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中遠海運發展股份有限公司
COSCO SHIPPING Development Co., Ltd.*

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 02866)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023**

FINANCIAL HIGHLIGHTS (UNDER HKFRSs)

- Revenue amounted to RMB15,533,247,000
- Profit before tax from continuing operations amounted to RMB1,345,266,000
- Profit attributable to owners of the Company for the year amounted to RMB1,407,555,000
- Basic earnings per share attributable to ordinary equity holders of the Company amounted to RMB0.1040
- The Board proposed the payment of a final dividend of RMB0.032 per share (inclusive of applicable tax)

The board of directors (the “**Board**”) of COSCO SHIPPING Development Co., Ltd. (the “**Company**” or “**COSCO SHIPPING Development**”) is pleased to announce the consolidated financial information of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2023 (the “**Period**” or the “**Year**”) prepared under Hong Kong Financial Reporting Standards (“**HKFRSs**”), together with the comparative figures for the year ended 31 December 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2023

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i> (Restated)
Continuing operations:			
Revenue	4	15,533,247	25,419,063
Cost of sales		(11,233,093)	(18,946,972)
Gross profit		4,300,154	6,472,091
Other income	5	371,516	282,606
Other gains, net	6	442,338	344,769
Selling, administrative and general expenses		(1,275,507)	(1,217,981)
Expected credit losses, net		(132,396)	(180,518)
Finance costs		(3,936,878)	(2,527,450)
Share of profits of associates		1,543,383	1,715,874
Share of profits/(losses)of joint ventures		32,656	(90,875)
Profit before tax		1,345,266	4,798,516
Income tax credit/(expenses)	7	32,212	(899,580)
Profit for the year from continuing operations		<u>1,377,478</u>	<u>3,898,936</u>
Discontinued operation			
Profit for the year from a discontinued operation		<u>30,077</u>	<u>24,893</u>
Profit for the year		<u>1,407,555</u>	<u>3,923,829</u>
Profit attributable to owners of the Company:			
– From continuing operations		1,377,478	3,898,936
– From a discontinued operation		<u>30,077</u>	<u>24,893</u>
Profit for the year attributable to owners of the Company		<u>1,407,555</u>	<u>3,923,829</u>
Earnings per share attributable to ordinary equity holders of the Company (expressed in RMB per share)			
	8		
Basic			
– For profit for the year		0.1040	0.2902
– For profit from continuing operations		<u>0.1018</u>	<u>0.2884</u>
Diluted			
– For profit for the year		0.1039	0.2902
– For profit from continuing operations		<u>0.1017</u>	<u>0.2884</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 RMB'000	2022 <i>RMB'000</i> (Restated)
Profit for the year	<u>1,407,555</u>	<u>3,923,829</u>
Other comprehensive income/(expense)		
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Associates:		
Share of other comprehensive income/(expense)	69,043	(296,847)
Reclassification to profit or loss	<u>—</u>	<u>(6,615)</u>
	69,043	(303,462)
Share of other comprehensive expense of joint ventures	(221)	—
Cash flow hedges		
Effective portion of changes in fair value of hedging instruments arising during the year	20,184	48,392
Reclassification adjustments for gains included in the consolidated statement of profit or loss	<u>870</u>	<u>1,319</u>
	21,054	49,711
Exchange differences on translation of foreign operations	<u>206,170</u>	<u>453,533</u>
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	<u>296,046</u>	<u>199,782</u>
Other comprehensive income that may not be reclassified to profit or loss in subsequent periods:		
Share of other comprehensive income of associates	14,238	198,950
Share of other comprehensive income of joint ventures	<u>677</u>	<u>—</u>
Net other comprehensive income that may not be reclassified to profit or loss in subsequent periods	<u>14,915</u>	<u>198,950</u>
Other comprehensive income for the year, net of tax	<u>310,961</u>	<u>398,732</u>
Total comprehensive income for the year	<u><u>1,718,516</u></u>	<u><u>4,322,561</u></u>
Attributable to:		
Owners of the Company	<u><u>1,718,516</u></u>	<u><u>4,322,561</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	<i>Note</i>	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)
Non-current assets			
Property, plant and equipment		45,256,774	43,162,536
Investment properties		104,661	103,529
Right-of-use assets		768,387	613,206
Intangible assets		118,247	116,877
Investments in joint ventures		133,235	93,813
Investments in associates		25,668,181	24,407,843
Financial assets at fair value through profit or loss		2,300,347	2,852,534
Finance lease receivables		28,491,377	31,111,935
Factoring receivables		–	16,180
Derivative financial instruments		35,609	45,553
Deferred tax assets		261,900	116,142
Other long-term prepayments		170,656	616,489
		<hr/>	<hr/>
Total non-current assets		103,309,374	103,256,637
Current assets			
Inventories		2,197,550	4,049,879
Trade and notes receivables	10	1,778,295	556,145
Prepayments and other receivables		1,862,121	527,972
Financial assets at fair value through profit or loss		661,647	639,606
Finance lease receivables		2,870,565	3,170,009
Factoring receivables		16,805	329,380
Derivative financial instruments		30,998	–
Restricted and pledged deposits		3,150	120,443
Cash and cash equivalents		13,023,417	15,440,560
		<hr/>	<hr/>
		22,444,548	24,833,994
Assets classified as held for sale		<hr/> 177,068 <hr/>	<hr/> – <hr/>
Total current assets		22,621,616	24,833,994
		<hr/>	<hr/>
Total assets		125,930,990	128,090,631
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2023

	<i>Note</i>	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)
Current liabilities			
Trade and notes payables	<i>11</i>	2,603,395	2,479,634
Other payables and accruals		2,878,261	2,968,317
Contract liabilities		63,047	304,062
Bank and other borrowings		32,221,992	35,925,365
Lease liabilities		106,660	39,089
Tax payable		189,441	303,090
		<u>38,062,796</u>	<u>42,019,557</u>
Liabilities associated with assets classified as held for sale		<u>148,392</u>	<u>–</u>
Total current liabilities		<u>38,211,188</u>	<u>42,019,557</u>
Net current liabilities		<u>(15,589,572)</u>	<u>(17,185,563)</u>
Total assets less current liabilities		<u>87,719,802</u>	<u>86,071,074</u>
Non-current liabilities			
Bank and other borrowings		49,629,059	48,519,715
Corporate bonds		8,000,000	8,000,000
Lease liabilities		169,325	36,369
Deferred tax liabilities		17,521	6,001
Government grants		83,379	63,710
Other long-term payables		536,840	552,652
Total non-current liabilities		<u>58,436,124</u>	<u>57,178,447</u>
Net assets		<u>29,283,678</u>	<u>28,892,627</u>
Equity			
Share capital		13,575,939	13,586,477
Treasury shares		(84,206)	(173,155)
Other reserves		15,791,945	15,479,305
Total equity		<u>29,283,678</u>	<u>28,892,627</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2023

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 ended 31 December 2023, the principal activities of the Group were as follows:

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

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

2.1 BASIS OF PREPARATION

The 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”), 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 RMB15,589,572,000 as at 31 December 2023. The directors of the Company are of opinion that based on the available unutilised banking facilities and unutilised quota for the issuance of corporate bonds as at 31 December 2023, 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.

2.2 Application of new and amendments to the HKFRSs

In the current year, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2023:

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules

Except as described below, the application of the new and amendments to HKFRSs in the current 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.

Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments to HKAS 1 and HKFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their “significant” accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The application of the amendments has had no material impact on the Group's financial performance and positions.

Impact on application of Amendments to HKAS 8 – Definition of Accounting Estimates

The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the consolidated financial statements of the Group.

2.2 APPLICATION OF NEW AND AMENDMENTS TO THE HKFRSs (CONTINUED)

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

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

The Group previously applied HKAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption. Upon application of the amendments, the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022. The Group also, as at 1 January 2022, has recognised a separate deferred tax asset and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities. The Group recognises the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings at the beginning of the earliest period presented. This change in accounting policy did not have any impact on the cash flows for the years ended 31 December 2022 and 2023.

The application of such amendments to HKAS 12 has had the impact on the Group's financial position and performance as follows:

- (i) the related deferred tax liabilities as at 1 January 2022 have increased by RMB2,379,000 from originally stated at RMB39,177,000 to RMB41,556,000;
- (ii) the related profit for the year ended 31 December 2022 has increased by RMB699,000 from originally stated at RMB3,923,130,000 to RMB3,923,829,000;
- (iii) the related deferred tax liabilities as at 1 January 2023 have increased by RMB1,680,000 from originally stated at RMB4,321,000 to RMB6,001,000;
- (iv) the opening retained earnings as at 1 January 2022 and 1 January 2023 have been decreased by RMB2,379,000 and RMB1,680,000 respectively.

Impact on application of Amendments to HKAS 12 – International Tax Reform-Pillar Two Model Rules

The HKICPA made amendments to HKAS 12 Income taxes in May 2023 that (a) provide a temporary exception from accounting for deferred taxes arising from legislation enacted to implement the OECD's Pillar Two model rules, and (b) introduce additional disclosure requirements. The Group is within the scope of the OECD Pillar Two model rules as Pillar Two legislation has been enacted in the jurisdictions where the Group operates, and has come into effect from 1 January 2024. The Group applied the exception from accounting for deferred taxes arising from legislation enacted and is in the process of assessing the full impact.

3. 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 container manufacturing business segment, which manufactures and sells containers;
- (b) The shipping leasing and container leasing business segment, which renders vessel chartering, container leasing and finance lease business; and
- (c) The investment management business segment, which focuses on equity or debt investments.

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, excluding unallocated selling and administrative expenses and non-lease-related finance costs and including intersegment transactions.

A segment regarding the insurance brokerage services, which included in investment management business segment in prior year, was discontinued in the current year. The segment information reported on the following table does not include any amounts for this discontinued operation.

Segment assets are measured consistently with the Group's assets.

Segment liabilities exclude certain bank and other borrowings and corporate bonds as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	For the year ended 31 December 2023			
Continuing operations	Shipping leasing and container leasing RMB'000	Container manufacturing RMB'000	Investment management RMB'000	Total RMB'000
Segment revenue				
Sales of containers	–	8,090,455	–	8,090,455
Total revenue from contract with external customers	–	8,090,455	–	8,090,455
Other revenue from external customers	7,432,283	–	10,509	7,442,792
Total segment revenue from external customers	7,432,283	8,090,455	10,509	15,533,247
Intersegment revenue from contracts with customers	–	2,374,758	–	2,374,758
Total segment revenue	<u>7,432,283</u>	<u>10,465,213</u>	<u>10,509</u>	<u>17,908,005</u>
Segment results	528,029	365,483	1,171,234	2,064,746
Elimination of intersegment results				(13,687)
Unallocated selling, administrative and general expenses				(204,455)
Unallocated finance costs				<u>(501,338)</u>
Profit before tax from continuing operations				<u><u>1,345,266</u></u>

3. OPERATING SEGMENT INFORMATION (CONTINUED)

	For the year ended 31 December 2022			
Continuing operations	Shipping leasing and container leasing <i>RMB '000</i>	Container manufacturing <i>RMB '000</i>	Investment management <i>RMB '000</i> (Restated)	Total <i>RMB '000</i> (Restated)
Segment revenue				
Sales of containers	–	17,450,727	–	17,450,727
Fee and commission income	–	–	11,381	11,381
Total revenue from contract with external customers	–	17,450,727	11,381	17,462,108
Other revenue from external customers	7,845,690	–	111,265	7,956,955
Total segment revenue from external customers	7,845,690	17,450,727	122,646	25,419,063
Intersegment revenue from contracts with customers	–	3,091,117	–	3,091,117
Total segment revenue	<u>7,845,690</u>	<u>20,541,844</u>	<u>122,646</u>	<u>28,510,180</u>
Segment results	2,151,102	2,453,099	439,365	5,043,566
Elimination of intersegment results				(11,162)
Unallocated selling, administrative and general expenses				(197,905)
Unallocated finance costs				<u>(35,983)</u>
Profit before tax from continuing operations				<u><u>4,798,516</u></u>

4. REVENUE

An analysis of revenue and other revenue from continuing operations is as follows:

	2023 <i>RMB '000</i>	2022 <i>RMB '000</i> (Restated)
Revenue from contracts with customers:		
Sales of containers	8,090,455	17,450,727
Fee and commission income	–	11,381
Subtotal	<u>8,090,455</u>	<u>17,462,108</u>
Other revenue:		
Shipping leasing	2,473,073	2,408,963
Container leasing	4,959,210	5,436,727
Investment management	10,509	111,265
Subtotal	<u>7,442,792</u>	<u>7,956,955</u>
Total revenue	<u><u>15,533,247</u></u>	<u><u>25,419,063</u></u>

4. REVENUE (CONTINUED)

The disaggregation of the Group's revenue from contracts with customers from continuing operations, including sales of goods and rendering of services, is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (Restated)
Geographical markets		
Hong Kong, China	1,957,310	3,273,701
Mainland China	1,439,769	990,016
Asia (excluding Hong Kong, China and Mainland China)	1,697,746	4,580,511
United States	936,817	5,844,074
Europe	2,034,296	2,593,048
Others	24,517	180,758
	<u>8,090,455</u>	<u>17,462,108</u>

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (Restated)
Timing of revenue recognition		
Goods transferred at a point in time	8,090,455	17,450,727
Services transferred over time	–	11,381
	<u>8,090,455</u>	<u>17,462,108</u>

5. OTHER INCOME

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (Restated)
Continuing operations		
Interest income	132,778	139,627
Government grants related to assets	9,715	3,993
Government grants	199,443	110,335
Sales of scrap materials	11,436	24,227
Others	18,144	4,424
	<u>371,516</u>	<u>282,606</u>

6. OTHER GAINS, NET

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (Restated)
Continuing operations		
Gain on disposal of property, plant and equipment	23,496	58,931
Gain on disposal of investments in associates	–	54,019
Gain on derecognition of financial assets measured at amortised cost	12,926	–
Gain on disposal of financial assets at fair value through profit or loss	57,545	2,084
Dividend income from financial assets at fair value through profit or loss	23,812	64,930
Changes in fair value of financial assets at fair value through profit or loss	67,517	(996,858)
Government grants not related to the ordinary course of business	–	2,665
Donation expenditures for public interest	(25,058)	(30,449)
Net foreign exchange gains	286,058	1,150,363
Gain on disposal of a subsidiary	–	37,796
Others	(3,958)	1,288
	<u>442,338</u>	<u>344,769</u>

7. INCOME TAX (CREDIT)/EXPENSES

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 2023 and 2022.

Hong Kong profits tax was provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits of the Group’s subsidiary 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.

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (Restated)
Continuing operations		
Current income tax:		
– Hong Kong, China	88,926	910,061
– Mainland China	8,454	4,263
– Elsewhere	4,394	64,955
	<u>101,774</u>	<u>979,279</u>
Subtotal	101,774	979,279
Deferred income tax	(133,986)	(79,699)
	<u>(32,212)</u>	<u>899,580</u>

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

For continuing and discontinued operations

Basic and diluted earnings per share from continuing and discontinued operations are attributable to the owners of the Company based on the following data:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (Restated)
Earnings		
Profit for the year attributable to the owners of the Company:		
– From continuing operations	1,377,478	3,898,936
– From a discontinued operation	<u>30,077</u>	<u>24,893</u>
Earnings for the purpose of basic and diluted earnings per share	<u><u>1,407,555</u></u>	<u><u>3,923,829</u></u>
	Number of shares	
	2023 <i>'000</i>	2022 <i>'000</i>
Shares		
Weighted average number of ordinary shares in issue during the year for the purpose of basic earnings per share	13,538,588	13,520,651
Effect of dilutive potential ordinary shares:		
Share options	<u>2,719</u>	<u>1,494</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>13,541,307</u></u>	<u><u>13,522,145</u></u>

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i> (Restated)
Profit for the year attributed to the owners of the Company	1,407,555	3,923,829
Less:		
Profit for the year from a discontinued operation	<u>(30,077)</u>	<u>(24,893)</u>
Profit for the year from continuing operations and earnings for the purpose of basic and diluted earnings per share from continuing operations	<u><u>1,377,478</u></u>	<u><u>3,898,936</u></u>

The denominators used for basic and diluted earnings per share are detailed above.

From discontinued operation

Basic earnings per share from the discontinued operation is RMB0.0022 per share (2022: RMB0.0018 per share) and diluted earnings per share from the discontinued operation is RMB0.0022 per share (2022: RMB0.0018 per share), based on the profit for the year from the discontinued operation of RMB30,077,000 (2022: RMB24,893,000) and the denominators detailed above for both basic and diluted earnings per share.

9. DIVIDENDS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Proposed final dividend – RMB0.032 (2022: RMB0.087) per ordinary share	433,511	1,178,608

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 RMB0.032 (2022: RMB0.087) per share (inclusive of applicable tax), totalling RMB433,510,858.24 calculated based on 13,547,214,320 shares, being the number of issued shares of the Company of 13,575,938,612 as at 28 March 2024 deducting 28,724,292 A shares repurchased by the Company, for the year ended 31 December 2023. 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 2023, but will be reflected as an appropriation of retained profits for the year ending 31 December 2024.

10. TRADE AND NOTES RECEIVABLES

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

	31 December 2023 <i>RMB'000</i>	31 December 2022 <i>RMB'000</i>
Within 3 months	1,769,504	532,896
3 to 6 months	5,818	11,621
6 to 12 months	2,268	11,340
Over 1 year	705	288
Total	1,778,295	556,145

11. TRADE AND NOTES PAYABLES

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

	31 December 2023 <i>RMB'000</i>	31 December 2022 <i>RMB'000</i>
Within 3 months	2,515,129	2,418,433
3 to 6 months	33,388	43,554
6 to 12 months	5,110	6,212
Over 1 year	49,768	11,435
Total	2,603,395	2,479,634

12. EVENT AFTER THE REPORTING PERIOD

On 28 March 2024, the Board proposed the payment of a final dividend of RMB0.032 (inclusive of applicable tax) per share for the year ended 31 December 2023, totalling RMB433,510,858.24 (inclusive of applicable tax) calculated based on 13,547,214,320 shares, being the number of issued shares of the Company of 13,575,938,612 as at 28 March 2024 deducting 28,724,292 A shares repurchased by the Company, which is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

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

In 2023, affected by multiple factors such as sluggish global trade, geopolitical tensions and the continually tightened monetary policies in major economies, there was a weak growth momentum of the world economy, and the shipping market showed a cyclical fluctuation. At the same time, the shipping industry accelerated the process of low carbonization and digital transformation, injecting new opportunities into the market full of uncertainty. Facing the severe and complicated market environment, the Company focused on its main responsibilities and principal businesses, leveraged the synergy between industry and finance, accelerated the leadership of scientific and technological innovation, and took a solid step towards high-quality development goals.

In 2023, the Company achieved operating revenue of RMB15.533 billion, a decrease of 38.9% compared with 2022. Profit attributable to owners of the Company was RMB1.408 billion, a decrease of 64.1% compared with 2022. Basic earnings per share amounted to RMB0.1040.

The Board proposed the payment of a final dividend of RMB0.032 per share.

REVIEW OF OPERATIONS

In 2023, the Company endeavored to strengthen its capability of scientific and technological innovation and digital intelligent empowerment, accelerate green and low-carbon transformation, enhance its ability to improve quality and efficiency, and adhere to the bottom line of risk prevention, with a view to achieving stable operation and improving quality while maintaining stability.

I. Deepening industry collaboration, stabilizing integration of industry and finance

In respect of the container manufacturing business: The Company continued to leverage its strengths in container leasing and manufacturing synergy, grasped the evolution of emerging market needs, and expanded the breadth and depth of the container manufacturing business by developing new technologies, expanding new products and offering new services. The Company further expanded the application scenarios of containers, developed and manufactured a variety of containers such as automobile frame folding containers, new energy storage containers and agricultural planting containers to meet customer needs, and formed anti-cyclical products, production capacity and benefits, highlighting the market value of special container products. In 2023, revenue from the Company's special containers manufacturing business increased by 535% year-on-year, and received orders for nearly 1,000 energy storage containers from leading new energy customers.

In respect of the container leasing business: The Company made efforts to strengthen proactive and forward-looking market layout, enriched business structure, and achieved remarkable results in expanding its business of reefer containers and special containers. The Company continued to explore business model innovation, promoted the innovative application of Renminbi internationalization in the industry, and successfully launched the world's first 5,600TEU offshore Renminbi container leasing business. Through the continuously improved digital industry ecosystem, the Company promoted the application of digital synergy to enhance customer experience and stimulate more opportunities of mutual benefit and win-win cooperation, creating value for customers while continuously injecting endogenous momentum for the Company's business development.

In respect of the shipping leasing business: Focused on the synergy of industrial chains, the Company strengthened the integration of industry and finance, continued to improve its “one-stop” service capability, and actively contributed new ideas and solutions on industry and finance synergy for customers optimizing and adjusting fleet structures. At the same time, the Company steadily pushed forward the demonstration project of Yangtze River Electric Container Vessels, and two 700TEU electric container vessels were successfully named, ready to start a new green and low-carbon voyage.

In respect of the investment management business: The Company focused on the principal business of shipping logistics, continued to optimize investment portfolio, solidly boosted business optimization, 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. Focusing on digital and intelligent transformation, stimulating innovation momentum

The Company continued to facilitate “digitalized, networked and intelligent” transformation, promoted scientific and technological innovation, increased investment in research and development, and kept making progress in achieving digital and intelligent achievement. **In terms of digital transformation,** the Company created an integrated digital supply chain service ecosystem for container manufacturing, leasing and usage to effectively empower the industrial chains. The iFlorens digital operation platform built by the Company’s subsidiary Florens International Limited won the second prize in the first “Professional Competition on Innovation in Digital Scenarios of SOEs” hosted by the State-owned Assets Supervision and Administration Commission for its digital disposal scenario of decommissioned containers. **In terms of intelligent manufacturing,** the Company accelerated the construction of a container management cloud platform to promote the transformation and upgrading of traditional manufacturing industries. The “process digital design” scenario of the Company’s DFIC Qidong was awarded the Excellent Intelligent Manufacturing Scenario in 2023 by the Ministry of Industry and Information Technology; DFIC Jinzhou was awarded the Intelligent Plant of Liaoning Province in 2023; Shanghai Universal Logistics Technology Co., Ltd. was recognized as a high-tech enterprise. In 2023, the Company continued to increase investment in research and development, with a total investment in research and development amounted to over RMB215 million for the year, a total of 192 patent applications submitted, and a total of 122 authorized patents obtained.

III. Embracing green and low carbon, driving sustainable development

The Company further clarified the strategic plan of “green production, green business, green assets and green finance”, and promoted green and low-carbon transformation and development in all aspects. The Company’s 700TEU pure battery-powered container vessel project won the title of “Top Ten National Key Projects of Central SOEs”. The Company took the lead in establishing the China Electric Vessel Innovation Alliance to carry out scientific research such as iterative upgrading of marine containerized batteries and construction of charging and exchanging stations. Shanghai Universal Logistics Technology Co., Ltd., a subsidiary of the Company, continued to improve its production technology, and DFIC Qingdao and DFIC Lianyungang were awarded the title of “National Green Factory” in 2023 by the Ministry of Industry and Information Technology following DFIC Ningbo and DFIC Jinzhou. In addition, the Company actively explored diversified financing channels and focused on integrating and using green financial tools to tap the value of green and low-carbon transformation.

IV. Strengthening corporate governance, focusing on value realization

With value creation as the orientation, the Company strengthened corporate governance and standardized operation, striving to continuously improve the quality of listed company. The Company was awarded A-class rating for information disclosure for 2022-2023 by Shanghai Stock Exchange, and won the 25th Golden Bull Award for Listed Companies-Golden Information Disclosure Award in the “2023 Forum on High-quality Development of China’s Listed Companies” hosted by Xinhua News Agency and China Securities Journal. The Company is committed to safeguarding the interests of investors, and has been reasonably rewarding its investors through active and stable dividend plans for five consecutive years, and was successfully selected as a constituent of the first batch of “CSI Guoxin Central SOEs Shareholder Return Index” and “CSI Guoxin Hong Kong Stock Connect Central SOEs Dividend Index”. The Board proposed to pay a dividend of RMB0.032 per share for the year 2023 to share the fruits of development with investors.

V. Strengthening risk prevention and control, upholding safety defense line

The Company continued to strengthen the rule of law as well as risk prevention and control, reinforce the principles of professional and market-oriented operation, consolidate the foundation of comprehensive risk management, optimize the annual risk limit and monitoring indicator system, improve the risk prevention and control mechanism, and enhance the management system of industry and finance businesses. In 2023, the Company achieved good results in the rule of law construction, and the risk prevention and control was precise and effective. In addition, the Company actively practiced the concept of safety development, fully implemented the main and supervisory responsibility for safety production, and promoted the effective implementation of various measures for safety production and ecological and environmental protection, resulting in a stable and orderly safety situation throughout the year.

VI. Practicing ESG governance, adhering to social responsibility

The Company has steadily improved its ESG governance and disclosure level, and has won numerous honors and recognitions for its continuous efforts in the ESG field. In 2023, the Company was successfully listed in the first issue of Sustainability Yearbook 2023 (China Edition) published by S&P Global and honored as the “Industry’s Most Improved Company”; received the “Golden Bee 2023 Outstanding CSR Report – Evergreen Award”; selected as one of the “Top 100 Best ESG Practices of Wind China Listed Company in 2023”; and won the “Outstanding Contribution Award for Green and Low Carbon of Listed Companies” in the 17th Listed Companies Value Evaluation in China. In addition, the Company actively participated in targeted assistance practice and carried out charity and public welfare activities, and fulfilled its social responsibility with a humanistic heart.

OUTLOOK

In 2024, the global economy will continue to face challenges due to the interplay of multiple factors. The world economy is expected to remain on a medium-to-low growth track, inflation in major economies such as Europe and the United States will tend to ease, and China's economic growth will be full of resilience. While undergoing test by the complicated economic and political situation, the global shipping industry is also moving forward firmly on the road of promoting green, low-carbon, digital and intelligent transformation of the industry, and will continue to create new market opportunities.

By taking container equipment manufacturing and shipping logistics asset operations as its core, the Company will further give full play to the function of "industry", enhance the role of "finance", and consolidate the quality of "investment", face up to new situation, embrace new challenges, develop new advantages, lead the digital and intelligent innovation and transformation, adhere to the green and low-carbon path and drive high-quality development.

I. Deeping the integration of industry and finance, further enhancing value creation capability

In the segment of container manufacturing business, the Company will accelerate industrial transformation and upgrading, keep up with the trend of container intelligence, speed up the transformation and promotion of digital factory construction results, deepen lean management, and optimize cost control. At the same time, the Company will create differentiated competitive advantages, further expand new scenarios for shipping equipment, and enhance professional service capabilities in the field of special containers.

In the segment of container leasing business, the Company will further leverage the unique advantages of leasing and manufacturing synergy, continue to improve the global network layout, take the key customer strategy as the lead, continue to optimize product structure, improve service capabilities, and at the same time, explore and open up new business paths to improve overall asset efficiency and anti-cyclical capabilities.

In the segment of shipping leasing business, the Company will actively seize the opportunity to optimize and develop the fleet structure in the shipping market, deeply tap the market potential, enhance the service capability of the whole life cycle of shipping assets covering ordering, leasing, management and disposal, improve the operation level of shipping assets, and strive to realize the transformation into a value-based industry and finance investor and innovative industry and finance service provider.

In the segment of investment management business, the Company will continue to maintain acumen to the economy and the industry, strengthen asset operation, and smooth out the shipping business cycle with steady returns; closely follow the two major tracks of digital intelligence and green and low carbon, accelerate the layout of strategic emerging industries, and enhance the incubation ability of digital intelligence and shipping low carbonization.

II. Strengthening scientific and technological innovation, re-driving endogenous development momentum

The Company will focus on the two major tracks of digital intelligence and green and low carbon, and facilitate new development trend with scientific and technological innovation. **In respect of the container manufacturing business**, the Company will take the construction of digital factories as an opportunity to increase the exploration of new technology application scenarios and improve the intelligence level of the entire manufacturing process of containers. The Company will make more effort in the research and development of special containers to accurately meet the needs of customers; continue to improve the supporting capacity of “container +” customized products, apply emerging technologies and innovative asset operation models and strengthen industry cooperation to jointly drive the development of the emerging industries such as special equipment, cold chain, energy storage and new materials. **In respect of the container leasing business**, the Company will continue to promote the construction of the iFlorens digital operation platform, upgrade and transform the data interaction method with global depots, and improve the effectiveness of industrial chain synergy; strengthen the full-cycle management of assets through the construction of digital vitality, and enhance customer experience with value creation.

III. Focusing on green and low carbon, continuing to pursue sustainable development

The Company will make every effort to push forward the project of two 700TEU electric container vessels in the Yangtze River mainline, continue to promote the construction of marine charging and exchanging network, the development of marine containerized power supply and energy storage containers, actively participate in and promote the formulation of relevant specifications and standards, expand market application, and serve the construction of the Yangtze River Economic Belt and Shanghai International Shipping Center. We will explore a green and low-carbon path for the entire life cycle of containers, strengthen carbon emission management in the container production process, push forward the formulation of low-carbon container product standards, construct ESG governance results and promote the enhancement of investment value to demonstrate the social responsibility of Central SOEs.

IV. Strengthening market value management, further advancing value transmission and realization

The Company will further promote the improvement of the quality of listed company, actively safeguard the performance of capital market, and strive to match the Company’s market value with its intrinsic value. We will continue to standardize corporate governance, enhance the endogenous power of the enterprise while optimizing and improving the communication and transmission mechanism with the market, and further enhance market recognition based on the needs of investors. We always adhere to the concept of respecting the market and investors, actively safeguard the rights and interests of investors, and endeavor to reasonably reward investors with solid and steady value creation, working together to create a new situation of value realization.

In addition, the Company will further explore management innovation and establish a new mechanism for the actions of deepening and upgrading reforms; strengthen the construction of a team of cadres and talents to consolidate new sources of high-quality development; intensify risk prevention, consolidate new support for stable enterprise development, and strive to promote high-quality development to achieve new results.

With a new journey and a new chapter, COSCO SHIPPING development will direct the course of high-quality development, seize market opportunities with digital wisdom, “carbonize” the future of shipping with green footprint, create excellent quality with innovation, and explore a far-reaching future with the momentum of stability. We will go further only by working together and start a new journey of gaining momentum.

DEVELOPMENT STRATEGY

1. STRATEGIC POSITION

With container equipment manufacturing and shipping logistics asset operation as the core, “industry, finance and investment” as the focus, the Company will implement industry and finance integration, facilitate industry development with finance, and develop into a world-class industry-finance operator in the shipping industry with COSCO SHIPPING characteristics.

2. DEVELOPMENT GOALS

With a focus on the mainline of the shipping and logistics industries, the Company will develop container manufacturing, container leasing and shipping leasing business as the core businesses underpinned by investment, and in accordance with the guiding principles of “seeking progress while maintaining stability, promoting stability with progress, and building the new before discarding the old”, the Company will deeply collaborate with the upstream and downstream industries of the supply chain of shipping, integrate the flow of information, capital and goods and empower its shipping logistics ecosystem. With market-oriented approaches, professional strengths and an international vision, the Company aspires to achieve high-quality development and grow into a world-class industry-finance operator in the shipping industry with COSCO SHIPPING characteristics.

3. DEVELOPMENT PLANS

(1) Container manufacturing business

In respect of container manufacturing business, the Company will focus on scientific and technological innovation as well as green and low-carbon transformation, actively promote the transformation of intelligent plants as well as the transformation and upgrading of production and manufacturing to fully meet the demand for containers of the principal shipping business. Focusing on shipping scenarios and product portfolios, the Company will improve its scientific and technological research and development capabilities, make research and innovation in green, digital and special containers and supporting storage and transportation equipment for vessel carbon reduction, enhance “container +” customization capability, and deepen the synergy of container leasing and manufacturing. The Company will further optimize the management mechanism around marketing, customer service, cost control, quality management, etc., improve production capacity utilization efficiency and profitability, and enhance its core competitiveness of the trinity of “standard containers + reefer containers + special containers”.

(2) *Container leasing business*

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, on the basis of the current container leasing business, continue to optimize product mix and strengthen the development on special container and reefer container business; optimize the service network layout, grasp customer needs in a timely manner, improve customer services in an all-round way, and further develop new international and domestic customers; control the pace for efficient placement, optimize lease pricing and lease structure, and strengthen value management in the whole life cycle of containers; improve the coordination between “leasing and manufacturing” and between “leasing and shipping”, and promote the dual model of lease and sale, so as to enhance the anti-cyclical ability as well as core competitiveness and long-term value creation ability.

(3) *Shipping leasing business*

The shipping 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, give full play to the advantages of the Group’s principal shipping business, seize service opportunities in the whole life cycle of shipping assets covering ordering, leasing, management and disposal, so as to contribute to the upgrading of the shipping industry’s fleet; cooperate friendly with financial institutions to actively seize the opportunities for green and low-carbon transformation of fleets of the Group’s internal and external customers, accelerate green and low carbon research and development in terms of assets, financing, etc., explore segmented green products with advantages, and make proper use of preferential green financing policies to improve the green asset allocation and operation with characteristics of shipping logistics.

(4) *Investment management business*

For the investment management business, the Company will give equal weight to strategic value and financial returns, adhere to the principal business of shipping logistics, promote industry development with finance, continuously optimize investment portfolios, strengthen asset operation, and smooth out the shipping business cycle with stable returns; explore new models for the operation of shipping assets such as logistics and port facilities, empower the asset-light transformation and growth of the principal businesses, and work together to create a “connector” for shipping industry chain synergy; closely follow the two paths of digital intelligence as well as green and low carbon, build a venture capital platform, accelerate the layout of strategic emerging industries, and strengthen the incubation capabilities of digital intelligence and low-carbon shipping.

MAJOR RISKS AND COUNTERMEASURES

1. *Geopolitical risk*

Geopolitical risk refers to the risk arising from geopolitical factors such as supply chain and technological decoupling between major countries, political policies, military conflicts, economic and trade protectionism, energy security, and inter-regional faith and ideological cleavages. This risk may exacerbate the instability of suppliers and customers, raise the Company's production and operating costs, push up some of the risks of investment and business expansion in sensitive regions, and give rise to the risk of international sanctions. The Company has strengthened the monitoring of information on changes in laws and policies in sensitive regions, enhanced the monitoring and assessment of customers/suppliers, and dynamically evaluated the stability of their business co-operation; appropriately enlarged the capital budget and foreign exchange reserve position to cope with liquidity risk and exchange risk arising from geopolitical risks; the Company has strictly implemented the requirements for sanctions risk management and control, embedded the risk identification and assessment into the business process, and increased the frequency of sanctions risk identification and assessment.

2. *Macroeconomic Risks*

At present, the world is undergoing changes at an accelerated pace, with increased fluctuation sources and risk triggers, the United States and other western countries have been facing multiple challenges in cutting fiscal deficits, achieving a soft landing, and low consumer investment intentions, ongoing international geopolitical and military conflicts and further escalation and intensification, governments of major economies and emerging countries in the world will gradually enter into reelection in 2024 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 container manufacturing, container leasing and shipping leasing 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 fluctuations, the Company has built and kept improving its risk monitoring and management system to carry out analyses of the economic situation and strategic seminars at the right time, formulate each segment's own annual operating plan, and implement a reasonable strategic layout and thus guarantee operation and asset security.

3. *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.

4. *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, actively adjusted the structure of assets and liabilities, increased the natural hedging of risk exposure to effectively control the exchange rate risk.

5. *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 management system. The Company will take measures such as regular assessment, monitoring and establishment of firewalls and stress test to effectively prevent liquidity risk.

6. *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.

7. *Company-wide Concentration Risk*

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 business concentration or convergence of the Company's single types or its counterparties, so that the Company is in a weaker position in the bargaining process with its top customers, which increases the risk of fluctuations in the company's revenues and profits. 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.

FINANCIAL REVIEW OF THE GROUP

The Group recorded revenue of RMB15,533,247,000 during the Period, representing a decrease of 38.9% as compared with revenue of RMB25,419,063,000 (restated) for the same period of last year; profit before income tax from continuing operations amounted to RMB1,345,266,000, representing a decrease of 72.0% as compared with profit of RMB4,798,516,000 (restated) for the same period of last year; profit attributable to owners of the Company for the year amounted to RMB1,407,555,000, representing a decrease of 64.1% as compared with the profit (restated) of RMB3,923,829,000 for the same period of last year.

Analysis of segment results is as follows:

Unit: RMB'000

Segment	Revenue			Cost		
	2023	2022 (Restated)	Change (%)	2023	2022 (Restated)	Change (%)
Container manufacturing business	10,465,213	20,541,844	(49.1)	9,862,882	17,918,069	(45.0)
Container leasing business	4,959,210	5,436,727	(8.8)	2,842,447	3,051,398	(6.8)
Shipping leasing business	2,473,073	2,408,963	2.7	884,392	828,442	6.8
Investment management business	10,509	122,646	(91.4)	1,909	24,773	(92.3)
Offset amount	<u>(2,374,758)</u>	<u>(3,091,117)</u>	<u>(23.2)</u>	<u>(2,358,537)</u>	<u>(2,875,710)</u>	<u>(18.0)</u>
Total	<u>15,533,247</u>	<u>25,419,063</u>	<u>(38.9)</u>	<u>11,233,093</u>	<u>18,946,972</u>	<u>(40.7)</u>

1. ANALYSIS OF CONTAINER MANUFACTURING BUSINESS

1) Operating Revenue

For the year ended 31 December 2023, the Group's container manufacturing business realized operating revenue of RMB10,465,213,000, representing a year-on-year decrease of 49.1% as compared with the revenue of RMB20,541,844,000 for the same period of last year, mainly due to the decline in market demand for new containers under the impact of the downturn in the container transportation market. During the Period, the aggregate container sales was 590,600 TEU, representing a year-on-year decrease of 38.4% as compared with 958,900 TEU for the same period of last year.

2) Operating Costs

Operating costs of the container manufacturing business mainly consist of raw material costs, transportation costs, employee compensation and depreciation expenses. The operating costs amounted to RMB9,862,882,000 for the year ended 31 December 2023, representing a year-on-year decrease of 45.0% as compared with the costs of RMB17,918,069,000 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.

2. ANALYSIS OF CONTAINER LEASING BUSINESS

1) *Operating Revenue*

The Group recorded revenue from the container leasing, management and sales business of RMB4,959,210,000, representing a decrease of 8.8% as compared with the revenue of RMB5,436,727,000 for the same period of last year, which was mainly due to the decrease in the sales of the Company's container business as a result of the decline in market demand.

2) *Operating Costs*

Operating costs of the container leasing business mainly include the depreciation and maintenance costs of containers, net carrying value of sale of containers returned upon expiry and interest costs of finance lease business. The operating costs for the year ended 31 December 2023 amounted to RMB2,842,447,000, representing a year-on-year decrease of 6.8% as compared with the costs of RMB3,051,398,000 for the same period of last year, which was mainly due to the decrease in the sales of the Company's container business.

3. ANALYSIS OF SHIPPING LEASING BUSINESS

1) *Operating Revenue*

The Group recorded revenue from the ship leasing business of RMB2,473,073,000, representing an increase of 2.7% as compared with the revenue of RMB2,408,963,000 for the same period of last year, which was mainly due to the year-on-year increase in the size of the fleet under operating leases. As at 31 December 2023, the volume and amount of the Group's shipping operating lease assets increased by 7.1% and 10.4% year-on-year respectively.

2) *Operating Costs*

Operating costs of the shipping leasing business amounted to RMB884,392,000, representing a year-on-year increase of 6.8% as compared with the costs of RMB828,442,000 for the same period of last year, which was mainly due to the year-on-year increase in the size of the fleet under operating leases.

4. ANALYSIS OF INVESTMENT MANAGEMENT BUSINESS

1) *Operating Revenue*

For the year ended 31 December 2023, the investment management business realized revenue of RMB10,509,000, representing a year-on-year decrease of 91.4% as compared with the revenue of RMB122,646,000 (restated) for the same period of last year, primarily due to the decrease in the factoring business.

2) *Operating Costs*

For the year ended 31 December 2023, the operating costs were RMB1,909,000, representing a decrease of 92.3% as compared with the costs of RMB24,773,000 (restated) for the same period of last year, mainly due to the decrease in the factoring business.

GROSS PROFIT

Due to the above reasons, the Group recorded gross profit of RMB4,300,154,000 for the year ended 31 December 2023 (gross profit for the same period of last year: RMB6,472,091,000 (restated)).

SIGNIFICANT INVESTMENT IN EQUITY

As at 31 December 2023, the carrying value of the Company's external equity investments accounted for using the equity method amounted to RMB25,801,416,000, representing an increase of RMB1,299,760,000 or 5.3% as compared with that as at the beginning of the Period, which was mainly attributable to the recognition of the increased investment income from associates for the Period.

As at 31 December 2023, the carrying value of the Company's financial assets at fair value through profit or loss amounted to RMB2,961,994,000, representing a decrease of RMB530,146,000 or 15.2% as compared with that as at the beginning of the Period, which was mainly due to the disposal of certain shares during the Period.

For the year ended 31 December 2023, the Company realised investment income of RMB1,576,039,000, representing a decrease of 3.0% as compared with RMB1,624,999,000 for the same period of last year, which was mainly attributable to the decrease in investment income from associates.

For the year ended 31 December 2023, the Company realised gain or loss on changes in fair value of RMB67,517,000, representing an increase of RMB1,064,375,000 as compared with RMB-996,858,000 for the corresponding period of last year, which was mainly attributable to the year-on-year increase in the fair value of the financial assets held during the Period.

1. Shareholdings in Other Listed Companies

Stock code	Company name	Investment cost (RMB)	Shareholding at the beginning of the Period (%)	Shareholding at the end of the Period (%)	Book Value at the end of the Period (RMB)	Gain during the Period (RMB)	Changes in other reserve during the Period (RMB)	Gain from 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	10,471,550,000	459,398,000	35,672,000	-	-	Investment in associates	Purchase
601818/06818	China Everbright Bank Co., Ltd.	3,398,255,000	1.34	1.23	5,438,467,000	456,981,000	(176,130,000)	-	137,560,000	Investment in associates	Purchase
000039/02039	China International Marine Containers (Group) Co., Ltd.	747,363,000	1.53	1.53	633,191,000	50,072,000	-	-	14,893,000	Financial assets at fair value through profit or loss	Purchase
600643	Shanghai AJ Group Co., Ltd.	-	0.22	-	-	1,096,000	-	566,000	318,000	Financial assets at fair value through profit or loss	Purchase
600390	Minmetals Capital Co., Ltd.	547,727,000	3.17	1.44	303,058,000	47,045,000	-	57,011,000	6,217,000	Financial assets at fair value through profit or loss	Purchase
Total		10,442,724,000	/	/	16,846,266,000	1,014,592,000	(140,458,000)	57,577,000	158,988,000		

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	Source of the shareholding
Bank of Kunlun Co., Ltd.	1,077,153,000	3.74	3.74	1,547,301,000	94,816,000	11,319,000	-	41,922,000	Investment in associates	Purchase
CIB Fund Management Co., Ltd.	100,000,000	10.00	10.00	468,541,000	40,092,000	-	-	5,000,000	Investment in associates	Purchase
Shanghai Haisheng Shangshou Financial Leasing Co., Ltd.	135,265,000	25.00	25.00	62,177,000	29,185,000	-	-	-	Investment in joint ventures	Purchase
COSCO SHIPPING Finance Company Limited	2,914,166,000	13.38	13.38	3,258,463,000	162,464,000	(584,000)	-	-	Investment in associates	Purchase
Powchan Financial Group Co., LTD.	3,575,320,000	40.81	40.81	4,013,607,000	327,644,000	-	-	181,973,000	Investment in associates	Purchase
Total	7,801,904,000	/	/	9,350,089,000	654,201,000	10,735,000	-	228,895,000		

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

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

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

INCOME TAX

According to the Corporate Income Tax (“CIT”) Law of the PRC, which was effective from 1 January 2008, the CIT rate applicable to the Company and its subsidiaries established in the PRC was 25% for the years ended 31 December 2023 and 2022.

Hong Kong profits tax was provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits of the Group’s subsidiaries operating in Hong Kong during the year.

Taxes or profits assessable elsewhere have been calculated at the tax prevailing in the countries or jurisdictions where the Group operates.

SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

For the year ended 31 December 2023, the Group's selling, administrative and general expenses were RMB1,275,507,000, representing an increase of 4.7% as compared with the expenses for the same period of last year.

OTHER GAINS, NET

For the year ended 31 December 2023, other gains of the Group were RMB442,338,000, representing an increase of RMB97,569,000 as compared with other gains of RMB344,769,000 (restated) for the same period of last year, which was mainly due to the year-on-year increase in the fair value of financial assets held during the Period.

PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT FOR THE YEAR

For the year ended 31 December 2023, the profit attributable to owners of the parent of the Company for the year was RMB1,407,555,000, representing a decrease of 64.1% as compared with the profit (restated) of RMB3,923,829,000 for the same period of last year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Analysis of Liquidity and Borrowings

The Group's principal sources of liquidity are cash flow from operating business and short-term bank borrowings. The Group's cash is mainly used for expenses of operating cost, repayment of borrowings, procurement of containers and support of the Group's financial leasing business. During the Period, the Group's net operating cash inflow was RMB5,314,360,000. As at 31 December 2023, the Group's cash and cash equivalents were RMB13,023,556,000.

As at 31 December 2023, the Group's total bank and other borrowings amounted to RMB81,851,051,000, with RMB32,221,992,000 repayable within one year, RMB17,410,062,000 repayable within the second year, RMB26,540,123,000 repayable within the third to fifth year and RMB5,678,874,000 repayable after five years. The Group's long-term bank and other borrowings were mainly used for carrying out finance leasing business, acquisition of vessel, purchase of containers and acquisition of equity interests. As at 31 December 2023, the Group's long-term bank and other loans were secured by certain containers and vessels with an aggregate value of RMB20,065,989,000 and pledged by finance lease receivables with an aggregate value of RMB8,286,209,000.

As at 31 December 2023, the Group held corporate bonds payable totalling RMB8,000,000,000 and the proceeds raised from the bonds were used for the repayment of debts as they matured.

The Group's RMB-denominated borrowings at fixed interest rates amounted to RMB5,850,000,000. USD-denominated borrowings at fixed interest rates amounted to USD1,226,638,000 (equivalent to approximately RMB8,687,909,000), RMB-denominated borrowings at floating interest rates amounted to RMB15,332,500,000, and USD-denominated borrowings at floating interest rates amounted to USD7,339,100,000 (equivalent to approximately RMB51,980,642,000). The Group's borrowings are settled in RMB or USD while its cash and cash equivalents are primarily denominated in RMB and USD.

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

Net Current Liabilities

As at 31 December 2023, the Group's net current liabilities amounted to RMB15,589,572,000. Current assets mainly included inventories of RMB2,197,550,000; trade and notes receivables of RMB1,778,295,000; prepayments and other receivables of RMB1,862,121,000; financial assets at fair value through profit or loss of RMB661,647,000; the current portion of finance lease receivables of RMB2,870,565,000; cash and cash equivalents of RMB13,023,417,000; factoring receivables of RMB16,805,000; derivative financial instruments of RMB30,998,000; restricted bank deposits of RMB3,150,000; assets held for sale of RMB177,068,000. Current liabilities mainly included trade and notes payables of RMB2,603,395,000; other payables and accruals of RMB2,878,261,000; contract liabilities of RMB63,047,000; tax payable of RMB189,441,000; the current portion of bank and other borrowings of RMB32,221,992,000; the current portion of lease liabilities of RMB106,660,000; and liabilities associated with assets classified as held for sale of RMB148,392,000.

Cash Flows

For the year ended 31 December 2023, the Group's net cash inflow generated from operating activities was RMB5,314,360,000, denominated principally in RMB and USD, representing a decrease of RMB5,898,431,000 as compared with the net cash inflow generated from operating activities of RMB11,212,791,000 for the corresponding period of 2022. The cash inflow generated from financing activities of the Group for the Period was mainly derived from bank and other borrowings and such funds were used mainly for short-term operation and the purchase and construction of vessels and containers. The balance of cash and cash equivalents as at 31 December 2023 decreased by RMB2,417,004,000 as compared with that at the beginning of the Period, mainly due to optimisation of the capital structure and reduction in the scale of liabilities.

The following table provides the information regarding the Group's cash flow for the years ended 31 December 2023 and 31 December 2022:

	<i>Unit: RMB</i>	
	2023	2022
Net cash generated from operating activities	5,314,360,000	11,212,791,000
Net cash generated from/(used in) investing activities	962,726,000	(300,660,000)
Net cash used in financing activities	(8,927,755,000)	(14,492,259,000)
Impact of changes in exchange rate on cash	233,665,000	1,149,541,000
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	<u>(2,417,004,000)</u>	<u>(2,430,587,000)</u>

Net Cash Generated from Operating Activities

For the year ended 31 December 2023, the net cash inflow generated from operating activities was RMB5,314,360,000, representing a decrease of RMB5,898,431,000 as compared with the net cash inflow generated from operating activities of RMB11,212,791,000 for the same period of last year. The decrease was mainly due to the decrease in gross profit caused by fluctuations in market demand in the container leasing and manufacturing segment, and the impact of the pace of cash receipts and disbursements in container manufacturing. However, the Company's overall business activities still continued to be healthy.

Net Cash Generated from/(Used in) Investing Activities

For the year ended 31 December 2023, the net cash inflow generated from investing activities was RMB962,726,000, representing an increase of net cash inflow of RMB1,263,386,000 as compared with the net cash outflow used in investing activities of RMB300,660,000 for the same period of last year. The increase was mainly due to the slow down of the investment in vessels and container leasing business according to market conditions.

Net Cash Used in Financing Activities

For the year ended 31 December 2023, the net cash outflow used in financing activities was RMB8,927,755,000, representing a decrease of RMB5,564,504,000 as compared with the net cash outflow used in financing activities of RMB14,492,259,000 for the same period of last year, the main reason is that the Group continued to promote "reducing leverage and liabilities", fully optimized the Company's capital structure, reduced the scale of liabilities, strictly controlled the costs of funding and rewarded shareholders with dividends. For the year ended 31 December 2023, the Group's new bank and other borrowings amounted to RMB45,202,709,000, and repayment of bank and other borrowings amounted to RMB48,852,249,000.

USE OF PROCEEDS AND FUTURE PLANS

As approved by 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 issued 530,434,782 RMB ordinary shares (A shares) to 8 eligible investors, including China Shipping Group Company Limited, at the issue price of RMB2.76 per share (the "Issuance"). 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 Issuance 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 of the proceeds and protect the legitimate rights and interests of investors, a Tripartite Supervision Agreement for the Designated Accounts for Proceeds and a Quadripartite Supervision Agreement for Proceeds were entered into among the Company, the subsidiaries implementing the proceeds investment projects, the independent financial adviser and the bank opening a special account for the proceeds, pursuant to which a special account for the proceeds was opened up for the purpose of placing such proceeds only.

As of 31 December 2023, the use of the proceeds is as follows:

Unit: RMB

Item		Amount of proceeds
Net proceeds		1,460,904,954.84
Accumulated proceeds used as at the beginning of the Period	Amount of projects financed by the proceeds	1,121,951,717.00
	Replacement of the pre-invested internal funds with the proceeds	230,811,074.74
	Bank charges	618.57
	Interest income	1,182,840.68
Balance in the special account for proceeds as of 31 December 2022		109,324,385.21
Amount used in the year	Amount of projects financed by the proceeds	88,933,148.84
	Bank charge	4,450.46
	Interest income	194,417.48
Accumulated proceeds used as at the end of the Period	Amount of projects financed by the proceeds	1,441,695,940.58
	Bank charge	5,069.03
	Interest income	1,377,258.16
Balance in the special account for proceeds as of 31 December 2023		<u>20,581,203.39</u>

To regulate the management, storage and use of proceeds and protect the legitimate rights and interests of investors, the Company has formulated the Proceeds Management Policies according to the Measures for the Administration of the Funds Raised by Listing Companies on the Shanghai Stock Exchange (《上海證券交易所上市公司募集資金管理辦法》) and the Regulatory Guidelines for Listed Companies No.2 – Regulatory Requirements for the Management and Use of Funds Raised by Listed Companies (《上市公司監管指引第 2 號 – 上市公司募集資金管理和使用的監管要求》) and other laws and regulations.

According to the Proceeds Management Policies, the Company implemented special account placement for the proceeds. A special bank account has been opened with China Development Bank Shanghai Branch for the exclusive deposit, management and utilization of the proceeds. A Tripartite Supervision Agreement for the Designated Accounts for Proceeds was entered into among the Company, China International Capital Corporation Limited as the independent financial adviser and China Development Bank Shanghai Branch in January 2022. There is no material difference between such agreement and the Tripartite Supervision Agreement for the Designated Accounts for Proceeds (Model) of the Shanghai Stock Exchange.

In addition, Dong Fang International Container (Qidong) Co., Ltd. (寰宇東方國際集裝箱(啟東)有限公司), Dong Fang International Container (Qingdao) Co., Ltd. (寰宇東方國際集裝箱(青島)有限公司), Dong Fang International Container (Ningbo) Co., Ltd. (寰宇東方國際集裝箱(寧波)有限公司) and Shanghai Universal Logistics Technology Co., Ltd.(上海寰宇物流科技有限公司), as 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 as the independent financial adviser and Bank of China Limited, Shanghai Branch. There is no material difference between such agreement and the Tripartite Supervision Agreement for the Designated Accounts for Proceeds (Model) of the Shanghai Stock Exchange.

As of 31 December 2023, the details of placement of the proceeds were as follows:

Unit: RMB

Serial No.	Company Name	Deposit Bank	Bank Account	Account Balance
1	COSCO SHIPPING Development Co., Ltd.	China Development Bank, Shanghai Branch	31001560021137250000	90.70
2	Dong Fang International Container (Qidong) Co., Ltd. (寰宇東方國際集裝箱(啟東)有限公司)	Business Department, Bank of China Shanghai Branch	454682512528	-
3	Dong Fang International Container (Qingdao) Co., Ltd. (寰宇東方國際集裝箱(青島)有限公司)	Business Department, Bank of China Shanghai Branch	439082519935	17,636.66
4	Dong Fang International Container (Ningbo) Co., Ltd. (寰宇東方國際集裝箱(寧波)有限公司)	Business Department, Bank of China Shanghai Branch	440382523907	19,031,622.00
5	Shanghai Universal Logistics Technology Co., Ltd. (上海寰宇物流科技有限公司)	Business Department, Bank of China Shanghai Branch	439082531816	1,531,854.03
Total				20,581,203.39

As of 31 December 2023, the actual utilisation of the proceeds was as follows:

Unit: RMB'0,000

Item	Total committed investment of proceeds	Investment committed as of the end of the Period	Investment accumulated as of the end of the Period	Difference between the investment accumulated and the investment committed as of the end of the Period	Date of project reaching the scheduled usable status
Production lines technology transformation project	19,400.00	19,400.00	19,422.10	22.10	May 2023
Container production lines technology transformation project	20,000.00	20,000.00	20,031.81	31.81	July 2023
Logistics equipment transformation project	9,200.00	9,200.00	7,327.60	(1,872.40)	May 2024
Information system upgrade and setup project	8,800.00	8,800.00	8,667.35	(132.65)	May 2023
Replenishment of the working capital of the Company	89,000.00	88,690.50	88,720.73	30.23	N/A
Total	146,400.00	146,090.50	144,169.59	(1,920.91)	-

As of 31 December 2023, the use and intended use of proceeds from the Issuance are in line with the use of proceeds as previously disclosed. For the details of intended use of proceeds from the Issuance, 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 2023, the Group's net amount of trade and notes receivables was RMB1,778,295,000, representing an increase of RMB1,222,150,000 as compared with the same period last year, of which notes receivables decreased by RMB8,015,000, and trade receivables increased by RMB1,230,165,000, which was mainly due to the increase in the outstanding receivables for containers leasing under the impact of collection credit period.

Gearing Ratio Analysis

As of 31 December 2023, the Company's net gearing ratio (i.e. net debts over shareholders' equity) was 263.3%, which was lower than that of 266.3% last year. The decrease in net gearing ratio was mainly due to the reduction in the scale of liabilities during the Period.

Foreign Exchange Risk Analysis

Revenues and costs of the Group's container manufacturing, container leasing and shipping leasing operations are settled or denominated in USD. As a result, the impact on the net operating revenue due to RMB exchange rate fluctuation can be offset by each other to a certain extent. For the Period, the Group recorded an exchange gain of RMB286,058,000, which was mainly due to fluctuations of the USD exchange rate during the Period; the increase in exchange difference which was charged to equity attributable to shareholders of the parent company amounted to RMB206,170,000. The Group will continue to closely monitor the exchange rate fluctuation of RMB and major international settlement currencies in the future to minimise the impact of exchange rate fluctuation and thus reduce exchange rate risks. During the year, the Group timely considered using derivative financial instruments to hedge foreign exchange risks. As of 31 December 2023, the fair value of the Group's outstanding forward exchange settlement contracts included in derivative financial instruments amounted to RMB30,998,000.

Capital Expenditures

For the year ended 31 December 2023, the Group's expenditures on the acquisition of containers, machinery and equipment, machinery and equipment under construction and other expenditures amounted to RMB3,725,065,000, expenditures on the acquisition of finance lease assets amounted to RMB2,022,518,000.

Capital Commitments

As at 31 December 2023, the Group had RMB23,200,000 in capital commitment to fixed assets, RMB65,938,000 in equity investment commitment and RMB151,216,000 in outstanding leased equipment amount, which had been contracted but not provided for.

Pledge

As at 31 December 2023, certain container vessels and containers with net carrying value of approximately RMB20,065,989,000 (31 December 2022: RMB18,611,895,000), finance lease receivables of RMB8,286,209,000 (31 December 2022: RMB12,969,610,000) and restricted deposits of RMB2,953,000 (31 December 2022: RMB5,340,000) 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

Reference is made to the announcement of the Company dated 10 November 2023 in relation to an equity transfer agreement (the “**Equity Transfer Agreement**”) between COSCO SHIPPING Development (Hong Kong) Co., Ltd. (“**COSCO SHIPPING Development (Hong Kong)**”) and COSCO SHIPPING International (Hong Kong) Co., Ltd. (“**COSCO SHIPPING International (Hong Kong)**”) in relation to the disposal of 100% equity interest in Helen Insurance Brokers Limited (“**Helen Insurance**”) by COSCO SHIPPING Development (Hong Kong) to COSCO SHIPPING International (Hong Kong).

The relevant parties entered into the Equity Transfer Agreement on 10 November 2023, pursuant to which COSCO SHIPPING Development (Hong Kong) conditionally agreed to sell and COSCO SHIPPING International (Hong Kong) conditionally agreed to purchase 100% of the equity interests of Helen Insurance at the total consideration of HK\$270,980,600.

Upon completion of the transaction under the Equity Transfer Agreement, Helen Insurance will cease to be a subsidiary of the Company and the financial results of Helen Insurance will no longer be consolidated into the consolidated financial statements of the Company.

Please refer to the announcement of the Company dated 10 November 2023 for further details. The transaction under the Equity Transfer Agreement was completed on 15 January 2024.

SUBSEQUENT EVENTS

On 28 March 2024, the Board proposed the payment of a final dividend of RMB0.032 per share (inclusive of applicable tax) for the year ended 31 December 2023, totaling approximately RMB433,511,000 calculated based on 13,547,214,320 shares, being the total number of issued shares of the Company of 13,575,938,612 as at 28 March 2024 deducting 28,724,292 A shares repurchased by the Company, which is subject to the approval of shareholders of the Company at the forthcoming annual general meeting of the Company.

CONTINGENT LIABILITIES

As at 31 December 2023, there were no significant contingent liabilities for the Group.

EMPLOYEES, TRAINING AND BENEFITS

As at 31 December 2023, the Group had 11,261 employees, and the total staff costs for the Period (including staff remuneration, welfare cost and social insurance fees etc.) amounted to approximately RMB2,117,313,000 (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 re-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.

During the year ended 31 December 2023, in accordance with the Regulations Governing Share Incentives for Listed Companies and the Listing Rules, and after being reviewed and approved at the Fifth Meeting of the Seventh Session of the Board and the Fourth Meeting of the Seventh Session of the Supervisory Board of the Company, the conditions for the exercise of the Second Exercise Period of the Initial Grant of Options and the First Exercise Period of the Reserved Grant of Options under the Share Option Incentive Plan of A Shares of the Company were fulfilled, and approval was given to the eligible Incentive Participants to carry out the exercise of the share options and the exercise price was RMB2.193 per share. A total of 106 incentive targets of the Company exercised a total of 19,803,610 share options. Please refer to the announcement of the Company dated 12 June 2023 for further details.

DIVIDEND

The Board proposed to distribute a final dividend of RMB0.032 per share (inclusive of applicable taxes) for the year ended 31 December 2023 (2022: RMB0.087 per share), subject to the approval of shareholders of the Company at the forthcoming annual general meeting. 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 annual general meeting (other than those who are holders of H shares of the Company through the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, the final dividend will be paid to them in RMB)

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.

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

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) consists of two independent non-executive directors, namely Mr. Lu Jianzhong and Mr. Chan Kwok Leung, and one non-executive director, namely Mr. Huang Jian. The Audit Committee has discussed with the independent auditor of the Company, SHINEWING (HK) CPA Limited, and reviewed the annual results of the Group for the year ended 31 December 2023.

This annual results announcement is based on the Company’s consolidated financial statements for the year ended 31 December 2023 which have been agreed with the auditor of the Company.

CORPORATE GOVERNANCE CODE

The Board has confirmed that the Company was in full compliance with all the applicable code provisions of the Corporate Governance Code set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) (the “**Listing Rules**”) during the year ended 31 December 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors, supervisors and relevant employees on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules. Having made specific enquiry by the Company of all Directors and supervisors, the Directors and supervisors have each confirmed their compliance with the required standard set out in the Model Code regarding securities transactions by directors and supervisors during the Period. The Company is not aware of any non-compliance with these guidelines by the relevant employees.

SCOPE OF WORK OF SHINEWING (HK) CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been agreed by the Group’s auditor, SHINEWING (HK) CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year ended 31 December 2023. The work performed by SHINEWING (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by SHINEWING (HK) CPA Limited on this preliminary announcement.

DISCLOSURE OF INFORMATION

This announcement is published on the website of the Hong Kong Stock Exchange at <http://www.hkexnews.hk> and the Company's website at <http://development.coscoshipping.com>. The annual report of the Company for year ended 31 December 2023 will be despatched by the Company to its shareholders and published on the aforesaid websites of the Hong Kong Stock Exchange and the Company in due course.

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

Shanghai, the PRC
28 March 2024

As at the date of this announcement, the Board comprises Mr. Zhang Mingwen, being an executive Director, Mr. Huang Jian, Mr. Liang Yanfeng and Mr. Ip Sing Chi, being non-executive Directors, and Mr. Lu Jianzhong, Ms. Zhang Weihua, Mr. Shao Ruiqing and Mr. Chan Kwok Leung, being independent non-executive Directors.

* *The Company is a registered non-Hong Kong company as defined under 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."*