total non-current assets	61,976,883	61,679,957
CURRENT ASSETS		
Inventories	48	52
Trade and notes receivables	216,411	216,416
Prepayments and other receivables	4,854,800	4,798,855
Financial assets at fair value through profit or loss	533,665	–
Finance lease receivables	62,349	–
Loans and receivables	–	5,538,929
Restricted and pledged deposits	3,589	4,204
Cash and cash equivalents	2,272,695	1,881,956
Total current assets	7,943,557	12,440,412
Total assets	69,920,440	74,120,369

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	2022 RMB'000	2021 RMB'000
Current liabilities		
Trade payables	41,927	167,594
Other payables and accruals	3,720,326	4,726,660
Bank and other borrowings	4,080,500	10,871,964
Lease liabilities	3,634	14,105
Total current liabilities	7,846,387	15,780,323
Net current assets (liabilities)	97,170	(3,339,911)
Total assets less current liabilities	62,074,053	58,340,046
Non-current liabilities		
Bank and other borrowings	13,588,500	5,870,000
Corporate bonds	8,000,000	5,000,000
Lease liabilities	–	3,634
Other long-term payables	13,521	15,000
Total non-current liabilities	21,602,021	10,888,634
Net assets	40,472,032	47,451,412
Equity		
Share capital	13,586,477	13,586,477
Treasury shares	(173,155)	(233,428)
Other reserves (note)	24,907,472	24,760,338
Other equity instrument (note)	–	5,000,000
Retained profits (note)	2,151,238	4,338,025
Total equity	40,472,032	47,451,412

50. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves and retained profits/(accumulated losses) is as follows:

	Special reserve RMB'000	Other reserves RMB'000	Other equity instrument RMB'000	Retained profits/ (accumulated losses) RMB'000
At 1 January 2021	–	19,278,493	6,000,000	(1,305,510)
Profit and total comprehensive income for the year	–	–	–	6,906,257
Equity-settled share option arrangements	–	7,250	–	–
Repayment of other equity instruments	–	–	(1,000,000)	–
Issue of shares	–	3,044,430	–	–
Consideration for business combination under common control	–	2,086,263	–	–
Dividends paid	–	–	–	(645,596)
Dividends to holders of the other equity instruments	–	–	–	(273,224)
Transfer from retained profits	1,832	343,902	–	(345,734)
Utilisation of reserve funds	(1,832)	–	–	1,832
At 31 December 2021	–	24,760,338	5,000,000	4,338,025
At 1 January 2022	**–**	**24,760,338**	**5,000,000**	**4,338,025**
Profit for the year	**–**	**–**	**–**	**1,095,754**
Other comprehensive loss	**–**	**–**	**–**	**(3,441)**
Exercise of share options	**–**	**(10,536)**	**–**	**–**
Equity-settled share option arrangements	**–**	**10,872**	**–**	**–**
Repayment of other equity instruments	**–**	**–**	**(5,000,000)**	**–**
Share of other capital reserves using the equity method	**–**	**(66,822)**	**–**	**–**
Share of other capital reserves using the equity method reclassified to profit or loss upon disposal	**–**	**(8,285)**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**(3,057,195)**
Transfer from retained profits	**–**	**221,905**	**–**	**(221,905)**
At 31 December 2022	**–**	**24,907,472**	**–**	**2,151,238**

51. DISCONTINUED OPERATIONS

DISPOSAL OF COSCO SHIPPING LEASING CO., LTD. (NOTE) ("COSCO SHIPPING LEASING")

During the year ended 31 December 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 had 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 was 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 represented a separate major operation and, therefore, was classified as a discontinued operation.

Note: COSCO SHIPPING Leasing Co., Ltd. was renamed as Powchan Financial Group Co., Ltd. during the year ended 31 December 2022.

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

	2021 RMB'000
Revenue	1,415,549
Cost of sales	(706,131)
Selling, administrative and general expenses	(413,111)
Other income	9,626
Other gains, net	3,856
Finance costs	(651)
Profit from the discontinued operation	309,138
Loss on disposal of COSCO SHIPPING Leasing (note 43(b))	(224,855)
Profit before tax from the discontinued operation	84,283
Income tax expense	(68,127)
Profit for the year from the discontinued operation	16,156

51. DISCONTINUED OPERATIONS (continued)

DISPOSAL OF COSCO SHIPPING LEASING CO., LTD. ("COSCO SHIPPING LEASING") (continued)

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

	2021 RMB'000
Operating activities	801,148
Investing activities	(3,096,322)
Financing activities	3,732,167
Net cash flow	1,436,993

	2021
Earnings per share (expressed in RMB per share):	
Basic, from the discontinued operation	0.0014
Diluted, from the discontinued operation	0.0014

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

	2021 RMB'000
Profit attributable to ordinary equity holders of the parent from the discontinued operation	16,156
Weighted average number of ordinary shares (in thousand) in issue during the year used in the basic earnings per share calculations (note 14)	11,684,385
Weighted average number of ordinary shares (in thousand) in issue during the year used in the diluted earnings per share calculations (note 14)	11,695,507

52. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2023.

Five Year Financial Summary

RESULTS

	Year ended 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000 (Restated)	2019 RMB'000 (Restated)	2018 RMB'000 (Restated)
CONTINUING OPERATIONS					
REVENUE	**25,464,673**	34,914,585	12,853,145	7,668,504	10,114,452
Costs of sales	**(18,947,065)**	(24,944,934)	(10,324,027)	(6,503,965)	(8,815,244)
Gross profit	**6,517,608**	9,969,651	2,529,118	1,164,539	1,299,208
Other income	**282,961**	257,439	257,524	289,743	278,913
Other gains/(losses), net	**344,353**	313,566	106,095	939,946	(273,311)
Selling, administrative and general expenses	**(1,233,738)**	(1,448,301)	(1,449,369)	(1,148,502)	(553,162)
Expected credit losses	**(180,518)**	(668,466)			
Finance costs	**(2,527,627)**	(1,770,906)	(2,220,953)	(3,545,660)	(3,406,547)
Share of profits of associates	**1,715,874**	1,172,848	1,985,148	2,292,840	2,314,450
Share of profits/(losses) of joint ventures	**(90,875)**	4,751	(4,774)	(1,077)	6,467
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**4,828,038**	7,830,582	1,202,789	(8,171)	(333,982)
Income tax expenses	**(904,908)**	(1,757,417)	(197,769)	(47,036)	(274,645)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**3,923,130**	6,073,165	1,005,020	(55,207)	(608,627)
DISCONTINUED OPERATION					
Profit for the year from a discontinued operation	**–**	16,156	1,134,382	1,655,035	2,044,902
PROFIT FOR THE YEAR	**3,923,130**	6,089,321	2,139,402	1,599,828	1,436,275
Attributable to:					
Owners of the parent	**3,923,130**	6,089,321	2,139,402	1,599,828	1,384,257
Non-controlling interests	**–**	–	–	–	52,018
	3,923,130	6,089,321	2,139,402	1,599,828	1,436,275

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000 (Restated)	2019 RMB'000 (Restated)	2018 RMB'000
TOTAL ASSETS	**128,090,631**	132,616,323	153,234,883	149,675,539	137,837,422
TOTAL LIABILITIES	**99,196,324**	(99,927,426)	(125,829,193)	(122,152,923)	(119,797,287)
NON-CONTROLLING INTERESTS	**–**	–	–	–	–
	28,894,307	32,688,897	27,405,690	27,522,616	18,040,135